

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**Smart Link Better Life.**

**長飛光纖光纜股份有限公司**

**Yangtze Optical Fibre and Cable Joint Stock Limited Company\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6869)**

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**FINANCIAL HIGHLIGHTS**

- Revenue was RMB7,769.2 million (2018: RMB11,359.8 million), decreased by approximately 31.6% (2018: increased by 9.6%).
- Gross profit and gross profit margin were RMB1,833.5 million (2018: RMB3,228.4 million) and 23.6% (2018: 28.4%), respectively.
- Profit for the year attributable to equity shareholders of the Company was RMB801.2 million (2018: RMB1,489.2 million), decreased by approximately 46.2% (2018: increased by 17.4%).
- The Group's revenue from domestic business decreased by approximately 35.5% (2018: increased by 2.9%), when compared with the prior year. The Group's overseas revenue decreased by approximately 11.9% (2018: increased by 62.5%), when compared with the prior year.

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results for the year ended 31 December 2019 of Yangtze Optical Fibre and Cable Joint Stock Limited Company\* 長飛光纖光纜股份有限公司 (the “**Company**”) and its subsidiaries (the “**Group**”) has not been completed. In the meantime, the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

\* For identification purposes only

**Consolidated Income Statement**  
For the year ended 31 December 2019  
(Expressed in Renminbi “RMB”)

	<i>Notes</i>	<b>2019</b> <b>(Unaudited)</b>	2018 (Audited)
<b>I. Revenue</b>	4	<b>7,769,175,495</b>	11,359,764,086
<b>II. Less: Cost of sales</b>	4	<b>5,935,648,889</b>	8,131,340,393
Taxes and surcharges		<b>26,708,981</b>	61,749,553
Selling expenses		<b>347,325,663</b>	385,304,803
Administrative expenses		<b>428,531,381</b>	646,920,902
R&D expenses		<b>413,538,214</b>	516,757,100
Financial expenses	5	<b>15,194,362</b>	40,148,836
Including: Interest expenses		<b>53,335,013</b>	44,799,968
Interest income		<b>29,514,105</b>	27,871,149
Add: Other income	6	<b>203,936,325</b>	27,858,039
Investment income		<b>130,756,609</b>	151,058,214
Including: Income from investment in associates and joint ventures		<b>109,848,127</b>	152,089,231
Gains from changes in fair value		<b>238,970</b>	257,993
Credit losses		<b>(33,407,343)</b>	(48,290,427)
Impairment losses		<b>(33,325,145)</b>	(38,615,213)
Gains/(losses) from asset disposals		<b>7,367,173</b>	(2,741,721)
<b>III. Operating profit</b>		<b>877,794,594</b>	1,667,069,384
Add: Non-operating income		<b>6,520,253</b>	3,514,740
Less: Non-operating expenses		<b>805,799</b>	1,059,066
<b>IV. Profit before taxation</b>		<b>883,509,048</b>	1,669,525,058
Less: Income tax	7	<b>99,224,076</b>	181,494,174
<b>V. Profit for the year</b>		<b>784,284,972</b>	1,488,030,884
Profit for the year attributable to equity shareholders of the Company		<b>801,225,042</b>	1,489,185,053
Non-controlling interests		<b>(16,940,070)</b>	(1,154,169)

	<i>Notes</i>	<b>2019</b> <b>(Unaudited)</b>	2018 (Audited)
<b>VI. Other comprehensive income, net of tax</b>			
Other comprehensive income (net of tax) attributable to shareholders of the Company		<b>11,599,640</b>	(38,125,893)
(1) Items that cannot be reclassified subsequently to profit or loss			
Changes in fair value of investments in other equity instruments		<b>(6,508,537)</b>	(31,142,485)
(2) Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>18,108,177</b>	(6,983,408)
Other comprehensive income (net of tax) attributable to non-controlling interests		<b>1,513,031</b>	(5,393,685)
<b>VII. Total comprehensive income for the year</b>		<b>797,397,643</b>	1,444,511,306
Total comprehensive income attributable to equity shareholders of the Company		<b>812,824,682</b>	1,451,059,160
Total comprehensive income attributable to non-controlling interests		<b>(15,427,039)</b>	(6,547,854)
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share	8	<b>1.06</b>	2.09
(2) Diluted earnings per share	8	<b>1.06</b>	2.09

**Consolidated Balance Sheet**  
*At 31 December 2019*  
*(Expressed in Renminbi “RMB”)*

	<i>Notes</i>	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents		<b>2,123,861,315</b>	2,684,163,417
Financial assets held for trading		<b>9,902,598</b>	32,913,367
Bills receivable	<i>10</i>	<b>232,508,205</b>	322,084,314
Trade receivables	<i>11</i>	<b>3,123,505,778</b>	2,976,756,984
Receivables under financing	<i>12</i>	<b>95,235,940</b>	118,621,938
Prepayments for raw materials		<b>120,994,458</b>	92,445,336
Other receivables		<b>109,599,839</b>	135,603,164
Inventories		<b>1,779,342,250</b>	995,149,268
Other current assets		<b>256,866,780</b>	130,323,468
<b>Total current assets</b>		<b>7,851,817,163</b>	7,488,061,256
<b>Non-current assets:</b>			
Long-term receivables		<b>16,000,000</b>	–
Long-term equity investments		<b>1,495,444,610</b>	1,626,151,304
Investments in other equity instruments		<b>57,172,099</b>	64,829,201
Fixed assets		<b>3,650,781,975</b>	2,016,583,574
Construction in progress		<b>104,852,760</b>	1,170,820,370
Right-of-use assets		<b>64,400,158</b>	–
Intangible assets		<b>307,136,373</b>	291,972,356
Long-term deferred expenses		<b>5,046,886</b>	1,313,700
Deferred tax assets		<b>97,148,174</b>	84,664,986
Other non-current assets		<b>126,099,397</b>	141,485,562
<b>Total non-current assets</b>		<b>5,924,082,432</b>	5,397,821,053
<b>Total assets</b>		<b>13,775,899,595</b>	12,885,882,309

	<i>Notes</i>	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>			
<b>Current liabilities:</b>			
Current bank loans	<i>13</i>	<b>895,576,208</b>	277,271,416
Bills payable	<i>14</i>	<b>574,793,263</b>	232,494,030
Trade payables	<i>15</i>	<b>1,261,607,902</b>	1,275,619,383
Contract liabilities		<b>262,900,550</b>	179,060,964
Employee benefits payable		<b>219,940,848</b>	445,025,136
Taxes payable		<b>103,566,255</b>	166,438,867
Other payables		<b>410,686,340</b>	485,661,296
Non-current liabilities due within one year		<b>40,179,239</b>	276,854,467
<b>Total current liabilities</b>		<b>3,769,250,605</b>	3,338,425,559
<b>Non-current liabilities:</b>			
Non-current bank loans	<i>16</i>	<b>42,000,000</b>	817,000,000
Lease liabilities		<b>48,585,433</b>	–
Deferred income		<b>166,769,940</b>	91,504,361
Other non-current liabilities		<b>807,160,850</b>	262,623,183
<b>Total non-current liabilities</b>		<b>1,064,516,223</b>	1,171,127,544
<b>Total liabilities</b>		<b>4,833,766,828</b>	4,509,553,103
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		<b>757,905,108</b>	757,905,108
Capital reserve		<b>3,364,035,212</b>	3,353,543,988
Less: treasury stock		<b>33,653,461</b>	–
Other comprehensive income		<b>37,779,996</b>	26,180,356
Surplus reserve		<b>612,010,760</b>	557,383,759
Retained earnings		<b>4,050,142,747</b>	3,493,020,983
<b>Total equity attributable to equity shareholders of the Company</b>		<b>8,788,220,362</b>	8,188,034,194
<b>Non-controlling interests</b>		<b>153,912,405</b>	188,295,012
<b>Total equity</b>		<b>8,942,132,767</b>	8,376,329,206
<b>Total liabilities and shareholders' equity</b>		<b>13,775,899,595</b>	12,885,882,309

## Notes:

### 1. CORPORATE INFORMATION

Yangtze Optical Fibre and Cable Company Ltd. 長飛光纖光纜有限公司 was established in the People's Republic of China (the "PRC" or "China") on 31 May 1988 as a sino-foreign equity joint venture. On 27 December 2013, it was renamed as Yangtze Optical Fibre and Cable Joint Stock Limited Company\* 長飛光纖光纜股份有限公司 and was converted into a foreign invested joint stock limited liability company in the PRC. On the same date, the Company's equity was converted into 479,592,598 ordinary shares with a par value of RMB1.00 each.

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 10 December 2014. On the same date, the Company issued a total number of 159,870,000 H shares with a par value of RMB1.00 each at a price of HK\$7.39 per H share by way of public offering of the Company's H shares to Hong Kong and overseas investors.

On 18 December 2015, the Company completed the issuance of domestic shares and H shares to certain directors and selected employees and the private placement of H shares to four independent professional institutional investors. A total number of 42,652,000 shares (including H shares and domestic shares) with a par value of RMB1.00 each were issued at a subscription price of HK\$7.15 per share.

The China Securities Regulatory Commission approved the initial public offering of A shares by the Company and the A shares of the Company were listed on the Shanghai Stock Exchange on 20 July 2018. The Company issued 75,790,510 A shares to the public at the issue price of RMB26.71 per A share and 330,547,804 domestic shares were converted into A shares. Upon the issue of A shares, the total number of issued shares of the Company became 757,905,108 shares (comprising 351,566,794 H shares and 406,338,314 A shares). The total proceeds from the issue of the A shares amounted to RMB2,024,364,522 and the net proceeds (after deducting issue expenses) amounted to RMB1,894,337,174.

The Group is principally engaged in the research, development, production and sale of optical fibre preforms, optical fibres, optical fibre cables and related products.

### 2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance of the People's Republic of China and the specific accounting standards and application guidelines, interpretations and other relevant regulations promulgated and subsequently promulgated by the Ministry of Finance of the People's Republic of China and "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission.

The Company prepares the financial statements based on the going-concern basis.

### 3. REVENUE

The Group is principally engaged in the manufacturing and sales of optical fibre preforms, optical fibres, optical fibre cables and other related products and services. Revenue represents the sales value of goods supplied to customers, net of value added tax.

#### 4. Revenue and cost of sales

Item	2019 (Unaudited)		2018 (Audited)	
	Revenue	Cost	Revenue	Cost
Principal activities	7,490,584,171	5,677,206,635	11,061,853,761	7,875,108,914
Other operating activities	278,591,324	258,442,254	297,910,325	256,231,479
Total	<u>7,769,175,495</u>	<u>5,935,648,889</u>	<u>11,359,764,086</u>	<u>8,131,340,393</u>
Including: Revenue generated from contract	7,769,175,495	5,935,648,889	11,359,764,086	8,131,340,393

Details of revenue:

	2019 (Unaudited)	2018 (Audited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	2,508,413,385	4,691,213,906
– Optical fibre cables	4,002,028,543	5,726,732,615
– System Intergration sales	349,123,295	56,123,194
– Other sales	631,018,948	587,784,046
Sub-total	7,490,584,171	11,061,853,761
Revenue from other operating activities		
– Materials	268,790,217	217,046,012
– Commission processing	13,452	61,678,026
– Technology licence fees and services	2,824,274	56,123,194
– Others	6,963,381	587,784,046
Total	<u>7,769,175,495</u>	<u>11,359,764,086</u>

#### 5. Financial expenses

Item	2019 (Unaudited)	2018 (Audited)
Interest expenses on loans and payables	62,148,499	60,388,465
Interest on lease liabilities	3,913,486	–
Less: Borrowing costs capitalised*	4,900,000	14,842,497
Less: Financial discount to offset financial expenses	–	746,000
Interest income from deposits	(29,514,105)	(27,871,149)
Net exchange (gains)/losses	(24,324,380)	12,379,648
Other financial expenses	7,870,862	10,840,369
Total	<u>15,194,362</u>	<u>40,148,836</u>

\* The interest rate per annum, at which the borrowing costs were capitalized for the 2019 and 2018 by the Group was 4.24% and 3.98% respectively.

## 6. Other income

<b>Item</b>	<b>2019 (Unaudited)</b>	<b>2018 (Audited)</b>
Government grants related to assets	18,274,111	6,705,083
Government grants related to income	185,662,214	21,152,956
Total	<u>203,936,325</u>	<u>27,858,039</u>

## 7. Income tax

	<b>2019 (Unaudited)</b>	<b>2018 (Audited)</b>
Income tax for the year based on tax laws and regulations	107,021,724	207,488,382
Changes in deferred income tax	(11,334,623)	(23,833,861)
Tax filling differences	3,536,975	(2,160,347)
Total	<u>99,224,076</u>	<u>181,494,174</u>

(1) The analysis of changes in deferred income tax is as follows:

<b>Item</b>	<b>2019 (Unaudited)</b>	<b>2018 (Audited)</b>
Originations and reversals of temporary differences	<u>(11,334,623)</u>	<u>(23,833,861)</u>
Total	<u>(11,334,623)</u>	<u>(23,833,861)</u>

(2) Reconciliation between income tax and accounting profit is as follows:

<b>Item</b>	<b>2019 (Unaudited)</b>	<b>2018 (Audited)</b>
Profit before taxation	883,509,048	1,669,525,058
Expected income tax calculated at tax rate of 25%	220,877,262	417,381,265
Effect of tax rate differences	(67,922,214)	(146,681,878)
Effect of tax filing difference	3,536,975	(2,160,347)
Effect of non-taxable income	(14,513,501)	(50,079,646)
Effect of non-deductible cost, expense and loss	3,215,382	8,285,343
Additional qualified tax deduction relating to research and development costs	(63,928,391)	(71,933,679)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	<u>17,958,563</u>	<u>26,683,116</u>
Income tax	<u>99,224,076</u>	<u>181,494,174</u>

The Company and its subsidiaries in the PRC are subject to PRC enterprise income tax at the statutory tax rate of 25%.



According to the High-tech Enterprise Certificate No. GR201742002234 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, from 30 November 2017 to 30 November 2020, the Company would be entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments in deductions from research and development costs. Therefore, the Company was entitled to a preferential tax rate of 15% in 2018 and 2019.

According to the High-tech Enterprise Certificate No. GR201842002475 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, EverPro Technologies Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 30 November 2018 to 30 November 2021.

According to Article 2 of Notice on Issues Concerning Tax Policies on Further Implementing the Strategy of Western Development issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation [Cai Shui (2011) No.58], Yangtze Optical Fibre and Cable Lanzhou Co., Ltd., a subsidiary of the Company, is an enterprise under the preferred industry set up in the western region, which was entitled to a preferential tax rate of 15% from 1 January 2016 to 31 December 2020.

According to the High-tech Enterprise Certificate No. GR201744200547 issued by Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Committee, Shenzhen State Administration of Taxation and Shenzhen Local Taxation Bureau, Shenzhen YOFC Connectivity Technologies Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 17 August 2017 to 17 August 2020.

According to the High-tech Enterprise Certificate No. GR201742000482 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, Yangtze Optical Fibre (Qianjiang) Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 28 November 2017 to 28 November 2020.

According to the High-tech Enterprise Certificate No. GR201742001399 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, Wuhan E3cloud Information Technologies Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 28 November 2017 to 28 November 2020.

According to the High-tech Enterprise Certificate No. GR201721000823 issued by Liaoning Science and Technology Department, Liaoning Provincial Department of Finance, Liaoning Provincial State Revenue Agency and Liaoning Provincial Local Taxation Bureau, Yangtze Optical Fibre and Cable Shenyang Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 1 December 2017 to 1 December 2020.

According to the High-tech Enterprise Certificate No. GR201833000494 issued by Zhejiang Science and Technology Department, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service and State Taxation Administration, Ally First Optical Fibre and Cable Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 30 November 2018 to 30 November 2021.

Taxes on overseas subsidiaries were calculated according to the prevailing appropriate tax rates in the relevant countries and regions.

## 8. Earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	<b>2019</b> <b>(Unaudited)</b>	2018 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company	<b>801,225,042</b>	1,489,185,053
Less : Forfeitable cash dividends declared to restricted H shareholders in employee share ownership plan this year whose shares are expected to unlock in the future	<b>500,000</b>	–
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<b>800,725,042</b>	1,489,185,053
Weighted average number of ordinary shares outstanding	<b>756,250,313</b>	713,693,977
Basic earnings per share (RMB/share)	<b>1.06</b>	2.09

Weighted average number of ordinary shares is calculated as follows:

	<b>2019</b> <b>(Unaudited)</b>	2018 (Audited)
Issued ordinary shares at the beginning of the year	<b>757,905,108</b>	682,114,598
Effect from initial public offering of A shares	–	31,579,379
Effect from restricted H shares in employee share ownership plan (note)	<b>(1,654,795)</b>	–
Weighted average number of ordinary shares at the end of the year	<b>756,250,313</b>	713,693,977

Note : The Company has phase I employee share ownership plan following the approval by the 19th Meeting of the Second Board of Directors, the 12th Meeting of the Second Board of Supervisors and the First Extraordinary General Meeting in 2019. In accordance with the plan, the Company purchased 2,000,000 H shares of issued shares of the Company in the secondary market and granted to 100 employees participating in the plan.

**(2) Diluted earnings per share**

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted):

	note	2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	<u><u>800,850,042</u></u>
Weighted average number of ordinary shares outstanding (diluted)	(b)	<u><u>756,512,990</u></u>
Diluted earnings per share (RMB/share)		<u><u>1.06</u></u>

(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

	2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	<u><u>800,725,042</u></u>
Diluted adjustments:	
Forfeitable cash dividends declared to restricted H shareholders in employee share ownership plan this year whose shares are expected to unlock in the future (note)	<u><u>125,000</u></u>
Consolidated net profit attributable to ordinary shareholders (diluted)	<u><u>800,850,042</u></u>

Note : When calculating diluted earnings per share during the lock-in period of restricted shares, consolidated net profit attributable to ordinary shareholders of the Company (diluted) shall add the cash dividends (with dilution) distributed to the shareholders of the expected unlocking restricted shares in the future that have been deducted when calculating the consolidated net profit (dilution) attributable to ordinary shareholders of the Company.

(b) Weighted average number of the Company's ordinary shares (diluted) is calculated as follows:

	2019 (Unaudited)
Weighted average number of ordinary shares at 31 December	<u><u>756,250,313</u></u>
Diluted adjustments:	
Effect from restricted H shares in employee share ownership plan	262,677
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>756,512,990</u></u>

There is no dilutive potential share during the year of 2018. Accordingly, the diluted earnings per share are the same as basic earnings per share.

## 9. SEGMENT REPORTING

The Group determines the two reporting segments, optical fibres and optical fibre preforms segment and optical fibre cables segment, based on the internal organizational structure, management requirements and internal reporting system. Each reporting segment is a separate business segment that provides different products. The management of the Group will regularly review the financial information of different segments to determine the allocation of resources and to evaluate their sales performance.

- Optical fibres and optical fibre preforms segment-mainly responsible for the production and sales of optical fibres and optical fibre preforms.
- Optical fibre cables segment-mainly responsible for the production and sales of optical fibre cables.

### (1) Information of Profit or Loss and Assets of Reporting Segments

In order to evaluate the performance of each segment and allocate resources, the management of the Group will regularly review the assets, income, expenses and operating results attributable to each segment. The preparation of such information is based on the followings:

Segment assets include all tangible assets, other non-current assets and receivables and other current assets attributable to each segment, but exclude deferred income tax assets, long-term equity investments, intangible assets and other unallocated assets.

Segment operating results refer to the revenue from external customers generated by each segment, less the operating costs incurred by each segment. The Group did not allocate other expenses such as selling and management expenses and financial expenses to each segment.

The information disclosed in each of the following reporting segments of the Group is that the management of the Group used the following data in measuring profit/(loss) and assets of the reporting segments, or did not use the following data but provided it regularly to the management of the Group:

Item	2019 (Unaudited)					Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	
Revenue from external transactions	2,508,413,385	4,002,028,543	1,258,733,567	-	-	7,769,175,495
Inter-segment revenue	327,502,804	37,831,735	737,696,522	(1,103,031,061)	-	-
Segment profit	1,061,268,611	689,506,156	149,346,366	(66,594,527)	-	1,833,526,606
Including: Depreciation and amortisation expenses	(149,262,183)	(29,238,536)	(112,202,900)	3,721,121	-	(286,982,498)
Taxes and surcharges	-	-	-	-	(26,708,981)	(26,708,981)
Selling expenses	-	-	-	-	(347,325,663)	(347,325,663)
Administration expenses	-	-	-	-	(428,531,381)	(428,531,381)
R&D expenses	-	-	-	-	(413,538,214)	(413,538,214)
Financial expenses	-	-	-	-	(15,194,362)	(15,194,362)
Other income	-	-	-	-	203,936,325	203,936,325
Investment income	-	-	-	-	130,756,609	130,756,609
Including: Income from investment in associates and joint ventures	-	-	-	-	109,848,127	109,848,127
Gains from changes in fair value	-	-	-	-	238,970	238,970
Credit losses	-	-	-	-	(33,407,343)	(33,407,343)
Impairment losses	-	-	-	-	(33,325,145)	(33,325,145)
Gains from asset disposals	-	-	-	-	7,367,173	7,367,173
Operating profit/(loss)	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(955,732,012)	877,794,594
Non-operating income	-	-	-	-	6,520,253	6,520,253
Non-operating expenses	-	-	-	-	(805,799)	(805,799)
Profit/(loss) before taxation	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(950,017,558)	883,509,048
Income tax	-	-	-	-	(99,224,076)	(99,224,076)
Profit for the year	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(1,049,241,634)	784,284,972
Total assets	4,106,497,871	3,438,873,331	6,432,644,814	(202,116,421)	-	13,775,899,595
Other items						
- Long-term equity investment in associates and joint ventures	-	-	1,495,444,610	-	-	1,495,444,610
- Increase in other non-current assets other than long-term equity investment	643,384,184	189,045,242	196,325,876	(21,844,499)	-	1,006,910,803

Item	2018 (Audited)					Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	
Revenue from external transactions	4,691,213,906	5,726,732,615	941,817,565	–	–	11,359,764,086
Inter-segment revenue	621,561,325	17,654,034	525,995,092	(1,165,210,451)	–	–
Segment profit	2,517,076,356	701,142,395	218,590,815	(208,385,873)	–	3,228,423,693
Including: Depreciation and amortisation expenses	(109,192,139)	(26,271,833)	(85,978,027)	3,895,436	–	(217,546,563)
Taxes and surcharges	–	–	–	–	(61,749,553)	(61,749,553)
Selling expenses	–	–	–	–	(385,304,803)	(385,304,803)
Administration expenses	–	–	–	–	(646,920,902)	(646,920,902)
R&D expenses	–	–	–	–	(516,757,100)	(516,757,100)
Financial expenses	–	–	–	–	(40,148,836)	(40,148,836)
Other income	–	–	–	–	27,858,039	27,858,039
Investment income	–	–	–	–	151,058,214	151,058,214
Including: Income from investment in associates and joint ventures	–	–	–	–	152,089,231	152,089,231
Gains from changes in fair value	–	–	–	–	257,993	257,993
Credit losses	–	–	–	–	(48,290,427)	(48,290,427)
Impairment losses	–	–	–	–	(38,615,213)	(38,615,213)
Losses from asset disposals	–	–	–	–	(2,741,721)	(2,741,721)
Operating profit/(loss)	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,561,354,309)	1,667,069,384
Non-operating income	–	–	–	–	3,514,740	3,514,740
Non-operating expenses	–	–	–	–	(1,059,066)	(1,059,066)
Profit/(loss) before taxation	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,558,898,635)	1,669,525,058
Income tax	–	–	–	–	(181,494,174)	(181,494,174)
Profit for the year	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,740,392,809)	1,488,030,884
Total assets	3,339,243,003	2,947,812,542	6,762,745,736	(163,918,972)	–	12,885,882,309
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,626,151,304	–	–	1,626,151,304
– Increase in other non-current assets other than long-term equity investment	1,046,540,370	42,664,890	339,565,101	(92,436,608)	–	1,336,333,753

## 10. Bills receivable

### (1) Bills receivable by category

Type	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Bank acceptance bills	133,952,096	207,822,849
Commercial acceptance bills	98,556,109	114,261,465
Total	<u>232,508,205</u>	<u>322,084,314</u>

The aforementioned bills receivable were due within one year.

### (2) Bills receivable pledged at the end of the year.

Type	Amount pledged at the end of the year (Unaudited)
Bank acceptance bills	<u>25,426,157</u>

### (3) Bills receivable endorsed or discounted at the end of the year and undue at the balance sheet date.

Type	Amount derecognized at the end of 2019 (Unaudited)	Amount not yet derecognized at the end of 2019 (Unaudited)
Bank acceptance bills	<u>-</u>	<u>102,352,302</u>

As at 31 December 2019, the Group continued to recognize discounted bills and endorsed bills of RMB39,358,068 and RMB62,994,234 respectively (31 December 2018: RMB18,696,208 and RMB81,452,177). With respect to this portion of discounted bills or endorsed bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on discounted and endorsed bills. Therefore, the Group continued to fully recognised this portion of the discounted and endorsed instruments. The bills, at the same time, confirmed the related payment due to the bank borrowings generated by discounting and the settlement of the the endorsed bills. After discounts and endorsements were transferred, the Group no longer retained any right to use discounted and endorsed bills, including the sale, transfer or pledge of discounted and endorsed bills to the third party. As at 31 December 2019, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB39,358,068 and RMB62,994,234 respectively (31 December 2018: RMB18,696,208 and RMB81,452,177). The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

## 11. Trade receivables

### (1) Analysis of trade receivables by the type of customers:

Type	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Due from related parties	116,060,677	333,868,828
Due from third parties	3,120,371,775	2,736,179,854
Sub-total	3,236,432,452	3,070,048,682
Less: allowance for doubtful debts	112,926,674	93,291,698
Total	<u>3,123,505,778</u>	<u>2,976,756,984</u>

### (2) Ageing analysis of trade receivables:

Ageing	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year (1 year inclusive)	2,845,452,536	2,842,042,694
1 to 2 years (2 years inclusive)	309,246,990	150,794,871
2 to 3 years (3 years inclusive)	20,136,083	40,270,048
3 to 4 years (4 years inclusive)	27,658,801	16,416,134
4 to 5 years (5 years inclusive)	14,409,495	8,131,261
Over 5 years	19,528,547	12,393,674
Sub-total	3,236,432,452	3,070,048,682
Less: allowance for doubtful debts	112,926,674	93,291,698
Total	<u>3,123,505,778</u>	<u>2,976,756,984</u>

The ageing of trade receivables is calculated from the date of recognition.

### (3) Analysis of trade receivables by category:

Category	Book value		31 December 2019 (Unaudited) Allowance for doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	11,443,932	0%	11,443,932	100%	–
Collectively assessed for impairment by group					
Group 1	116,060,677	4%	4,939,080	4%	111,121,597
Group 2	1,752,340,403	54%	44,124,069	3%	1,708,216,334
Group 3	1,356,587,440	42%	52,419,593	4%	1,304,167,847
Total	<u>3,236,432,452</u>	<u>100%</u>	<u>112,926,674</u>	<u>3%</u>	<u>3,123,505,778</u>



Category	31 December 2018 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	13,369,169	0%	13,369,169	100%	–
Collectively assessed for impairment by group					
Group 1	333,868,828	11%	10,770,196	3%	323,098,632
Group 2	1,704,184,801	56%	28,763,801	2%	1,675,421,000
Group 3	1,018,625,884	33%	40,388,532	4%	978,237,352
<b>Total</b>	<b>3,070,048,682</b>	<b>100%</b>	<b>93,291,698</b>	<b>3%</b>	<b>2,976,756,984</b>

(a) Reasons for making doubtful debts provisions with single trade receivables in 2019:

In the event of credit losses incurred by a customer, the Group makes doubtful debts provisions with single trade receivables in respect of that customer group.

(b) Standard and explanation of making doubtful debts provisions by group in 2019

According to the historical experience of the Group, there are differences in the losses of different segmented customer groups. Therefore, the Group divided our customers into the following groups:

- Group 1: Related parties;
- Group 2: Operators under China Telecom network and other companies with good credit records;
- Group 3: Other customers outside of the above groups.

(c) Expected credit loss assessment for trade receivables:

The management measures loss allowances for trade receivables at an amount equal to lifetime expected credit loss, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the group's different customer bases.

**2019 (Unaudited)**

<b>Group 1</b>	<b>Expected loss rate</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
Within 1 year (1 year inclusive)	0.25%	105,865,463	260,578
1 to 2 years (2 years inclusive)	24.60%	7,274,758	1,789,648
2 to 3 years (3 years inclusive)	88.28%	269,706	238,104
3 to 4 years (4 years inclusive)	100.00%	2,650,750	2,650,750
4 to 5 years (5 years inclusive)	100.00%	–	–
Over 5 years	100.00%	–	–
<b>Total</b>		<b>116,060,677</b>	<b>4,939,080</b>

<b>Group 2</b>	<b>Expected loss rate</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
Within 1 year (1 year inclusive)	0.44%	1,658,989,063	7,301,821
1 to 2 years (2 years inclusive)	12.04%	57,112,075	6,876,352
2 to 3 years (3 years inclusive)	52.92%	13,367,477	7,074,108
3 to 4 years (4 years inclusive)	100.00%	7,989,875	7,989,875
4 to 5 years (5 years inclusive)	100.00%	4,385,249	4,385,249
Over 5 years	100.00%	10,496,664	10,496,664
Total		<u>1,752,340,403</u>	<u>44,124,069</u>

<b>Group 3</b>	<b>Expected loss rate</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
Within 1 year (1 year inclusive)	2.28%	1,290,901,697	29,389,279
1 to 2 years (2 years inclusive)	11.59%	41,896,921	4,855,614
2 to 3 years (3 years inclusive)	49.14%	11,037,736	5,423,614
3 to 4 years (4 years inclusive)	100.00%	5,423,676	5,423,676
4 to 5 years (5 years inclusive)	100.00%	2,594,510	2,594,510
Over 5 years	100.00%	4,732,900	4,732,900
Total		<u>1,356,587,440</u>	<u>52,419,593</u>

2018 (Audited)

<b>Group 1</b>	<b>Expected loss rate</b>	<b>Book value</b>	<b>Allowance for doubtful debts\</b>
Within 1 year (1 year inclusive)	3.00%	330,669,098	9,920,073
1 to 2 years (2 years inclusive)	10.00%	548,980	54,898
2 to 3 years (3 years inclusive)	30.00%	2,650,750	795,225
3 to 4 years (4 years inclusive)	100.00%	—	—
4 to 5 years (5 years inclusive)	100.00%	—	—
Over 5 years	100.00%	—	—
Total		<u>333,868,828</u>	<u>10,770,196</u>

<b>Group 2</b>	<b>Expected loss rate</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
Within 1 year (1 year inclusive)	1.00%	1,638,079,552	16,380,795
1 to 2 years (2 years inclusive)	5.00%	37,230,824	1,861,541
2 to 3 years (3 years inclusive)	10.00%	12,411,377	1,241,138
3 to 4 years (4 years inclusive)	30.00%	4,428,828	1,328,648
4 to 5 years (5 years inclusive)	50.00%	8,165,083	4,082,542
Over 5 years	100.00%	3,869,137	3,869,137
Total		<u>1,704,184,801</u>	<u>28,763,801</u>

Group 3	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	3.00%	989,577,828	29,687,336
1 to 2 years (2 years inclusive)	10.00%	16,066,591	1,606,659
2 to 3 years (3 years inclusive)	30.00%	5,552,753	1,665,825
3 to 4 years (4 years inclusive)	100.00%	2,594,510	2,594,510
4 to 5 years (5 years inclusive)	100.00%	1,242,630	1,242,630
Over 5 years	100.00%	<u>3,591,572</u>	<u>3,591,572</u>
Total		<u>1,018,625,884</u>	<u>40,388,532</u>

Expected loss rates are calculated based on the actual credit loss experiences in the past 5 years and is adjusted based on the differences among the economic conditions of the period of historic data collection, the current economic conditions and the Group's view of economic conditions over the expected lives.

**(4) Additions, recoveries or reversals of allowance for doubtful debts during the year:**

	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
Balance at the beginning of the year	<b>93,291,698</b>	53,374,810
Addition during the year	<b>35,085,763</b>	52,416,997
Reversal during the year	<b>(1,678,420)</b>	(4,126,570)
Written-off during the year	<b>(13,772,367)</b>	(8,373,539)
Balance at the end of the year	<u><b>112,926,674</b></u>	<u>93,291,698</u>

During the reporting period, the Group did not have significant recoveries or reversals for trade receivables that had been fully impaired or provided with a relatively large proportion of allowance for doubtful debts collected or reversed.

**(5) Five largest trade receivables by debtors at the end of the year:**

As at 31 December 2019 and 31 December 2018, the subtotal of five largest trade receivables of the Group is RMB1,386,721,108 and RMB1,433,488,094, respectively, representing 43% and 47% of the total balance of trade receivables respectively. The corresponding allowance for doubtful debts is RMB32,814,688 and RMB27,872,704, respectively.

**12. Receivables under financing**

Item	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
Bills receivables	<u><b>95,235,940</b></u>	<u>118,621,938</u>

There is no change in fair value of receivables under financing of the Group in 2019. The accumulated impairment losses recognized in other comprehensive income is zero.

Bills receivable endorsed or discounted at the end of the year and undue at the balance sheet date:

Type	Amount derecognized at the end of 2019 (Unaudited)	Amount not yet derecognized at the end of 2019 (Unaudited)
Bank acceptance bills	<u>319,180,991</u>	<u>–</u>

In 2019, the Group discounted certain bank bills receivable from certain banks in China or endorsed them to the Group's suppliers ("Derecognized Bills") and derecognized them on 31 December 2019. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2019 and 31 December 2018 are RMB138,771,396 and RMB32,211,733 respectively. As at 31 December 2019 and 31 December 2018, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB180,409,595 and RMB120,162,979 respectively. As at 31 December 2019, the remaining period of the derecognized bills was 1 to 7 months.

According to the Bill Law of the People's Republic of China, if the acceptance bank of bills receivable that is discounted or endorsed by the Group refuses to pay, the holder has recourse to the Group. The Board believed that for the endorsed bills that were derecognized, the Group had substantially transferred almost all the risks and rewards of the bills. Therefore, the Group had derecognized these bills in full.

Due to the recourse rights of the bearer, the Group continued to be involved in the derecognition of the bills and the continued exposure to the maximum risk exposure resulting in the loss of the Group amounted to its full amount.

### 13. Current bank loans

Item	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Unsecured loans	<u>895,576,208</u>	<u>277,271,416</u>

As at 31 December 2019, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB90,690,600 (2018: RMB20,589,600).

As at 31 December 2019, the Group did not have any overdue loans not yet repaid.

### 14. Bills payable

Item	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Commercial acceptance bills	397,733,603	58,170,615
Bank acceptance bills	<u>177,059,660</u>	<u>174,323,415</u>
Total	<u>574,793,263</u>	<u>232,494,030</u>

The Group did not have any bills payable due and unpaid. The above amounts are bills payable due within one year.

## 15. Trade payables

<b>Item</b>	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
Due to related parties	<b>251,202,881</b>	236,218,411
Due to third parties	<b>1,010,405,021</b>	1,039,400,972
<b>Total</b>	<b><u>1,261,607,902</u></b>	<b><u>1,275,619,383</u></b>

The ageing analysis of trade payables, based on invoice date, is as follows:

	<b>2019 (Unaudited)</b>	2018 (Audited)
Within 1 year (1 year inclusive)	<b>1,224,751,780</b>	1,241,706,923
1 to 2 years (2 years inclusive)	<b>26,180,928</b>	24,711,186
2 to 3 years (3 years inclusive)	<b>3,048,371</b>	5,449,720
Over 3 years	<b>7,626,823</b>	3,751,554
<b>Total</b>	<b><u>1,261,607,902</u></b>	<b><u>1,275,619,383</u></b>

Trade payables over 1 year are paid for goods, constructions and equipment, and the Group continue to trading with the responding parties.

## 16. Non-current bank Loans

<b>Item</b>	<b>31 December 2019 (Unaudited)</b>	31 December 2018 (Audited)
Unsecured loans	<b>63,023,100</b>	1,093,854,467
Less: non-current bank loans due within one year	<b>21,023,100</b>	276,854,467
<b>Total</b>	<b><u>42,000,000</u></b>	<b><u>817,000,000</u></b>

The above bank loans are fixed rate loans of which interest rate was 1.20% in 2019, while non-current bank loans in 2018 are floated rate loans and fixed rate loans, of which interest rates range from 1.20% to 5.70%.

The Group's bank loans (including current bank loans and non-current bank loans) by repayment time were listed as follows:

	<b>2019 (Unaudited)</b>	<b>2018 (Audited)</b>
Within 1 year (1 year inclusive)	<b>916,599,308</b>	554,125,883
1 to 2 years (2 years inclusive)	<b>–</b>	510,000,000
2 to 5 years (5 years inclusive)	<b>21,000,000</b>	266,000,000
Over 5 years	<b>21,000,000</b>	41,000,000
<b>Total</b>	<b><u>958,599,308</u></b>	<b><u>1,371,125,883</u></b>

## 17. Dividends

**Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the year**

	2019 (Unaudited)	2018 (Audited)
Final dividend declared in respect of the previous financial year	<u>189,496,277</u>	<u>–</u>

## 18. Changes of accounting policies

### (1) Description and reasons for changes in accounting policies

The Ministry of Finance (MOF) issued the following revised accounting standards and interpretations in 2019:

- CAS No.14 – Revenue (Revised) (“**new revenue standard**”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- Notice on Revision of the 2019 Illustrative Consolidated Financial Statements (Caikuai [2019] No.16)

### (2) Major impact of changes in accounting policies

- (a) **The Group prepared financial statements for the year ended 31 December 2019 in accordance with the presentation format for financial statements specified by CaiKuai [2019] No.6 and Caikuai [2019] No.16. The Group has applied the new presentation requirements retrospectively.**

The effect of the adjustments is summarized below:

Affected assets and liabilities items in the consolidated and the company balance sheet as at 31 December 2018:

	Before adjustment	The Group Adjustment	After adjustment
Bills and trade receivable	3,417,463,236	(3,417,463,236)	–
Bills receivable	–	322,084,314	322,084,314
Trade receivables	–	2,976,756,984	2,976,756,984
Receivables financing	–	118,621,938	118,621,938
Bills and trade payable	1,508,113,413	(1,508,113,413)	–
Bills payable	–	232,494,030	232,494,030
Trade payables	–	1,275,619,383	1,275,619,383
Non-current liabilities due within one year	275,223,750	1,630,717	276,854,467
Deferred income	79,900,611	11,603,750	91,504,361
Current bank loans	276,645,808	625,608	277,271,416
Other payables	499,521,371	(13,860,075)	485,661,296

		<b>The Company</b>	
	<b>Before adjustment</b>	<b>Adjustment</b>	<b>After adjustment</b>
Bills and trade receivable	3,618,173,316	(3,618,173,316)	–
Bills receivable	–	308,043,350	308,043,350
Trade receivables	–	3,195,721,925	3,195,721,925
Receivables financing	–	114,408,041	114,408,041
Bills and trade payable	2,096,084,468	(2,096,084,468)	–
Bills payable	–	243,238,463	243,238,463
Trade payables	–	1,852,846,005	1,852,846,005
Non-current liabilities due within one year	269,110,467	7,744,000	276,854,467
Deferred income	31,209,940	5,490,467	36,700,407
Current bank loans	238,556,208	578,681	239,134,889
Other payables	222,444,816	(13,813,148)	208,631,668

**(b) New lease standard revise CAS No.21 – lease (the “old lease standards”) issued by the MOF in 2006. The Group has applied the new lease standard since 1 January 2019 and adjusted the related accounting policies.**

New leases standard refines the definition of a lease. The Group assesses whether a contract is or contains a lease in accordance with the definition in new leases standard. For contracts existed before the date of initial application, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application and surplus.

***As a lessee***

Under previous leases standard, the Group classifies leases as operating or finance leases based on its assessment of whether the lease transfers significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

Under new leases standard, the Group no longer distinguishes between operating leases and finance leases. The Group recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using practical expedient).

For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments the Group applied this approach to all other leases.

The Group also uses the following practical expedients to account for leases classified as operating leases before the date of initial application:

- accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
- applied a single discount rate to leases with similar characteristics when measuring lease liabilities;

- excluded initial direct costs from measuring the right-of-use assets;
- determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;
- adjusted the right-of-use assets by the amount of onerous contract provision applying CAS No.13 – Contingencies immediately before the date of initial application, as an alternative to an impairment review;
- accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.

For leases classified as finance leases before the date of initial application, the right-of-use asset and the lease liability are measured at the original carrying amount of the assets under finance lease and obligations under finance leases at the date of initial application.

***As a lessor***

The Group is not required to make any adjustments to the opening balances of retained earnings and other related items in the financial statements in the initial year of application and surplus for leases for which it acts as a lessor. The Group has applied new leases standard since the date of initial application.

- Effect of the application of new leases standard since 1 January 2019 on financial statements

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied by the Group is 5.72%. The Company does not have lease liability.

<b>Item</b>	<b>The Group (Unaudited)</b>
The total future minimum lease payments of significant operating leases disclosed in the consolidated financial statements as at 31 December 2018	62,334,567
Present value discounted using the Group's incremental borrowing rate at 1 January 2019	55,462,907
Lease liabilities under new leases standard at 1 January 2019	54,025,345
Difference between the present value and lease liabilities above	1,437,562

Based on the comparative financial statement after retrospective adjustment in accordance with the requirements of CaiKuai [2019] No.6 and CaiKuai [2019] No.16, the Group summarized the effect of applying new lease standard on the consolidated balance sheet and company balance sheet as at 1 January 2019 as follows:

	<b>The Group (Unaudited)</b>		
	<b>Carrying amount at 31 December 2018 before adjustment</b>	<b>Adjustment</b>	<b>Carrying amount at 1 January 2019 after adjustment</b>
<b>Assets:</b>			
Right-of-use assets	–	54,025,345	54,025,345
<b>Liabilities:</b>			
Non-current liabilities due within one year	276,854,467	11,926,285	288,780,752
Lease liabilities	–	42,099,060	42,099,060

Note: There was no effect of applying new lease standard on the company balance sheet as at 1 January 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In 2019, the optical fibre and cable price plummeted owing to the adjustment of supply and demand structure and the intensified competition in the optical fibre and cable industry. Against the backdrop of challenges, the Company focused on the medium and long-term strategic development and continued to implement its strategic measures. It kept a balanced price and volume relationship to reinforce its advantages in optical fibre preform, optical fibre and optical cable business and maintained its leading position in the telecom market. It also actively expanded the international market and developed a comprehensive solution to expand the segment markets in the industry. Due to industry impacts, however, revenue and profit of the Company came under great pressure. Detailed operating conditions are as follows:

#### **1. *Principal Activities Severely Challenged by Market Fluctuation***

The main products of the Company include optical fibre preform, optical fibre and optical cable. In 2019, as the construction of 4G networks and Fibre To The Home (FTTH) reached peak level while the large-scale construction of 5G networks has not yet commenced in the market of China, the growth of the optical cable demand slowed down. Meanwhile, the production capacity of the major preform suppliers in China released successively in the previous period, which caused the shortage to end. China also had excess optical fibre and cable capacity. The movement in supply and demand structure caused the optical fibre and cable price to drop sharply during the centralized procurement of optical cable products by the operators in the country and had a negative effect on the results of the Company. In 2019, revenue from the preform and optical fibre business of the Company was approximately RMB2,508.4 million, decreased by approximately 46.5% as compared to last year; gross profit margin decreased from approximately 49.4% for 2018 to approximately 40.5% for 2019. Revenue from the optical cable business of the Company was approximately RMB4,002.0 million, decreased by approximately 30.1% as compared to last year; gross profit margin increased from approximately 12.2% for 2018 to approximately 17.1% for 2019.

Facing the unfavourable market conditions, the Company, on the one hand, strengthened its product quality management to ensure the products were supplied in good quality to the satisfaction of customers, and utilized its distinctive brand and quality advantages to minimize the negative influence of low-price competition. On the other hand, the Company was determined to promote the multi-process routing to improve production efficiency and reduce costs. Preform is a key segment with the highest technical barrier and profitability in the industry. Therefore, the cost control of preform is a core factor influencing the profitability of each company in the industry when the industry chain comes under price pressure. In 2019, the Company's independently-developed VAD and OVD preform manufacturing processes were further optimized and their scaled capacity was gradually released. Comparing to the traditional PCVD process, VAD and OVD have certain cost advantage in producing single-mode optical fibre preform used in the telecom market. The smart production facility in Qianjiang, the construction of which was financed by the proceeds from the Company's initial public offering of A Shares, have made full utilization of its technical advantages, scale effect and smart manufacturing ability to further optimize production efficiency and cost structure, highlighting the advantage of the multi-process integration of the Company.

In the meantime, the Company keeps identifying market opportunities. Focusing on 5G construction requirement, during the Mobile World Congress 2019 organized in Shanghai in June 2019, the Company released its “5G comprehensive connectivity strategy” and “YOFC industrial internet solutions”, offering a range of customized products and solutions to various 5G application scenarios. In order to meet the requirement of 5G high bandwidth, the Company developed the global-leading G.654.E optical fibre with ultra-low loss & large effective area to be used in the trunk line of 5G networks. Currently, the operators’ construction of trial networks with G.654.E optical fibre has been completed and G.654.E realized remarkable results during the centralized procurement by domestic operators. Driven by the construction of data centers, the demand for multi-mode optical fibre products increased in a stable manner and the high-end multi-mode optical fibre of the Company to be used for data centers has also commenced commercial operation; driven by the government’s policies regarding informatization of national defense and military, smart power grid and the promotion of made-in-China, demand for specialty optical fibre products continued to increase in the market.

## ***2. Expansion of Communication Engineering, Comprehensive Solution and Optical Transceiver Business***

In 2019, focusing on the application scenarios including overseas communication network engineering project, data centers and smart cities, the Company made work group and resource integration and built integrated solutions to overseas communication, smart public security construction and all-optical network to enhance its core competitive edge while making continuous efforts in market expansion. In 2019, the Company made a breakthrough in the construction of overseas communication engineering. In Philippines, the network construction of the Company progressed well and new customers were continuously developed. In July 2019, a subsidiary of the Company in Peru entered into four agreements with PROGRAMA NACIONAL DE TELECOMUNICACIONES – PRONATEL in respect of the broadband internet connection projects in Ancash, Arequipa, La Libertad and San Martin respectively, which are integral parts of the national broadband project of Peru and cover over 1 million citizens in about 1,683 cities or towns with a total amount of approximately USD400 million.

In China, the comprehensive solution business of the Company continued to develop. The Company acquired and completed various projects, including the smart public security construction in Hubei and the all-optical network construction in a university in Jiangsu. In August 2019, the Company entered into an agreement with China Construction Third Engineering Bureau Co., Ltd in respect of the cooperation in the fields of urban construction, construction engineering, information service and overseas expansion. In September 2019, the Company entered in an all-around strategic cooperation agreement with China Mobile Communications Group (Hubei) Co., Ltd, announcing the parties will jointly explore and implement the application of 5G technology in various sectors and industries. In October 2019, the Company, together with Huawei Technologies Co., Ltd., Nokia Shanghai Bell Co., Ltd., Digital China Group Company Limited and China Overseas Property Holdings Limited, announced to establish the Optical Network Alliance to promote the development and application of the new optical network. In November 2019, the Company entered into a strategic cooperation agreement with Hubei Broadcasting and Television Information Network Co., Ltd. to establish a “5G+ industrial internet innovation and experience centre”.

Optical transceiver, one of the important devices of the optical fibre communication system, is composed of optoelectronic devices, functional circuits and optical interfaces. The role of the optical transceiver is a photoelectric conversion, the sending-end of which turns electrical signals into light signals and then send them to the receiving end via optical fibre, then the receiving end turns them into electrical signals again. In 2019, the Company launched the optical transceiver product line and has continuously built its technical group to improve the competitive edge of its products. The Company has worked closely with China Telecom on the development of 5G technology and the application of optical transceiver and has been actively preparing for the centralized procurement of optical transceiver by China Telecom. As of the end of 2019, the Company has passed various qualification assessments and obtained the tender qualification in respect of China Telecom's centralized procurement of optical transceiver.

### ***3. Deepened Implementation of International Expansion Strategy***

The demand for optical fibre and cable continued to increase in a healthy manner in overseas market in 2019. In line with its established international expansion strategy, the Company relies on the overseas regional centres to strengthen its overseas sales team and continuously expand overseas business in a deepened and integrated manner. Leveraging on the growing overseas production capacity and marketing capability, the Company has stepped up its effort in the expansion of international markets by attaching more importance to the sales to the end customers, such as the local telecom operators, to improve customer stickiness and identifying opportunities arising from the customized product market to develop the global-leading operator customers in key regions in due time to achieve a synergy effect. Meanwhile, the Company has been actively involved in the international expansion strategy of China Telecom and other domestic enterprises to take the initiative for business development.

In 2019, even though the demand in overseas market increased, the competition in the overseas market intensified and the unit price of optical fibre and cable in overseas market dropped, following a sharp decline in the optical fibre and cable price in China. In 2019, revenue from the Company's overseas business was approximately RMB1,661.3 million, decreased by approximately 11.9% as compared to last year.

#### **4. Innovation-driven Development**

Innovation is the driving force for the sustainable development of the Company and the technological innovation and smart manufacturing is one of the five major strategies of the Company. In 2019, the Company made end-to-end resource and capacity integration in line with its product lines, and conducted customer-oriented technological researches and product innovation. It deepened the implementation of the innovation-driven development strategy in terms of organizational system and operation model, which greatly shortened the time period for a product from research and development (“R&D”) to commercial use. In addition to the abovementioned G.654.E optical fibre which made a breakthrough in the operators’ centralized procurement, many products, including the optoelectronic cable and the high-density micro distribution optical cable, developed by the Company catering for customer needs also made steady progress. Besides, the Company has stuck to the R&D of the multi-process technology as well as establishing its independent in-house innovation platform. The Company’s “environment-friendly and resource-efficient optical cable and related manufacturing technology and equipment” (面向環境保護及資源節約的新型光纜及其成套製造技術與裝備) won the second prize of Hubei Technological Invention Award (湖北省技術發明獎), being the first time for the Company to win technological invention award. As of the end of 2019, the Company had 499 authorized valid patents (including 251 patents for invention) and 66 overseas authorized patents.

In 2019, the Company integrated the hardware and software team in relation to smart manufacturing and officially launched the Smart Manufacturing Academy and relevant departments. While making comprehensive arrangement of the smart plant construction and intellectualized reconstruction projects, the Company relied on the core advantage of “optical connection” to generate business outcome and released the “YOFC industrial internet solutions”. In December 2019, the secondary nodes for the industrial internet identification analysis were officially put into service in the Company, the first in the optical communication industry in China. As an integral part of the industrial ecosystem, the industrial internet identification analysis system plays as the “central nerve” of the industrial internet to provide unified identity logos and identification analysis service to the connection objects and give a unique “identification card” to each product, component and machine. Currently, the top five national nodes for the industrial internet identification analysis have been built and launched in Beijing, Shanghai, Wuhan, Guangzhou and Chongqing. The secondary nodes for identification analysis launched in the Company this time will connect the top national nodes for identification analysis and enterprise identification nodes and application systems, providing various data management services, such as identification registration, identification analysis and operation monitoring, to the connected enterprises and enabling data search and sharing among different enterprises, industries and regions, thus driving the transformation and upgrade of the manufacturing industry with higher effective sharing of data.

During the year, the Group's revenue was approximately RMB7,769.2 million, decreased by approximately 31.6% as compared to 2018 of approximately RMB11,359.8 million. The Group reported a gross profit of RMB1,833.5 million, decreased by approximately 43.2% as compared to 2018 of approximately RMB3,228.4 million. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB801.2 million, decreased by approximately 46.2% as compared to 2018 of approximately RMB1,489.2 million.

Basic earnings per share was RMB1.06 per share (2018: RMB2.09 per share), which was calculated based on the weighted average number of shares issued, further details of which are set out in note 8 to the financial information of this announcement.

## **Revenue**

The Group's revenue for the year ended 31 December 2019 was approximately RMB7,769.2 million, representing an decrease of 31.6% as compared to 2018 of approximately RMB11,359.8 million.

By product segment, a total revenue of approximately RMB2,508.4 million was contributed from our optical fibre preforms and optical fibres segment, representing a decrease of 46.5% as compared to 2018 of approximately RMB4,691.2 million and accounting for 32.3% (2018: 41.3%) of the Group's revenue; while a total revenue of RMB4,002.0 million was contributed by our optical fibre cables segment, representing a decrease of 30.1% as compared to 2018 of approximately RMB5,726.7 million and accounting for 51.5% (2018: 50.4%) of the Group's revenue. The substantial decrease in the Group's total revenue was mainly because in the recent central biddings from domestic telecom operators, the price of optical fibre and cable decreased by approximately 40%. Also, affected by the relatively late timing of the biddings, although the announced total volume in the biddings were roughly the same as last year, the volume in the biddings was not released in full in 2019.

A total revenue of approximately RMB1,258.7 million was contributed by others, representing an increase of 33.6% as compared to 2018 of approximately RMB941.9 million and accounting for 16.2% (2018: 8.3%) of the Group's revenue. The increase was mainly attributable to the increase in income from System Integration Sales, which grew significantly by 522.1% as compared with 2018.

By geographical segment, a total revenue of approximately RMB6,107.9 million was contributed by domestic customers, representing a decrease of 35.5% (2018: increased by 2.9%) as compared to 2018 of approximately RMB9,473.8 million and accounting for 78.6% of the Group's revenue. For overseas market, a total revenue of approximately RMB1,661.3 million was reported in 2019 representing a decrease of 11.9% (2018: increased by 62.5%) as compared to 2018 of approximately RMB1,886.0 million and accounting for approximately 21.4% of the Group's revenue.

## **Cost of sales**

The Group's cost of sales for the year ended 31 December 2019 was approximately RMB5,935.6 million, representing a decrease of 27.0% as compared to 2018 of approximately RMB8,131.3 million and accounting for 76.4% of the Group's revenue. The decrease in cost of sales was lower than the decrease of the Group's revenue. The percentage difference was mainly because the decrease in the selling price of optical fibre preforms, optical fibres and optical cables which was affected by the market was higher than the decrease in the cost of major raw materials in 2019.

The Group's cost of sales included (i) raw material costs; (ii) manufacturing overheads (including depreciation on machinery and equipment, consumables, rental expenses, utilities and other manufacturing overheads); and (iii) direct labour costs.

In 2019, the Group's total raw material costs was approximately RMB5,003.4 million, representing an decrease of 30.9% as compared to approximately RMB7,243.9 million in 2018.

For the year ended 31 December 2019, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB929.6 million, representing an increase of 5.0% as compared to RMB885.0 million in 2018.

## **Gross profit and gross profit margin**

For the year ended 31 December 2019, the Group reported a gross profit of RMB1,833.5 million, representing a decrease of 43.2% as compared to RMB3,228.4 million in 2018 and the gross profit margin decreased to 23.6% in 2019 (2018: 28.4%). The decrease in gross profit was mainly because the decrease in the selling price of optical fibre preforms, optical fibres and optical cables, which was affected by the market was higher than the decrease in the cost of major raw materials in 2019.

## **Selling expenses**

The Group's selling expenses for the year ended 31 December 2019 were RMB347.3 million, representing a decrease of 9.9% as compared to RMB385.3 million in 2018. The decrease was mainly due to the decrease in revenue and cut down in salary expenditures.

## **Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2019 were RMB428.5 million, representing a decrease of 33.8% as compared to RMB646.9 million in 2018. The decrease was mainly due to the decrease in revenue and cut down in salary expenditures and other administrative expenditures.

## **R&D expenses**

The Group's R&D expenses for the year ended 31 December 2019 were RMB413.5 million, representing a decrease of 20.0% as compared to RMB516.8 million in 2018. The decrease was mainly due to the decrease in revenue and cut down in salary expenditures and part of significant research project has been put into operation.

## **Financial expenses**

The Group's financial expenses for the year ended 31 December 2019 were RMB15.2 million, representing a decrease of RMB25.0 as compared to RMB40.1 million in 2018, which was mainly because the exchange gains increased by RMB36.7 million as compared with the same period of last year.

The interest rates of the bank loans in 2019 ranged from 1.20% to 5.00% per annum (2018: 1.20% to 5.70% per annum), while the annual effective interest rate for the borrowings in 2019 was 2.86% (2018: 4.14%).

## **Other income**

The Group's other income for the year ended 31 December 2019 was RMB203.9 million, representing an increase of approximately RMB176.0 million as compared to RMB27.9 million in 2018, which was mainly because the government grants related to income increased by approximately RMB164.5 million.

## **Income tax**

The Group's income tax for the year ended 31 December 2019 was RMB99.2 million, representing a decrease of 45.3% as compared to RMB181.5 million in 2018. On the other hand, the effective tax rate slightly increased from 10.9% in 2018 to 11.2% in 2019. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 7 to the financial information contained in this announcement.

## **Capital expenditures**

During the year, the Group incurred capital expenditures of approximately RMB877.8 million (2018: RMB1,333.3 million) in total, involving the purchase of fixed assets, construction-in-progress, intangible assets, which were mainly related to the enhanced production capacities of three major products at home and abroad as well as the enhanced production efficiency of existing optical fibre preforms and optical fibre equipment.

## **Use of proceeds from the initial public offering of A shares**

The A shares of the Company were listed on Shanghai Stock Exchange on 20 July 2018. The net proceeds from the issue of the A shares (after deducting the underwriting fees and A share issue expenses) amounted to approximately RMB1,894.3 million. As at 31 December 2019, the proceeds of approximately RMB1,807.2 million were used in the following items: (1) approximately RMB1,312.9 million was used for the II and III Phase of capacity expansion for self-made optical fibre preform and optical fibre industrialisation in Yangtze Optical Fibre (Qianjiang) Limited Company; (2) approximately RMB300.0 million was used for the repayment of bank loans; (3) approximately RMB194.3 million was used for the replenishment of working capital occupied. The remaining proceeds of approximately RMB87.1 million would still be specially used in the Phase II and III of capacity expansion for self-made optical fibre preform and optical fibre industrialisation in Yangtze Optical Fibre (Qianjiang) Limited Company.

## **Gearing ratio**

The Group monitors its leverage using gearing ratio, which is net debts divided by total equity. Net debts include all bank loans less cash and cash equivalents. The Group's gearing ratio as at 31 December 2019 was -13.0% (2018: -15.8%).

## Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the year ended 31 December 2019.

	<b>2019</b> <b>(Unaudited)</b>	2018 (Audited)
Net cash generated from operating activities	<b>842,663,893</b>	565,350,945
Net cash used in investing activities	<b>(667,072,798)</b>	(1,530,096,247)
Net cash generated (used in)/from financing activities	<b>(720,928,044)</b>	1,783,529,696
Effect of foreign exchange rate changes on cash and the equivalents	<b>5,826,828</b>	9,678,488
Net (decrease)/increase in cash and cash equivalents	<b><u>(539,510,121)</u></b>	<b><u>828,462,882</u></b>

The net cash generated from the Group's operating activities increased by approximately RMB277.3 million, which was mainly due to receipt in advance for Peru broadband network installation projects while no significant expenditures occurred.

The net cash used by the Group's investment activities decreased by approximately RMB863.0 million, which was mainly because the project of capacity expansion of YOFC Qianjiang, a subsidiary of the Company, was finished and payment for acquisition of fixed assets were decreased significantly as compared with the same period of 2018.

Net cash generated from the Group's financing activities decreased by approximately RMB2,504.5 million, which was mainly due to net proceeds from the initial public offering of A shares amounted to approximately RMB1,894.3 million from the last year and the decrease in bank loans in 2019.

Cash and cash equivalents as at 31 December 2019 were cash at banks and in hand, which were mainly in RMB, US Dollars, South African Rand, Euro, HK Dollars and Indonesian Rupiah.

## Net current assets

As at 31 December 2019, the Group's net current assets was RMB4,082.6 million, which was basically stable with RMB4,149.6 million as at 31 December 2018.

## Bank loans

As at 31 December 2019, the Group's bank loans were RMB958.6 million, representing a decrease of RMB412.5 million from approximately RMB1,371.1 million as at 31 December 2018. As at 31 December 2019, 23.4% of the Group's bank loans were floating-rate loans and 76.6% were fixed-rate loans. Among the Group's bank loans, 4.7% were Hong Kong dollar loans, 34.9% were US dollar loans, and the remaining 60.4% were RMB loans.



## **Commitments and contingencies**

As at 31 December 2019, the Group's outstanding capital commitments on fixed assets were approximately RMB1,529.3 million (2018: approximately RMB2,227.3 million), and equity investment was approximately RMB16.8 million (2018: approximately RMB26.3 million). Out of the total amount of unsettled commitments as at 31 December 2019 of approximately RMB1,546.1 million (2018: RMB2,253.6 million), a total amount of approximately RMB780.4 million (2018: approximately RMB493.4 million) were contracted, and the balance of approximately RMB765.7 million (2018: approximately RMB1,760.2 million) were authorized but not yet contracted by the Board.

As at 31 December 2019, the Group did not have any material contingent liability.

## **Charge on assets**

As at 31 December 2019, the Group's plants and buildings with a cost of RMB51.3 million and land use rights with a cost of RMB27.1 million were pledged as collaterals to secure the Group's credit line. The Group's bank acceptance bills with a cost of RMB25.4 million were pledged as collaterals to issue payables

## **Funding and treasury policy**

The Group adopts a conservative approach on its funding and treasury policy, which aims to maintain an optimal financial position and the most economic finance costs as well as minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments and expansion plans as and when needed.

## **Exposure to fluctuations in exchange rates**

Most of the revenues and expenses are settled in RMB while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars, Euro and HK Dollars. Most of the bank deposits are in RMB, US Dollars, Euro and HK Dollars.

During the year, the Group benefited mainly from the favourable fluctuations in exchange rate movements between RMB and US Dollars or Euro. The amount of net foreign exchange gains was RMB24.3 million.

During the year, the Group entered into several currency structured forward contracts to reduce our foreign currency risks. The Group will closely monitor the ongoing movements on exchange rates and will consider entering into other hedging arrangements.

## **Employees and remuneration policies**

As at 31 December 2019, the Group had approximately 4,687 full-time employees (2018: 4,499 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotions. The salaries and bonuses that the employees received are competitive with market rates. The Company has been in compliance with the relevant national and local labor and social welfare laws and regulations in China.

The Group arranges external training courses, seminars and technical courses for employees to enhance their professional knowledge and skills, their understanding of market development and management and operational skills.

## **Off-balance sheet arrangements**

As at 31 December 2019, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB319.2 million (2018: RMB152.4 million) to certain commercial banks in China and its suppliers.

## **Material acquisitions and disposals of subsidiaries and associated companies**

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2019.

## OUTLOOK

Looking forward to 2020, in response to the increasingly complex and intensified competition, the Company will insist on its long-term development strategy. Relying on innovation and technology leadership, the Company will follow its high-quality brand strategy and maintain the leading position of its core products, including optical fibre preforms and optical fibres, in both domestic and overseas markets. Meanwhile, it will continue to implement the established strategy of international expansion and relevant diversification steadily, ensuring the sustainable and healthy development of the Company:

### **1. Arrange Orderly Resumption of Work and Production while Implementing Strict Epidemic Prevention and Control to Secure Customer Needs and Fulfill Social Responsibility**

Affected by the novel coronavirus (COVID-19) outbreak, the Company has adopted various effective anti-virus measures in a timely manner. Before 23 January 2020, the Company requested all employees to take leaves, except for the few responsible for crucial security control, and encouraged employees to work from home by adopting telecommuting system. After the virus outbreak, the Company established an emergency response group responsible for the monitoring of the epidemic situation of the Company. It requested all employees of the Company to report their body temperature and health condition on a daily basis. For employees who must go to the office and production facilities in Wuhan out of the need of epidemic prevention, the Company took a series of measures, such as prior notification, in-and-out registration and temperature measurement, and provided masks and other protective articles. During the period from December 2019 to the date of this announcement, no COVID-19 infection case has been identified during working hours inside the Company. As of the date of this announcement, the proportion of the number of COVID-19 infection case to the total number of employees of the Company was lower than 1%.

Affected by the epidemic, the Spring Festival holiday in 2020 was extended. The Group has extensive production distribution in respect of optical fibre and optical cable. Pursuant to the country's policy to resume work in major provinces successively from 10 February 2020, the production facilities of the Company located in Tianjin, Liaoning, Gansu, Zhejiang and Guangdong have resumed production successively while ensuring safety. Operation of the overseas subsidiaries of the Company located in Indonesia and South Africa, unaffected by the epidemic, continued during the Spring Festival period. Pursuant to the requirement of epidemic prevention and control, the office and production facilities of the Company located in Hubei resumed production gradually from mid-March 2020.

The Company has made flexible capacity arrangement. On one hand, it makes full use of the production facilities located outside of Hubei in order to meet the demand of customers for optical fibres and cables. The sales and customer service personnel provide 24/7 online services to the customers. On the other hand, as the major preform capacity of the Company are located in Wuhan and Qianjiang, Hubei, the Company has strengthened the transportation logistics and used inventories to meet the demand of customers and of its own for optical fibre production since the work resumption in Hubei in March 2020. Meanwhile, depending on its adequate raw materials for and flexibility of the PCVD process, the Company has endeavoured to alleviate the negative impacts on preform capacity.

While implementing the companywide epidemic prevention and control, the Company has actively fulfilled its social responsibility to do its part to the epidemic fighting work. During the construction of Huoshenshan Hospital and Leishenshan Hospital, the Company made quick response and organized personnel to contact with the relevant people from China Construction Third Engineering Bureau Co Ltd and China Tower (Hubei) Corp Ltd. responsible for the construction to provide a large number of optical cables and outdoor & indoor structured cabling system products necessary for the network infrastructure construction of the hospitals. Many employees of the Company applied to participate in the network construction project. The cable distribution, welding and structured cabling work were completed ahead of schedule, which provided strong support to the epidemic prevention work in Wuhan. During the construction of Dabieshan Medical Centre in Huanggang, Hubei, the Company made overnight packages and delivery of the system integration products necessary for the project construction, ensuring the construction progressed as scheduled. Besides, the subsidiaries of the Group in Philippines, Peru and Africa managed to raise scarce medical resources and donate to the virus frontline.

## **2. To solidify leading position in main businesses and consolidate market position**

In 2020, the competition in the domestic optical fibre and cable market will remain fierce. The uncertainty of demand from domestic operators increased in the first half of 2020, and oversupply of optical fibres and cables continues. Under the current market conditions, it is one of the crucial parts of the industrial competition to ensure the profitability of optical fibre preform and optical fibre products. On one hand, the Company would take measures to lower costs and increase production efficiency, further optimise OVD and VAD processes to increase yield rate from raw materials, promote smart manufacturing projects to produce standardized products with lower costs, and to further lower costs. On the other hand, the Company will continue to strengthen the relationship with end customers both at home and abroad to ensure excellent performance in the central bidding of operators and will tap into more customers of dedicated network and industries such as railway and China Broadcasting Network to consistently increase market share. Furthermore, leveraging its leading technological advantages, the Company will closely follow the market demand and make more efforts in promoting G.654.E optical fibre with large effective area and ultra-low attenuation, composite cables and high-end multi-mode optical fibres with ultra-wide band, so as to generate more revenue and profit.

Regarding market demand, fixed network construction continues. In May 2019, according to the deployment on carrying out demonstration of 1,000MB broadband in urban areas set out in the Government Work Report, the Ministry of Industry and Information Technology (MIIT) of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council jointly issued the Circular on 2019 Dedicated Action on Carrying out Further Facilitation of Broadband Network Speed Acceleration and Cost Reduction to Support Quality Economic Development (關於開展深入推進寬帶網絡提速降費支撐經濟高質量發展2019專項行動的通知) which put forward the facilitation of fundamental telecommunication enterprises to deploy 1,000MB broadband access network in over 300 cities. The 1,000MB broadband would cover over 20 million users, which will secure basic network for the innovation and promotion of high bandwidth application. As of the end of December 2019, 870,000 users have access to fixed Internet broadband with the speed of over 1,000MB in China, accounting for approximately 0.2% of total users with fixed Internet broadband access. There is still potential for future construction.

Regarding 4G construction, according to the data from MIIT, as of the end of December 2019, the number of 4G users was 1.28 billion, representing 80.1% of mobile phone users. In 2019, data consumption reached 122 billion GB, up by 71.6% over last year. The annual average dataflow of usage (DOU) of mobile network amounted to 7.82GB/user/month, which was 1.69 times of that of last year. The DOU in December 2019 reached 8.59GB/user/month, maintaining at a high level. In 2019, the operators continued the construction of 4G base stations. According to the data published by MIIT, the total number of mobile base stations in China reached 8.41 million, 5.44 million of which were 4G base stations. With the launch of 5G commercial package, the data package subscribed by users continued to increase. Before the extensive coverage of 5G base stations, the increased package data is expected to exert pressure on 4G network, thereby urging operators to further improve 4G network.

2019 marked the first year of the 5G commercialization era. In June 2019, MIIT granted 5G commercial licenses to China Telecom, China Mobile, China Unicom and China Broadcasting Network. In September 2019, China Mobile took the lead in opening pre-subscription of 5G commercial package, followed by China Unicom and China Telecom. According to the data published by China Mobile, China Telecom and China Unicom, as of 9 October 2019, the numbers of users for 5G pre-subscription were approximately 5.92 million, 2 million and 2.08 million, respectively, or over 10 million in aggregate. In January 2020, China Telecom further announced that its 5G package users exceeded 8 million. Regarding the 5G package data and costs announced by the operators, the price of 5G commercial package of three major operators, namely China Mobile, China Telecom and China Unicom, ranges from RMB128 to RMB599 and data ranges from 30GB to 300GB, representing a significant increase as compared to 4G package data. On one hand, the high frequency used by 5G resulted in smaller coverage of a single base station, which needs the deployment of more base stations to achieve uninterrupted network coverage within a unit of an area. The base station build-out at new station sites is expected to generate incremental demand for optical fibres and cables. At the same time, the mass construction of 5G in China is expected to adopt the stand-alone standard, which is also beneficial to the development of optical fibre and cable industry. On the other hand, upon the popularization of 5G commercial package, data consumption from mobile phone users is expected to increase significantly, exerting pressure on the existing network bandwidth and facilitating network optimization. According to the statistics from the Ministry of Science and ICT in South Korea, six months after commercial use, the 5G DOU in South Korea reached 24GB per month in July 2019, representing a significant increase compared to 4G DOU in the corresponding period last year. According to the data published by MIIT in February 2020, as of the end of 2019, the number of 5G base stations in China has exceeded 130,000 and use scale has been expanding at one million new users per month. 35 types of 5G mobile phones in China have obtained the permission to have access to 5G network and the output of 5G mobile phones in the domestic market has shown a clear upward trend, reaching 13.77 million in 2019. Therefore, 5G development is fostering.

In the long run, driven by continuous data increase, the launch of mass construction of 5G, consistent growth in the number of data terminals in the future and the acceleration of 1,000MB network broadband deployment, the optical fibre and cable market is expected to experience a new round of growth.

### **3. To further implement internationalisation**

In 2020, facing a growing overseas market, the Company will focus on internationalisation strategy. On one hand, the Company will continue to develop and strengthen overseas regional centers and strengthen the coordination of production, supply chain and sales of overseas subsidiaries within the Company and form a regional localized cooperative operation model. On the other hand, the Group will aim at markets with growth potential, explore and accelerate the overseas industrial layout. Apart from optical fibre and cable, the sales capability for all series products would be enhanced, together with the bidding and delivery abilities of mid to large projects. The Company would always manage patents and intellectual properties risks and ensure the implementation of strategic goals in overseas market. Despite the expected stable growth in the demand for optical fibre and cable overseas, as domestic suppliers successively implement internationalization, the overseas market is still expected to face intensified competition in 2020. Taking advantage of its brand, the Company will strengthen the development and manufacturing of customized products based on the needs of overseas customers to form differentiated competitiveness, thereby ensuring further implementation of internationalisation of the Company to continuously increase revenue of overseas businesses.

### **4. To explore relevant diversification**

In 2020, facing market opportunities in the optics telecom related businesses, the Company will gradually develop end to end product production and comprehensive solutions in various fields, such as overseas telecom network engineering project, smart city, construction of data centers and optical transceiver, based on customers' demand and application scenarios. The Company will also strengthen its business through customer replication, products extension and business extension.

The network engineering projects won by the Company in Peru progressed smoothly. Currently, this project has obtained environmental assessment reports for four areas while the civil engineering design for all thirty-two types of model sites of transmission network and access network has been completed. The Company has also completed the bidding for ten categories of communication equipment, successfully signed local construction contract, and received on-time prepayments from its customers. The Company achieved further breakthrough in its network engineering project in Philippines. Upon the successful delivery of relevant projects in 2019, the Company won the bid for the Cebu Island engineering project under the Converge project, through which it has become the only communication engineering service provider in the region. In 2020, aiming to enhance its capability to deliver network engineering project, the Company will continue to explore the local network construction demand of Philippines network operator and customers, and actively engage in China Telecom's network construction and service projects in Philippines.

In terms of optical transceiver market, the Company will conduct business expansion and planning by coupling organic growth with external expansion. As discussed above, the Company has established an optical transceiver product line and a technological team, and is qualified to engage in China Telecom's central bidding for optical transceiver. In January 2020, the Company acquired 51% of equity interests in Sunstar Communication Technology Co. Ltd., with capital contribution amounting to approximately RMB150 million. Sunstar Communication Technology Co. Ltd. was established in 2001 and headquartered in the West High-tech Zone of Chengdu, Sichuan Province. Since its establishment, this company has been focusing on the design, development, manufacturing, sales and technical support services of optical sub-assembly (OSA), and the original equipment manufacturing (OEM) and customization services of optical transceiver. Its principal products consist of OSA and optical transceiver of the optical fibre communication system with short-to-medium reach. As of 31 December 2018, the audited total assets and total liabilities of Sunstar Communication Technology Co. Ltd. amounted to RMB390,251,491.07 and RMB127,781,230.39, respectively, while revenue and profit attributable to equity shareholders for 2018 reached RMB437,905,594.94 and RMB61,215,810.50, respectively. With the accelerating construction of big data centers and the commencement of massive rollout of 5G network, the optical transceiver market is expected to witness another round of growth in 2020. However, this market will not be without its challenges. On one hand, the communication equipment market is undergoing a rapid rate of evolution, which has posed severe challenges on the Company's capability to research, develop and manufacture high speed optical transceiver. On the other hand, the concentrated nature of the market and customers' high bargaining power, in particular telecom operator's plan to directly conduct central bidding for optical transceiver, are expected to impose more pressure on product price, and hence subjecting optical transceiver manufacturers to immense challenges in terms of their production and operation management. On the basis of scientific planning, the Company will leverage its reasonable investment in strategic resources to focus on the development of optical transceiver business and other relevant diversified business, with a view to adding new drivers for sustainable development of the Company.

**5. To strengthen innovation, research and development to explore new growth directions and drivers**

Innovation is the foundation of establishing a company. In 2020, apart from a deep insight into the market and customer's needs, the Company will consolidate and utilize its research and development resources and accelerate the development of new products such as optical fibres with ultra-low attenuation, high-end multi-mode optical fibres and 5G optical fibres, in order to further strengthen the competitiveness of leading products and grasp market opportunities. On the other hand, regarding industrial growth directions and drivers such as 5G, data center and industrial internet, the Company will continue to develop targeted products and solutions to seize more business opportunities. Furthermore, leveraging the State Key Laboratory and incubator platform for new businesses, the Company will explore and study the areas such as new materials to seek new business growth directions and drivers and consistently drive the sustainable growth of the Company.



## **6. To continuously push forward intelligent manufacturing to improve operation efficiency**

Facing more complicated conditions, the Company will continue to push forward intelligent manufacturing to improve production efficiency and output quality, reduce raw material consumption and labour costs, thereby generating more profit potential for the Company. At the same time, through consistent organizational and talent optimization, the Company will improve its capability of internally operating platforms such as market insight, strategic planning, comprehensive budget management and operational performance management as well as enhancing capabilities of refined operation and responding to the conditions, so as to build up soft power for the Company's sustainable development.

## **DIVIDEND**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the postponement of auditor's field works resulting from the COVID-19 outbreak in the People's Republic of China (the "PRC"). The Board will consider the recommendation of a final dividend (if any) when the audited annual results for the year ended 31 December 2019 has been completed and the Company will make further announcement on any decision relating to the recommendation of a final dividend in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company held an Extraordinary General Meeting on 21 February 2019, which reviewed and approved the proposed adoption of employee share ownership plan. In accordance with the plan, the Company purchased 2,000,000 H shares, or 0.26% of total number of issued shares of the Company in the secondary market in March 2019 and May 2019. The average transaction price was RMB16.83 per share, and the total transaction amount was RMB33,653,460.78. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the A or H Shares of the Company during the year ended 31 December 2019.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

There were no important events affecting the Group, which occurred after the end of year and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. As at the date of this announcement, the audit committee of the Company comprises three members, namely Mr. Song Wei, Mr. Liu Deming and Dr. Wong Tin Yau, Kelvin, the independent non-executive directors of the Company. Mr. Song Wei is the chairman of the audit committee.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to postponement of auditor's field works resulting from the COVID-19 outbreak in the PRC. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with China Standards on Auditing for Certified Public Accountants, which is currently expected to be no later than the end of April 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

As a company incorporated in the PRC and dual listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Hong Kong Listing Rules and to abide by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basis for the Company's corporate governance.

The Company has adopted all the code provisions set out in the CG Code and has complied with all the code provisions under the CG Code during the year ended 31 December 2019.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the "**Company's Code**") as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries in writing of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company's Code regarding securities transactions throughout the year ended 31 December 2019.

## **ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2019 will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.yofc.com](http://www.yofc.com)) in due course.

## **FORWARD-LOOKING STATEMENTS**

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. The Company does not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Yangtze Optical Fibre and Cable Joint Stock Limited Company\***  
長飛光纖光纜股份有限公司  
**Ma Jie**  
*Chairman*

Wuhan, PRC, 27 March 2020

*As at the date of this announcement, the Board comprises Zhuang Dan as executive director; Mr. Ma Jie, Mr. Philippe Claude Vanhille, Mr. Guo Tao, Mr. Pier Francesco Facchini, Mr. Frank Franciscus Dorjee, Mr. Xiong Xiangfeng and Ms. Lai Zhimin, as non-executive directors; Mr. Bingsheng Teng, Mr. Liu Deming, Mr. Song Wei and Dr. Wong Tin Yau, Kelvin, as independent non-executive directors.*

\* *For identification purposes only*