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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

FINANCIAL HIGHLIGHTS

- Revenue was RMB10,366.1 million (2016: RMB8,111.5 million), increased by approximately 27.8% (2016: 20.4%).
- Gross profit and gross profit margin were RMB2,789.2 million (2016: RMB1,682.6 million) and 26.9% (2016: 20.7%), respectively.
- Profit before interest (financial expenses) and tax (“**EBIT**”) was RMB1,525.0 million (2016: RMB905.5 million), increased by approximately 68.4% (2016: 20.9%).
- Profit for the year attributable to equity shareholders of the Company was RMB1,268.4 million (2016: RMB717.1 million), increased by approximately 76.9% (2016: 27.3%).
- The Group's revenue from domestic business increased by approximately 24.3% (2016: 19.3%), when compared with the prior year. The Group's overseas revenue increased by approximately 65.0% (2016: 32.7%), when compared with the prior year.
- The board of directors of the Company (the “**Board**”) did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: RMB0.255 (before tax) per share).

* For identification purposes only

Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017, extracted from the audited consolidated financial statements of the Group as set out in its 2017 annual report. The consolidated financial statements have been prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”) and audited by KPMG Huazhen LLP, the auditors of the Company.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the Ministry of Finance and the China Securities Regulatory Commission are allowed to audit these financial statements in accordance with the China Standards on Auditing (the “**Arrangement**”).

In view of the Arrangement and the continuing convergence between CASBE and the International Financial Reporting Standards (“**IFRS**”) and in order to facilitate the application process with the China Securities Regulatory Commission in relation to the proposed A share offering of the Company, to align the financial disclosure of the Company in both markets as well as to improve the efficiency and reduce the cost of disclosure, the Board has passed a resolution on 17 January 2018 to make disclosure of financial information of the Company based on the financial statements which are prepared under the CASBE pursuant to the Articles of Association and applicable PRC laws and regulations. Since the date of the Board resolution, the Company would disclose its financial reports (including the annual results and related financial information disclosed and presented herein) in accordance with the CASBE and related regulations. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 17 January 2018.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

(Expressed in Renminbi “RMB”)

	<i>Note</i>	2017	2016
I. Revenue	4	10,366,083,659	8,111,495,124
II. Less: Cost of sales	4	7,576,882,915	6,428,917,515
Taxes and surcharges		63,717,191	37,590,996
Selling expenses		304,884,581	199,431,553
Administrative expenses		968,067,388	662,230,345
Financial expenses	5	78,156,390	112,211,093
Impairment losses		117,329,577	13,274,078
Add: Gains (losses) from changes in fair value		240,422	(99,303)
Investment income		161,089,680	113,415,382
Including: Income from investment in associates and joint ventures		159,121,150	105,040,139
Losses from asset disposals		(2,729,458)	(2,080,737)
Other income		31,055,191	—
III. Operating profit		1,446,701,452	769,074,886
Add: Non-operating income		1,703,021	26,440,810
Less: Non-operating expenses		1,530,284	2,222,865
IV. Profit before taxation		1,446,874,189	793,292,831
Less: Income tax	6	212,295,105	99,592,660
V. Profit for the year		1,234,579,084	693,700,171
Profit for the year attributable to equity shareholders of the Company		1,268,353,170	717,093,240
Non-controlling interests		(33,774,086)	(23,393,069)

	<i>Note</i>	2017	2016
VI. Other comprehensive income, net of tax			
(Items that may be reclassified subsequently to profit or loss)			
Other comprehensive income (net of tax) attributable to shareholders of the Company			
1. Gains or losses arising from changes in fair value of available-for-sale financial assets		(15,010,600)	7,483,924
2. Exchange differences on translation of financial statements of overseas subsidiaries		(6,967,323)	10,411,440
Other comprehensive income (net of tax) attributable to non-controlling interests			
1. Gains or losses arising from changes in fair value of available-for-sale financial assets		(197,587)	43,921
2. Exchange differences on translation of financial statements of overseas subsidiaries		(2,823,794)	4,013,141
		<u><u>1,209,579,780</u></u>	<u><u>715,652,597</u></u>
VII. Total comprehensive income for the year			
Total comprehensive income attributable to equity shareholders of the Company		1,246,375,247	734,988,604
Total comprehensive income attributable to non-controlling interests		(36,795,467)	(19,336,007)
VIII. Earnings per share:			
(1) Basic earnings per share	7	<u><u>1.86</u></u>	<u><u>1.05</u></u>
(2) Diluted earnings per share	7	<u><u>1.86</u></u>	<u><u>1.05</u></u>

Consolidated Statement of Financial Position

At 31 December 2017

(Expressed in Renminbi “RMB”)

	<i>Note</i>	31 December 2017	31 December 2016
ASSETS:			
Current assets			
Cash and cash equivalents		1,799,513,559	1,627,575,026
Financial assets at fair value through profit or loss		4,599,225	5,603,139
Available-for-sale financial assets		37,513,923	38,197,931
Bills receivable	9	588,546,632	176,070,852
Trade receivables	10	1,834,657,244	1,881,955,496
Prepayments for raw materials		74,833,629	49,067,606
Dividends receivable		13,373,336	29,010,123
Other receivables		98,349,552	110,589,342
Inventories		730,468,166	644,377,555
Other current assets		47,040,053	59,348,372
Total current assets		5,228,895,319	4,621,795,442
Non-current assets			
Available-for-sale financial assets		101,234,501	119,406,637
Long-term receivables		20,000,000	33,422,826
Long-term equity investments		1,241,866,472	1,052,595,439
Fixed assets		1,921,458,636	1,321,032,102
Construction in progress		164,473,273	466,280,757
Intangible assets		328,050,231	443,165,999
Long-term deferred expenses		2,081,726	679,554
Deferred tax assets		55,242,983	57,964,454
Other non-current assets		104,460,862	50,000,817
Total non-current assets		3,938,868,684	3,544,548,585
Total assets		9,167,764,003	8,166,344,027

	<i>Note</i>	31 December 2017	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current bank loans	11	495,013,000	644,712,505
Bills payable	12	293,832,710	85,282,636
Trade payables	13	1,051,927,402	795,198,250
Receipt in advance		241,566,904	156,902,903
Employee benefits payable		304,003,980	229,255,582
Taxes payable		188,455,821	124,367,512
Interest payable		8,189,813	7,843,788
Other payables		350,815,468	339,861,709
Non-current liabilities due within one year		13,818,333	252,338,731
Total current liabilities		2,947,623,431	2,635,763,616
Non-current liabilities			
Non-current bank loans	14	481,290,000	869,578,800
Deferred income		83,223,111	88,043,444
Other non-current liabilities		169,799,283	149,410,083
Total non-current liabilities		734,312,394	1,107,032,327
Total liabilities		3,681,935,825	3,742,795,943
SHAREHOLDERS' EQUITY:			
Share capital		682,114,598	682,114,598
Capital reserve		1,551,725,933	1,551,725,933
Other comprehensive income		66,464,721	88,442,644
Surplus reserve		402,047,041	269,944,893
Retained earnings		2,535,966,730	1,573,654,930
Total equity attributable to equity shareholders of the Company		5,238,319,023	4,165,882,998
Non-controlling interests		247,509,155	257,665,086
Total equity		5,485,828,178	4,423,548,084
Total liabilities and shareholders' equity		9,167,764,003	8,166,344,027

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 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	2017		2016	
	Revenue	Costs	Revenue	Costs
Principal activities	10,223,510,120	7,461,680,074	7,952,317,506	6,310,555,922
Other operating activities	142,573,539	115,202,841	159,177,618	118,361,593
Total	<u>10,366,083,659</u>	<u>7,576,882,915</u>	<u>8,111,495,124</u>	<u>6,428,917,515</u>

Details of revenue:

	2017	2016
Revenue from principal activities		
– Optical fibres and optical fibre preforms	4,702,946,373	4,073,144,690
– Optical fibre cable	5,034,896,658	3,580,739,390
– Other sales	485,667,089	298,433,426
Sub-total	10,223,510,120	7,952,317,506
Revenue from other operating activities		
– Materials	114,674,434	132,522,184
– Technology licence fees and services	22,753,672	22,860,332
– Others	5,145,433	3,795,102
Total	<u>10,366,083,659</u>	<u>8,111,495,124</u>

5. Financial expenses

Item	2017	2016
Interest expenses on loans and payables	59,199,586	57,543,067
Less: Borrowing costs capitalised*	1,469,850	5,655,292
Less: Financial discount to offset financial costs	740,400	—
Interest income on deposits and receivables	(14,568,237)	(18,109,200)
Net exchange loss	28,173,581	68,333,764
Other financial expenses	7,561,710	10,098,754
Total	<u>78,156,390</u>	<u>112,211,093</u>

* The capitalisation rates of the Group's capitalised amounts of borrowing costs in 2016 and 2017 were 2.85% and 4.10% respectively.

6. Income tax

	2017	2016
Income tax for the year based on tax law and regulations	207,697,129	143,984,535
Changes in deferred income tax	5,369,428	(44,226,452)
Tax filling differences	(771,452)	(165,423)
	<u>212,295,105</u>	<u>99,592,660</u>
Total	<u><u>212,295,105</u></u>	<u><u>99,592,660</u></u>

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

Item	2017	2016
Origination and reversal of temporary differences	5,369,428	(44,226,452)
	<u>5,369,428</u>	<u>(44,226,452)</u>
Total	<u><u>5,369,428</u></u>	<u><u>(44,226,452)</u></u>

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

Item	2017	2016
Profit before taxation	1,446,874,189	793,292,831
Expected income tax calculated at tax rate of 25%	361,718,547	198,323,207
Tax rate differences	(124,672,607)	(66,110,696)
Adjustment to income tax of previous years	(771,452)	(165,423)
Effect of non-taxable income	(41,328,650)	(28,183,864)
Effect of non-deductible cost, expense and loss	6,810,426	5,890,758
Effect attributable to the additional qualified tax deduction relating to research and development costs	(31,310,898)	(25,761,823)
Effect of deductible temporary differences or deductible Losses for which no deferred tax asset was recognized this year	41,849,739	15,600,501
	<u>41,849,739</u>	<u>15,600,501</u>
Income tax	<u><u>212,295,105</u></u>	<u><u>99,592,660</u></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.GR201442000078 issued by the Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, the Company was entitled to High Tech Enterprise qualification from 14 October 2014 to 1 November 2017, and enjoyed a preferential tax rate of 15% with preferential tax treatments in deductions from research and development costs. 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 2016 and 2017.

According to the High-tech Enterprise Certificate No. GR201542000605 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, 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 28 October 2015 to 28 October 2018.

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 2018

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 , 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.

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

7. Earnings per share

(a) Basic earnings per share

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

Item	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	<u>1,268,353,170</u>	<u>717,093,240</u>
Weighted average number of ordinary shares outstanding	<u>682,114,598</u>	<u>682,114,598</u>
Basic earnings per share (RMB/share)	<u>1.86</u>	<u>1.05</u>

The weighted average number of ordinary shares is calculated as follows:

	2017	2016
Number of issued ordinary shares at the beginning/end of the year	<u>682,114,598</u>	<u>682,114,598</u>

(b) Diluted earnings per share

There is no dilutive potential share during both the current and prior years. Accordingly, the diluted earnings per share are the same as basic earnings per share.

8. SEGMENT REPORTING

The Group has identified a total of two reporting divisions, namely, optical fibre and optical fibre preform and optical fibre cable, based on 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 decide on the allocation of resources and performance evaluation.

- Optical fibre and optical fibre preform segment – It is primarily engaged in the production and sales of optical fibre and optical preform.
- Optical fibre cable segment – It is primarily engaged in the production and sales of optical fibre cable.

(1) Information on profit or loss and asset of the segment

In order to evaluate the performance of each segment and allocate resources to them, the management of the Group will periodically review the assets, income, expenses and operating results attributable to each segment. The basis for the preparation of such information is as follows:

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

Segment operating results refer to external transaction revenue generated by each segment, deducted by the costs of sales incurred by each segment. The Group did not allocate other expenses such as sales and administrative expenses, financial expenses and other expenses to each segment.

The information disclosed in each of the reporting segments of the Group below is generated by the management of the Group, which used the following information to measure profit / (loss), assets of the reporting segments, or without providing the following information, which is regularly provided to the management of the Group:

Item	2017					Total
	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Other	Elimination among segments	Unallocated amount	
Revenue from external transactions	4,702,946,373	5,034,896,658	628,240,628	—	—	10,366,083,659
Inter-segment revenue	441,264,757	10,525,110	426,751,818	(878,541,685)	—	—
Segment profit	2,224,855,964	534,400,696	135,296,392	(105,352,308)	—	2,789,200,744
Including: depreciation and amortisation	(97,993,873)	(23,064,896)	(85,418,297)	3,161,937	—	(203,315,129)
Taxes and surcharges	—	—	—	—	(63,717,191)	(63,717,191)
Selling expenses	—	—	—	—	(304,884,581)	(304,884,581)
Administration expenses	—	—	—	—	(968,067,388)	(968,067,388)
Financial expenses	—	—	—	—	(78,156,390)	(78,156,390)
Impairment losses	—	—	—	—	(117,329,577)	(117,329,577)
Gains from changes in fair value	—	—	—	—	240,422	240,422
Investment income	—	—	—	—	161,089,680	161,089,680
Including:						
Income from Investment in associates and joint ventures	—	—	—	—	159,121,150	159,121,150
Loss from asset disposals	—	—	—	—	(2,729,458)	(2,729,458)
Other income	—	—	—	—	31,055,191	31,055,191
Operating profit / (loss)	2,224,855,964	534,400,696	135,296,392	(105,352,308)	(1,342,499,292)	1,446,701,452
Non-operating income	—	—	—	—	1,703,021	1,703,021
Non-operating expenses	—	—	—	—	(1,530,284)	(1,530,284)
Profit / (loss) before taxation	2,224,855,964	534,400,696	135,296,392	(105,352,308)	(1,342,326,555)	1,446,874,189
Income tax	—	—	—	—	(212,295,105)	(212,295,105)
Profit for the year	2,224,855,964	534,400,696	135,296,392	(105,352,308)	(1,554,621,660)	1,234,579,084
Total assets	2,136,306,867	2,189,938,346	4,988,611,474	(147,092,684)	—	9,167,764,003
Other items						
– Long-term equity investment in associates and joint ventures	—	—	1,241,866,472	—	—	1,241,866,472
– The amounts of additions to non-current assets other than long-term equity investment	261,785,001	98,265,701	213,786,290	(8,440,344)	—	565,396,648

Item	2016					Total
	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Other	Elimination Among Segurents	Unallocated amount	
Revenue from external transactions	4,073,144,690	3,580,739,390	457,611,044	—	—	8,111,495,124
Inter-segment revenue	163,478,068	—	139,562,095	(303,040,163)	—	—
Segment profit	1,406,177,796	219,087,975	112,882,372	(55,570,534)	—	1,682,577,609
Including: depreciation and amortisation	(71,567,359)	(18,601,939)	(69,441,349)	11,162	—	(159,599,485)
Taxes and surcharges	—	—	—	—	(37,590,996)	(37,590,996)
Selling expenses	—	—	—	—	(199,431,553)	(199,431,553)
Administration expenses	—	—	—	—	(662,230,345)	(662,230,345)
Financial expenses	—	—	—	—	(112,211,093)	(112,211,093)
Impairment losses	—	—	—	—	(13,274,078)	(13,274,078)
Losses from changes in fair value	—	—	—	—	(99,303)	(99,303)
Investment income	—	—	—	—	113,415,382	113,415,382
Including:						
Income from Investment in associates and joint ventures	—	—	—	—	105,040,139	105,040,139
Loss from asset disposals	—	—	—	—	(2,080,737)	(2,080,737)
Operating profit / (loss)	1,406,177,796	219,087,975	112,882,372	(55,570,534)	(913,502,723)	769,074,886
Non-operating income	—	—	—	—	26,440,810	26,440,810
Non-operating expenses	—	—	—	—	(2,222,865)	(2,222,865)
Profit before taxation	1,406,177,796	219,087,975	112,882,372	(55,570,534)	(889,284,778)	793,292,831
Income tax	—	—	—	—	(99,592,660)	(99,592,660)
Profit for the year	1,406,177,796	219,087,975	112,882,372	(55,570,534)	(988,877,438)	693,700,171
Total assets	1,837,700,625	2,082,713,799	4,494,652,436	(248,722,833)	—	8,166,344,027
Other items						
– Long-term equity investment in associates and joint ventures	—	—	1,052,595,439	—	—	1,052,595,439
– The amounts of additions to non-current assets other than long-term equity investment	681,157,191	122,729,161	416,354,548	(194,020,031)	—	1,026,220,869

9. Bills receivable

(1) Classification of bills receivable

Item	31 December 2017	31 December 2016
Bank acceptance bills	579,044,400	176,070,852
Commercial acceptance bills	9,502,232	—
Total	<u>588,546,632</u>	<u>176,070,852</u>

All of the above bills are due within one year.

(2) Outstanding endorsed or discounted bills that have not matured at the end of the year

Item	Amount derecognized at the end of 2017	Amount not yet derecognized at the end of 2017
Bank acceptance bills	<u>225,113,959</u>	<u>18,822,252</u>
Total	<u>225,113,959</u>	<u>18,822,252</u>

Item	Amount derecognized at the end of 2016	Amount not yet derecognized at the end of 2016
Bank acceptance bills	<u>293,778,323</u>	<u>45,268,646</u>
Total	<u>293,778,323</u>	<u>45,268,646</u>

* *For identification purposes only*

10. Trade receivables

(1) Trade receivables by customer type are as follows:

Type	31 December 2017	31 December 2016
Due from related parties	111,065,716	168,537,527
Due from third parties	1,776,966,338	1,757,382,244
Sub-total	1,888,032,054	1,925,919,771
Less: allowance for doubtful debt	53,374,810	43,964,275
Total	1,834,657,244	1,881,955,496

(2) The ageing analysis of trade receivables is as follows:

Ageing	31 December 2017	31 December 2016
Within 1 year (inclusive)	1,668,732,868	1,828,670,885
1 to 2 years (inclusive)	173,307,893	69,926,487
2 to 3 years (inclusive)	23,718,969	14,655,491
3 to 4 years (inclusive)	8,474,785	2,816,380
4 to 5 years (inclusive)	6,503,837	3,003,965
Over 5 years	7,293,702	6,846,563
Sub-total	1,888,032,054	1,925,919,771
Less: allowance for doubtful debt	53,374,810	43,964,275
Total	1,834,657,244	1,881,955,496

The ageing analysis is counted starting from the date when trade receivables are recognized.

(3) Trade receivables by category are as follows:

		31 December 2017				Carrying amount
Category	Note	Book value	Allowance for doubtful debt			
		Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and assessed for impairment individually	(a)	—	—	—	—	—
Collectively assessed for impairment based on credit risk characteristics	(b)					
Group 1		111,065,716	6%	3,537,485	7%	107,528,231
Group 2		1,215,227,123	64%	19,842,884	37%	1,195,384,239
Group 3		554,217,110	29%	22,472,336	42%	531,744,774
Sub-total		1,880,509,949	100%	45,852,705	86%	1,834,657,244
Individually insignificant but assessed for impairment individually		7,522,105	0%	7,522,105	14%	—
Total		1,888,032,054	100%	53,374,810	100%	1,834,657,244

31 December 2016

Category	Note	Book value		Allowance for doubtful debts		Carrying amount
		Amount	Percentage	Amount	Percentage	
			(%)		(%)	
Individually significant and assessed for impairment individually	(a)	—	—	—	—	—
Collectively assessed for impairment based on credit risk characteristics	(b)					
Group 1		168,537,527	9%	5,301,849	12%	163,235,678
Group 2		1,466,289,007	76%	23,155,602	53%	1,443,133,405
Group 3		290,723,420	15%	15,137,007	34%	275,586,413
Sub-total		1,925,549,954	100%	43,594,458	99%	1,881,955,496
Individually insignificant but assessed for impairment individually		369,817	0%	369,817	1%	—
Total		1,925,919,771	100%	43,964,275	100%	1,881,955,496

(a) During the reporting period, the Group did not have trade receivables that are individually significant and assessed for impairment individually.

(b) Trade receivable which are collectively assessed for impairment using the ageing analysis method at the end of the year:

31 December 2017

Ageing	Book value	Allowance for doubtful debts	Percentage
Within 1 year	1,812,874,834	30,866,986	2%
Over 1 year but within 2 years	41,165,286	2,838,048	7%
Over 2 years but within 3 years	7,948,137	1,314,838	17%
Over 3 years but within 4 years	10,612,385	3,540,071	33%
Over 4 years but within 5 years	1,316,530	699,986	53%
Over 5 years	6,592,777	6,592,776	100%
Total	1,880,509,949	45,852,705	2%

31 December 2016

Ageing	Book value	Allowance for doubtful debts	Percentage
Within 1 year	1,847,623,006	28,826,183	2%
Over 1 year but within 2 years	50,886,690	3,827,263	8%
Over 2 years but within 3 years	14,561,196	1,558,392	11%
Over 3 years but within 4 years	2,628,534	913,214	35%
Over 4 years but within 5 years	3,003,965	1,622,843	54%
Over 5 years	6,846,563	6,846,563	100%
Total	<u>1,925,549,954</u>	<u>43,594,458</u>	2%

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

	Note	31 December 2017	31 December 2016
Balance at the beginning of the year		43,964,275	45,956,798
Addition / (recoveries or reversals) during the year		11,304,765	(1,788,414)
Written-off during the year	(b)	<u>(1,894,230)</u>	<u>(204,109)</u>
Balance at the end of the year		<u>53,374,810</u>	<u>43,964,275</u>

(a) At the end of each reporting period, the Group assesses and calculates the balance of allowance for doubtful debt according to the accounting policies and accounting estimates of the Group's allowance for doubtful debt for trade receivables. The impairment amount were accrued or reversed after comparing with the balance of allowance for doubtful debt of the previous fiscal year.

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 provolones debt collected or reversed.

(b) During the reporting period, the Group did not write-off accounts receivable with significant individual amount.

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

As at 31 December 2016 and 31 December 2017, the subtotal of five larget trade receivables of the Group is RMB1,369,896,993 and RMB1,162,479,792, respectively, representing 71% and 62% of the total balance of trade receivables respectively. The corresponding allowance for doudtful debt is RMB23,523,449 and RMB23,872,307, respectively.

11. Current bank loans

Item	31 December 2017	31 December 2016
Unsecured loans	<u>495,013,000</u>	<u>644,712,505</u>
Total	<u>495,013,000</u>	<u>644,712,505</u>

As at 31 December 2016 and 2017, the Group did not have any overdue loans not yet repaid.

Certain of the Group's bank loans are subject to the fulfillment of covenants relating to the Group's assets/liabilities ratio, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016 and 2017, none of the covenants relating to bank loans had been breached.

12. Bills payable

Item	31 December 2017	31 December 2016
Commercial acceptance bills	<u>147,838,562</u>	<u>85,282,636</u>
Bank acceptance bills	<u>145,994,148</u>	<u>—</u>
Total	<u>293,832,710</u>	<u>85,282,636</u>

The Group did not have any bill payable due and unpaid.

The above amounts are bills payable due within one year.

13. Trade payables

Item	31 December 2017	31 December 2016
Due to related parties	<u>232,189,978</u>	<u>186,609,739</u>
Due to third parties	<u>819,737,424</u>	<u>608,588,511</u>
Total	<u>1,051,927,402</u>	<u>795,198,250</u>

As at 31 December 2017, the ageing analysis of trade payables, based on invoice date, is as follows:

	2017	2016
Within 1 year	<u>1,035,259,869</u>	<u>788,447,653</u>
Over 1 year but within 2 years	<u>12,661,078</u>	<u>3,515,555</u>
Over 2 years but within 3 years	<u>1,073,742</u>	<u>594,167</u>
Over 3 years	<u>2,932,713</u>	<u>2,640,875</u>
Total	<u>1,051,927,402</u>	<u>795,198,250</u>

14. Non-current bank Loans

Classification of non-current bank loans

Item	31 December 2017	31 December 2016
Pledged loans	—	177,535,398
Loans secured by mortgages	18,700,000	—
Unsecured loans	464,590,000	934,200,800
Less: non-current bank loans due within one year	2,000,000	242,157,398
Total	<u>481,290,000</u>	<u>869,578,800</u>

The above bank loans have floating rate loans and fixed rate loans. Interest rates range from 1.20% -4.75% for the year of 2016 to 1.20%-4.90% for the year 2017 respectively.

15. Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December 2017	31 December 2016
No final dividend was declared after the end of the reporting period (2016: RMB0.255 per ordinary share)	—	173,939,222

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the year

	2017	2016
Final dividend declared in respect of the previous financial year	<u>173,939,222</u>	<u>118,687,940</u>

16. Financial information prepared under the CASBE and the IFRS

The differences between the net profit and net assets in the consolidated financial statements of the financial report which have each been prepared in accordance with CASBE and IFRS by the Company are set out as follows:

	Net profit 2016
According to CASBE	693,700,171
According to IFRS:	
a. Provisions for trade receivables*	(17,621,343)
b. Deferred tax*	<u>2,639,554</u>
According to IFRS	<u><u>678,718,382</u></u>
	Net assets 31 December 2016
According to CASBE	4,423,548,084
According to IFRS:	
a. Provisions for trade receivables*	14,278,352
b. Deferred tax*	<u>(2,008,338)</u>
According to IFRS	<u><u>4,435,818,098</u></u>

- * During the preparation of the financial statements for the purpose of the initial public offering of domestic Renminbi-denominated ordinary shares (A shares), the Group adjusted the provision percentage of bad debts arising from receivables provided based on the characteristics of credit risks in accordance with the industry features of the Group and with reference to the practice in the same industry, and took into consideration of the effect of relevant deferred tax, so as to reflect the Group's financial position and operating results more objectively and fairly (see Note 10).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 2017, whilst consolidating its advantage in optical fibre preforms, optical fibres and optical cables, and maintaining its leading position in domestic telecommunications market, the Group had also been deepening the internationalisation strategy and constantly expanding in overseas markets. Meanwhile, the Group continued to extend to both upstream and downstream of the industry chain, actively expand diversified services, promote its new products and increase the scope of customers and market place enthusiastically.

During the year under review, the Group's revenue reached another year of record high to approximately RMB10,336.1 million, increased by approximately 27.8% as compared to 2016 of approximately RMB8,111.5 million. The Group reported a gross profit of RMB2,789.2 million, increased by approximately 65.8% as compared to 2016 of approximately RMB1,682.6 million. Excluding the financial expenses and income tax, the Group's EBIT increased significantly from RMB905.5 million in 2016 to RMB1,525.0 million in 2017, representing an increase of approximately 68.4%. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB1,268.4 million, increased by approximately 76.9% as compared to 2016 of approximately RMB717.1 million.

Basic earnings per share was RMB1.86 per share (2016: RMB1.05 per share), which was calculated based on the weighted average number of shares issued, further details of which are set out in note 7 to the financial information as set out in this announcement.

On the other hand, the Company managed to generate positive cash flows from operating activities, further details of which are explained in the section headed "Cash flow analysis" below.

In 2017, the Group achieved remarkable financial results whilst earning distinguished performances and recognition. After many years, the Company won the Class Two Award of National Science and Technology Progress again, and Class One Award of Science and Technology of China Institute of Electronics, which endorsed the leading position of the Company in terms of technology. We were the only one in the industry that won the "National Quality Award" and won the ICQCC International Quality Management Group Gold Award successively. We were repeatedly covered by authoritative media programs such as "News Report", "Dialogue" of CCTV. We successfully held CRU Global Optical Fibre and Cable Conference consecutively, which continued to enhance the influence of the quality brand. At the same time, the Company won the "Best Supply Guarantee Award" at Huawei's core partner conference and was endorsed and recognized many times by provincial and municipal companies of China Mobile, China Unicom and China Telecom.

Revenue

The Group's revenue for the year ended 31 December 2017 was approximately RMB10,366.1 million, representing an increase of 27.8% as compared to 2016 of approximately RMB8,111.5 million.

By product segment, a total revenue of approximately RMB4,702.9 million was contributed from our optical fibre preform and optical fibre segment, representing a growth of 15.5% as compared to 2016 of approximately RMB4,073.1 million and accounting for 45.4% (2016: 50.2%) of the Group's revenue; while a total revenue of RMB5,034.9 million was contributed by our optical fibre cable segment, representing a much higher growing momentum of 40.6% as compared to 2016 of approximately RMB3,580.7 million and accounting for 48.6% (2016: 44.1%) of the Group's revenue. The substantial growth in the Group's total revenue was mainly due to the ramp up of 4G infrastructure construction by the three State-owned Telecommunication Operators and the ongoing national initiatives such as "Broadband China", "internet plus" announced by the PRC government, which provided positive catalysts and brought additional momentum, in particular, the demand for optical fibres and optical fibre cables.

A total revenue of approximately RMB628.3 million was contributed by others, representing an increase of 37.3% as compared to 2016 of approximately RMB457.7 million and accounting for 6.0% (2016: 5.7%) of the Group's revenue. The increase was mainly attributable to the increase in income from RF cables significantly growing by 98.3% as compared with 2016.

By geographical segment, a total revenue of approximately RMB9,205.8 million was contributed by domestic customers, representing an increase of 24.3% (2016: 19.3%) as compared to 2016 of approximately RMB7,408.5 million and accounting for 88.8% of the Group's revenue. During 2017, the domestic revenue for optical fibre cables grew by 34.5% while the optical fibre preforms and optical fibres grew by 15.3%. For overseas market, a total revenue of approximately RMB1,160.3 million was reported in 2017 representing an increase of 65.0% (2016: 32.7%) as compared to 2016 of approximately RMB703.0 million and accounting for approximately 11.2% of the Group's revenue. The growth in overseas revenue was mainly driven by optical fibre cables, which showed an increase of 78.0% in revenue.

During 2017, the Group had achieved strong business development in both domestic and overseas telecommunications operator markets which is one of the key stimulators for the significant growth in the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2017 was approximately RMB7,576.9 million, representing an increase of 17.9% as compared to 2016 of approximately RMB6,428.9 million and accounting for 73.1% of the Group's revenue. The increase in cost of sales was lower than our growth in revenue, which was mainly due to the higher increase in selling price of optical fibre preforms, optical fibres and optical cables than the increase in costs of major raw materials during the year.

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 2017, the Group's total raw material costs was approximately RMB6,735.7 million, representing an increase of 16.2% as compared to approximately RMB5,797.4 million in 2016.

For the year ended 31 December 2017, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB838.6 million, representing an increase of 33.2% as compared to RMB629.8 million in 2016.

Gross profit and gross profit margin

For the year ended 31 December 2017, the Group reported a gross profit of RMB2,789.2 million, representing an increase of 65.8% as compared to RMB1,682.6 million in 2016 and the gross profit margin increased to 26.9% in 2017 (2016: 20.7%). The increase in gross profit margin was mainly due to the changes in sales structure and upward adjustment in the average selling prices of optical fibre preforms, optical fibres and optical cables.

Selling expenses

The Group's selling expenses for the year ended 31 December 2017 were RMB304.9 million, representing an increase of 52.9% as compared to RMB199.4 million in 2016. The increase was mainly due to the increase in salary expenditures due to the increase in sales staff and more optical cables were sold during the year which resulted in a higher transportation costs.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2017 were RMB968.1 million, representing an increase of 46.2% as compared to RMB662.2 million in 2016. The increase was mainly because of the increase in research and development expenses, staff costs, as well as administrative expenses incurred by the newly established subsidiaries.

Financial expenses

The Group's financial expenses for the year ended 31 December 2017 were RMB78.2 million, representing a decrease of 30.3% as compared to RMB112.2 million in 2016, which was mainly because of foreign exchange loss from the re-measurement of those foreign currency liabilities, mostly in foreign currency denominated bank loans. During the year, the Group continued to restructure its bank loan by borrowing more RMB loans in order to decrease the net foreign exchange losses from the exchange depreciation of RMB against the foreign currencies. As at 31 December 2017, 81.5% of the bank loans was in RMB, 10% was in US Dollar and 8.5% was in HK Dollar.

The interest rates of the bank loans in 2017 ranged from 1.20% to 5.00% per annum (2016: 0.10% to 4.75% per annum), while the annual effective interest rate for the borrowings in 2017 was 4.03% (2016: 2.48%).

Income tax

The Group's income tax for the year ended 31 December 2017 was RMB212.3 million, representing an increase of 113.2% as compared to RMB99.6 million in 2016. On the other hand, the effective tax rate increased from 12.6% in 2016 to 14.7% in 2017. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 6 to the financial information contained in this announcement.

Capital expenditures

During the year, the Group incurred capital expenditures of approximately RMB494.7 million (2016: RMB977.5 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 private placement

The Company issued an aggregate of 11,869,000 H shares and 30,783,000 domestic shares by way of private placement on 18 December 2015. The aggregate net proceeds from the private placement (after deducting underwriting fees and related issuing expenses) amounted to approximately RMB251.3 million (equivalent to approximately HK\$302.5 million). As stated in the circular and announcements of the Company in relation to the private placement, the aggregate net proceeds from the Subscription of H Shares and domestic shares by the connected persons and employees' limited partnerships amounted to (i) RMB189.5 million (equivalent to approximately HK\$228.6 million) would be used to construct the Phase II project of YOFC Science & Technology Park in Qianjiang to expand the optical fibre preform production capacity of the Group, and the aggregate net proceeds from the placing of H Shares amounted to (ii) RMB61.8 million (equivalent to approximately HK\$73.9 million) would be used to support the development of the business of the Group, in particular, to expand the production capacity both domestically and overseas, and as general working capital, respectively.

Up to the end of 31 December 2017, the aggregate net proceeds from the Private Placement amounting to RMB251.3 million (equivalent to approximately HK\$302.5 million) has been used to (i) contribute capital of RMB189.5 million (equivalent to approximately HK\$228.6 million) to Yangtze Optical Fibre (Qianjiang) Co., Ltd., a wholly owned subsidiary, which is responsible for the Phase II project of YOFC Science & Technology Park in Qianjiang, as at 31 December 2017, the paid-up capital has been used to purchase land and build plant; (ii) for capacity expansion in overseas (a) contribute capital of RMB10.5 million (equivalent to approximately HK\$12.6 million) to PT. Yangtze Optical Fibre Indonesia, a non-wholly owned subsidiary in Indonesia, as at 31 December 2017, the paid-up capital has been used to purchase fibre drawing equipment; (b) contribute capital of RMB33.1 million (equivalent to approximately HK\$39.6 million) to Yangtze Optics Africa Holdings Proprietary Limited, a non-wholly owned subsidiary in South Africa, as at 31 December 2017, the paid capital has been used to purchase optical cable equipment; and (c) pay RMB18.2 million (equivalent to approximately HK\$21.7 million) as general working capital for operating expenses. Up to 31 December 2017, the net proceeds from the Private Placement had been fully utilised in accordance with the uses as set out in the circular and announcements of the Company in relation to the Private Placement.

Use of proceeds from the private placement	Planned Percentage	Planned use of net proceeds	Actual use of net proceeds			Unused proceeds
			As at 31 December 2016	As at 24 March 2017#	As at 31 December 2017	As at 31 December 2017
<i>(in RMB million, except for percentage)</i>						
Constructing the phase II project of YOFC Science & Technology Park in Qianjiang to expand preform capacity	75%	189.5	189.5	189.5	189.5	—
Supporting the development and capacity expansion of the Group and supplement working capital	25%	61.8	52.8	52.8	61.8	—
Total	100%	251.3	242.3	242.3	251.3	—

Date of 2016 annual report

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 2017 was -15.0% (2016: 7.4%).

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 2017.

	2017	2016
Net cash generated from operating activities	1,737,869,941	1,307,218,835
Net cash used in investing activities	(380,963,679)	(1,101,037,334)
Net cash used in financing activities	(980,582,610)	(857,817,661)
Effect of foreign exchange rate changes on cash and the equivalents	(4,385,119)	32,086,493
Net increase/(decrease) in cash and cash equivalents	<u>371,938,533</u>	<u>(619,549,667)</u>

The net cash generated from the Group's operating activities increased by approximately RMB430.7 million, which was mainly due to the increase in revenue of the Group during the year that was greater than the net increase in trade and bills receivable and trade and bills payable.

The net cash used by the Group's investment activities decreased by approximately RMB720.1 million, which was mainly due to the investment in capacity expansion projects domestically and abroad in 2016, and the major projects had commenced operation in 2017 with cash to pay for the construction of fixed assets and intangible assets and investment in the joint venture decreased significantly from the previous year.

Net cash used by the Group's financing activities increased by approximately RMB122.8 million, which was mainly due to the increase in cash paid for distributing dividends over the previous year and the decrease in the cash received by subsidiaries as a result of absorption of minority shareholders' investments compared to the previous year.

Cash and cash equivalents as at 31 December 2017 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 2017, the Group's net current assets was RMB2,281.3 million, increased slightly by RMB295.3 million from RMB1,986.0 million as at 31 December 2016. The increase in net current assets was mainly due to (1) short-term borrowings and long-term borrowings due within one year decreased, which resulted in an increase in net current assets by approximately RMB389.9 million; (2) accounts receivable and bills increased by approximately RMB365.2 million, and accounts payable and bills payable increased by approximately RMB465.3 million, which resulted in a decrease in net current assets by RMB100.1 million.

Bank loans

As at 31 December 2017, the Group's bank loans were RMB978.3 million, representing a significant decrease of RMB778.1 million from approximately RMB1,756.4 million as at 31 December 2016. As at 31 December 2017, 28.4% of the Group's bank loans were floating-rate loans and 71.6% were fixed-rate loans. Among the Group's bank loans, 8.5% were Hong Kong dollar loans, 10.0% were US dollar loans, and the remaining 81.5% were RMB loans.

After the RMB fixing reform on 11 August 2015, the exchange rate of RMB against US Dollars and Euro showed a decreasing trend. The Group lowered the proportions of US Dollar and Euro loans by way of replacing US Dollar and Euro loans with RMB loans. As a result, the proportion of our foreign currency loans decreased from 36.3% as at 31 December 2016 to 18.5% as at 31 December 2017, while the proportion of RMB loans increased from 63.7% as at 31 December 31 2016 to 81.5% as at 31 December 2017.

Commitments and contingencies

As at 31 December 2017, the Group's outstanding capital commitments on fixed assets were approximately RMB2,495.1 million (2016: approximately RMB928.5 million), intangible assets of approximately RMB nil million (2016: approximately RMB16.9 million), and equity investment of approximately RMB325.5 million (2016: approximately RMB16.7 million). Out of the total amount of unsettled commitments as at 31 December 2017 of approximately RMB2,820.6 million (2016: RMB962.1 million), a total of approximately RMB551.7 million (2016: approximately RMB196.3 million) were contracted, and the balance of approximately RMB2,268.9 million (2016: approximately RMB765.8 million) were authorized but not yet contracted by the Board.

As at 31 December 2017, the Group did not have any material contingent liability.

Charge on assets

As at 31 December 2017, except for the Group's houses and buildings with a book value of RMB49.4 million and land use rights with a book value of RMB26.3 million that were pledged as collaterals to secure loans of RMB18.7 million, the Group did not secure other assets to obtain any bank financing or bank loans.

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 suffered mainly from the unfavourable fluctuations in exchange rate movements between RMB and US Dollars or Euro, which resulted in net foreign exchange losses of RMB28.2 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 2017, the Group had approximately 4,075 full-time employees (2016: 3,500 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 labour 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 2017, the Company did not enter into any non-recourse trade receivables factoring arrangements with a commercial bank in China (2016: RMB Nil). In addition, as at 31 December 2017, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB225.1 million (2016: RMB293.8 million) to certain commercial banks in China and its suppliers.

Formation of new overseas presences

PT Yangtze Optics Indonesia

On 13 April 2017, the Company established a joint venture namely PT Yangtze Optics Indonesia (“YOI”) in Indonesia with PT Fiber Optik Teknologi Indonesia (“PT FOTI”). Its business scope is engaged in optical fibre cable industry business activities. The total paid-up capital of this joint venture was USD14 million and this joint venture is held as to 70% by the Company and 30% by PT FOTI. During the year, a total of USD9.8 million was contributed by the Company to YOI.

YOI, headquartered in Jakarta Indonesia, is the second joint venture enterprise after PT Yangtze Optical Fibre Indonesia which was invested by the Company in Indonesia in 2015. Its plant is located in Karawang, West Java. After the project is built up, its annual production capacity of optical fibre cable is up to 2.0 million fibre kilometers.

In response to “the Belt and Road” Initiative, the Company has accelerated its layout of globalization. YOI is a milestone for the Company to march towards the world, marking that the Company has accelerated its strategy of internationalization and globalization. Indonesia, with a population of 260.0 million, is the world’s fourth largest country in terms of population. In recent years, Indonesia was stable in political situation and economic development. Indonesian government has launched national broadband plan to boost the development of internet and broadband sharply. Therefore, it can be expected that Indonesia will come to its climax of building the optical networks, with huge market demands on optical fibres and cables. The establishment of YOI will complete the Company’s closed loop of optical fibre and cable industry in Indonesia. Based on integrating the shareholders’ resources, the new company will be rooted in Indonesia and radiated towards surrounding countries and regions, and is to be one of the most influential manufacturers of optical fibre cable in Indonesia and ASEAN region.

YOFC International (Philippines) Co., Ltd.

On 5 December 2017, Yangtze Optical Fibre and Cable Company (Hong Kong) Limited (“YOFC Hong Kong”), a subsidiary of the Company, established YOFC International (Philippines) Co., Ltd. (“YOFC Philippines”) in the Philippines. The scope of business was to engage in sales of optical fibres and cables and related packaged engineering services. YOFC Philippines is 100% owned by YOFC Hong Kong and its paid-up share capital is 10.2 million Philippine peso, YOFC Hong Kong had contributed 10.2 million Philippine peso in cash during the year.

Pursuant to Chapter 14 and 14A of the Hong Kong Listing Rules, the establishment of YOI and YOFC Philippines does not constitute a notifiable transaction or connected transaction of the Company.

OUTLOOK

The Group's strategic goals remain to be an industry leader and consolidate its current market position. In 2018, centering on the mid-to-long term strategic plan, the Group will continue to achieve sustainable growth by implementing the five strategic initiatives including the organic growth of optical fibre preforms, optical fibres and optical fibre cables, internationalization, technological innovation and smart manufacturing, related diversification, and synergy in capital operations, so as to create more value for shareholders and customers.

In 2017, major countries and telecom operators around the world had announced 5G construction and commercial plans, and 5G technology standards were gradually launched. In 2018, 5G will move from the laboratory to the actual deployment. It is expected that it will realise the scale for commercialization in the coming two to three years. The investment in global communications infrastructure construction will remain high, and the demand for optical fibres and optical fibre cables will continue to be strong.

In the face of strong market demand, the Group had seized the opportunity to deploy strategic layout ahead. In 2017, the Group had newly built and expanded production capacities in Qianjiang, Lin'an, Lanzhou and Shenyang. The autonomy and flexibility in supply had increased significantly. In 2018, the Group is planning to implement the Phase II and Phase III projects of YOFC Qianjiang Science and Technology Park, and further facilitate the implementation of smart manufacturing projects, which will consolidate production capacity and optimize supply capacity. At the same time, with its sound brand influence and production capacity layout, the Company won the first share bid in the central purchasing of optical fibre and optical cable by China Mobile in January 2018. China Mobile is the largest customer in the global optical fibre and optic cable industry. It was the third consecutive time that the Company won the first share bid in the central purchasing of optical fiber and optical cable, which laid a solid foundation for reinforcing its market position of the Group and creating good operating performance.

While maintaining its position in the domestic market, the Group will continue to deepen its internationalization strategies. On the one hand, we will continue to tap into countries along the "One Belt One Road" initiatives, so as to explore high-potential markets, seek suitable partners, and improve the layout of overseas operations. On the other hand, we strengthened the operation of overseas sales entities, focused on marketing localization and sales to end customers, so as to promote the continued rapid growth of overseas sales.

In 2018, the Group will continue to implement the innovation-driven development strategy and upgrade the proprietary developed VAD and OVD process level and industrialization scale. We will coordinate the use of three major process capabilities, develop new products with market potential, and provide customers with the best products and solutions. At the same time, a series of smart manufacturing projects will be implemented in an orderly manner, which will reduce production costs and improve customized demand response capabilities. Furthermore, the Company will also use its best endeavours to explore new scopes such as submarine cables, actively tap into new growth points, thereby facilitating the sustainable growth of the Group's revenue and profits.

In terms of capital operations, the Company is proceeding with the initial public offering and listing of A shares. If successfully implemented, the Company will become the first company in the industry and Hubei province to be publicly listed on two stock markets. In the future, we will be able to fully capitalise on the advantages of the financial markets of Hong Kong and Mainland, so as to create value for shareholders and promote the realization of strategic goals.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: RMB0.255 (before tax) per share).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules (the "CG Code"). As at the date of this announcement, the audit committee of the Company comprises three members, namely Dr. Ngai Wai Fung, Dr. Ip Sik On Simon and Dr. Li Zhuo, the independent non-executive directors of the Company. Dr. Ngai Wai Fung is the chairman of the audit committee.

The audit committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2017. The audit committee has also reviewed with the management and the Company's auditors, KPMG Huazhen LLP, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of 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 2017.

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 2017.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (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.

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, 12 March 2018

As at the date of this announcement, the Board comprises Zhuang Dan and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Pier Francesco Facchini, Xiong Xiangfeng and Zheng Huili, as non-executive directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive directors.

* *For identification purposes only*