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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)

**CLARIFICATION ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2016 AND
THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

This announcement is issued by 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**”).

Reference is made to (i) the annual report for the year 2015 published on 21 April 2016; (ii) the annual report for the year 2016 published on 27 April 2017 and (iii) the announcement of annual results for the year ended 31 December 2017 published on 12 March 2018.

Reference is also made to the announcement of the Company dated 17 January 2018 in relation to the alignment in the disclosure of financial statements in accordance with the the China Accounting Standards for Business Enterprises (“**CASBE**”) in domestic and international market. Since the date on which the H shares of the Company became listed on The Stock Exchange of Hong Kong Limited, the Company has been preparing its financial statements under both the CASBE and the International Financial Reporting Standards (“**IFRS**”) and has made disclosure of financial information based on the IFRS. Since the passing of the resolution at the meeting of the board of directors held on 17 January 2018, the Company has disclosed its financial statements in accordance with the CASBE and related regulations. Accordingly, the annual reports of the Company for the years 2015 and 2016 contain the financial statements prepared under the IFRS whereas the announcement of the annual results for the year ended 31 December 2017 contains the financial information prepared under the CASBE.

I. The annual reports for the years 2015 and 2016

(1) *Percentage of allowance for bad and doubtful debt arising from trade and bills receivable*

Reference is made to the announcements of the Company dated 23 December 2016, 24 March 2017, 30 June 2017 and 17 January 2018, and the circulars of the Company dated 6 April 2017 and 5 May 2017 in relation to, among other matters, the Company's proposed A share offering and related proposals.

In respect of the proposed A share offering, the Company has to prepare a prospectus which contains the financial statements of the Group for the years ended 31 December 2015, 2016 and 2017. In the course of preparing such A share prospectus, the Company made corrections in relation to the prior period accounting errors and made adjustments to the prior years' consolidated financial statements of the Company in accordance with the Enterprise Accounting Principles No. 28 — Accounting Policy, Change in Accounting Estimates and Corrections of Errors and other relevant laws and regulations.

Based on the practical experiences, the Company continued to refine and enhance its management of trade and bills receivable. According to the industry characteristics and by reference to the percentage of allowance for bad and doubtful debt arising from trade and bills receivable adopted by other listed industry peers, the Company made adjustments to the percentage of allowance for bad and doubtful debt arising from trade and bills receivable using the ageing analysis method (the “**Group Impairment Ratio**”) and made corrections in relation to the corresponding prior period accounting errors after conducting more detailed analysis and review and from a more prudent perspective. The Group Impairment Ratio as adjusted are set out below:

Ageing	Percentage of allowance for bad debt arising from trade and bills receivable (%)		
	Group 1	Group 2	Group 3
Within 1 year	3%	1%	3%
Over 1 year but within 2 years	10%	5%	10%
Over 2 years but within 3 years	30%	10%	30%
Over 3 years but within 4 years	100%	30%	100%
Over 4 years but within 5 years	100%	50%	100%
Over 5 years	100%	100%	100%

(2) *Adjustment amount and impact on the financial conditions of the Company upon adjustment*

Details of the adjustments made to the line items in relation to the trade and bills receivable as reported in the financial statements contained in the annual reports for the years 2015 and 2016 as a result of the above mentioned corrections to the accounting errors are set out below:

As at 31 December 2015 / In 2015

RMB'000

<u>Line Items in Financial Statements</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Trade and bills receivable	2,119,178	(31,899)	2,087,279
Deferred tax assets	10,442	4,648	15,090
Administrative expenses	551,452	8,992	560,444
Income tax	73,788	(1,239)	72,549

As at 31 December 2016 / In 2016

RMB'000

<u>Line Items in Financial Statements</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Trade and bills receivable	2,072,305	(14,278)	2,058,027
Deferred tax assets	55,956	2,008	57,964
Administrative expenses	732,447	(17,621)	714,826
Income tax	96,953	2,640	99,593

As a result of the above adjustments, the consolidated statement of comprehensive income and the consolidated statement of financial position of the Company will be restated as follows:

Consolidated statement of comprehensive income

	Year ended 31 December 2015			Year ended 31 December 2016		
	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Administrative expenses	551,452	8,992	560,444	732,447	(17,621)	714,826
Profit from operations	676,960	(8,992)	667,968	782,768	17,621	800,389
Profit before taxation	632,022	(8,992)	623,030	775,671	17,621	793,292
Income tax	73,788	(1,239)	72,549	96,953	2,640	99,593
Profit for the year	558,234	(7,753)	550,481	678,718	14,981	693,699

Consolidated statement of financial position

	As at 31 December 2015			As at 31 December 2016		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Trade and bills receivable	2,119,178	(31,899)	2,087,279	2,072,305	(14,278)	2,058,027
Deferred tax assets	10,442	4,648	15,090	55,956	2,008	57,964
Net assets	3,731,675	(27,251)	3,704,424	4,435,818	(12,270)	4,423,548
Reserves	2,892,744	(26,905)	2,865,839	3,494,961	(11,193)	3,483,768
Total assets*	7,582,809	(27,251)	7,555,558	8,178,614	(12,270)	8,166,344

* Total assets represented the aggregate of the total non-current assets and the total current assets.

Note: The financial statements contained in the annual reports for the years 2015 and 2016 were prepared in accordance with IFRS, therefore the above restated items are those presented in the financial statements prepared under the IFRS.

As illustrated above, the restatements have no material impact on the net profit, net assets and total assets of the Company, therefore the accounting errors are not considered as material ones. Also, the board of the directors of the Company is of the view that the financial conditions and the results of operations of the Group shall not be affected by virtue of the restatement. Apart from those contents involving the above figures, all other contents in the annual reports for the years 2015 and 2016 remain unchanged.

II. The announcement of the annual results for the year ended 31 December 2017

Further to the Company's restatements made to the financial statements for the year 2016 as mentioned above, the Company hereby provides the supplementary information in relation to 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 the CASBE and the IFRS as set out in the announcement of the annual results for the year ended 31 December 2017 as published on 12 March 2018. The note headed "16. Financial information prepared under the CASBE and the IFRS" on page 22 of the annual results announcement shall be deleted in its entirety and be replaced as follows:

"16. Financial information prepared under the CASBE and the IFRS

There are no 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.”

The annual results contain the financial information of the Company prepared under the CASBE which have already been adjusted based on the Group Impairment Ratio after the correction to the abovementioned accounting errors, therefore the abovementioned restatements shall not affect any of the information and figures as contained in the rest of the annual results announcement. Save as disclosed herein, all other contents of the annual results announcement remain unchanged. Further details of the prior period accounting errors and the corresponding restatement will be disclosed in the Company’s 2017 annual report.

III. Financial statements prepared under the CASBE

Since January 2018, the Company has disclosed its financial statements in accordance with the CASBE and related regulation. Further, the Company’s A share prospectus shall contain financial statements of the Group for the years ended 31 December 2015, 2016 and 2017 which are prepared under the CASBE. In order to provide more information to the shareholders of the Company, the details of the impact on the financial statements prepared under the CASBE as a result of the abovementioned adjustments are set out in the appendix to this announcement.

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 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*

Appendix

Details of the adjustments made to the line items in relation to the trade receivables as reported in the financial statements of the Group for the years ended 31 December 2015, 2016 and 2017 (the “**Reporting Period**”) prepared under the CASBE as a result of the accounting errors mentioned in this announcement are set out below:

As at 31 December 2015 / In 2015

RMB'000

<u>Line Items in Financial Statements</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Trade receivables	1,945,127	(31,899)	1,913,228
Deferred tax assets	10,442	4,648	15,090
Impairment losses	26,055	8,992	35,047
Income tax	73,788	(1,239)	72,549

As at 31 December 2016 / In 2016

RMB'000

<u>Line Items in Financial Statements</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Trade receivables	1,896,234	(14,278)	1,881,956
Deferred tax assets	55,956	2,008	57,964
Impairment losses	30,895	(17,621)	13,274
Income tax	96,953	2,640	99,593

As at 31 December 2017 / In 2017 ^{Note}

RMB'000

<u>Line Items in Financial Statements</u>	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Trade receivables	1,840,811	(6,154)	1,834,657
Deferred tax assets	53,553	1,690	55,243
Impairment losses	125,454	(8,124)	117,330
Income tax	211,977	318	212,295

Note: To illustrate the impact of the accounting errors to the financial figures during the Reporting Period, the figures are calculated based on the trade receivables figure as at the end of 2017 and the Group Impairment Ratio as if no adjustment has been made. In fact, the announcement of the annual results for the year ended 31 December 2017 as published on 12 March 2018 has already been adjusted based on the Group Impairment Ratio upon correction to the prior period accounting errors.

As a result of the above adjustments, the details of impact on the major financial items in the consolidated statement of comprehensive income and the consolidated statement of financial position of the Company prepared under the CASBE are as follows:

Items	2017 Affected Amount^{Note} (Increase+, Reduce-)	2016 Affected Amount (Increase+, Reduce-)	2015 Affected Amount (Increase+, Reduce-)
Profit for the year	7,806	14,981	(7,753)
Net assets	(4,464)	(12,270)	(27,251)
Total assets	(4,464)	(12,270)	(27,251)

Note: To illustrate the impact of the accounting errors to the financial figures during the Reporting Period, the figures are calculated based on the trade receivables figure as at the end of 2017 and the Group Impairment Ratio as if no adjustment has been made. In fact, the announcement of the annual results for the year ended 31 December 2017 as published on 12 March 2018 has already been adjusted based on the Group Impairment Ratio upon correction to the prior period accounting errors.