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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue was RMB11,359.8 million (2017: RMB10,366.1million), increased by approximately 9.6% (2017: 27.8%).

- Gross profit and gross profit margin were RMB3,228.4 million (2017: RMB2,789.2 million) and 28.4% (2017: 26.9%), respectively.

- Profit for the year attributable to equity shareholders of the Company was RMB1,489.2 million (2017: RMB1,268.4 million), increased by approximately 17.4% (2017: 76.9%).

- The Group's revenue from domestic business increased by approximately 2.9% (2017: 24.3%), when compared with the prior year. The Group's overseas revenue increased by approximately 62.5% (2017: 65.0%), when compared with the prior year.

- The board of directors of the Company (the "**Board**") recommended the payment of a final dividend of RMB0.25 per share (before tax) for the year ended 31 December 2018 (2017: Nil).

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 2018, extracted from the audited consolidated financial statements of the Group as set out in its 2018 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.

* *For identification purposes only*

Consolidated Income Statement

For the year ended 31 December 2018

(Expressed in Renminbi "RMB")

		Notes	**2018**	2017
I.	**Revenue**	4	**11,359,764,086**	10,366,083,659
II.	**Less: Cost of sales**	4	**8,131,340,393**	7,576,882,915
	Taxes and surcharges		**61,749,553**	63,717,191
	Selling expenses		**385,304,803**	304,884,581
	Administrative expenses		**646,920,902**	565,267,682
	R&D expenses		**516,757,100**	402,799,706
	Financial expenses	5	**40,148,836**	78,156,390
	Including: Interest expenses		**44,799,968**	56,989,336
	Interest revenue		**(27,871,149)**	(14,568,237)
	Impairment losses		**38,615,213**	117,329,577
	Credit losses		**48,290,427**	—
	Add: Other income		**27,858,039**	31,055,191
	Investment income		**151,058,214**	161,089,680
	Including: Income from investment in associates and joint ventures		**152,089,231**	159,121,150
	Gains from changes in fair value		**257,993**	240,422
	Losses from asset disposals		**(2,741,721)**	(2,729,458)
III.	**Operating profit**		**1,667,069,384**	1,446,701,452
	Add: Non-operating income		**3,514,740**	1,703,021
	Less: Non-operating expenses		**1,059,066**	1,530,284
IV.	**Profit before taxation**		**1,669,525,058**	1,446,874,189
	Less: Income tax	6	**181,494,174**	212,295,105
V.	**Profit for the year**		**1,488,030,884**	1,234,579,084
	Profit for the year attributable to equity shareholders of the Company		**1,489,185,053**	1,268,353,170
	Non-controlling interests		**(1,154,169)**	(33,774,086)

	Notes	2018	2017
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company		**(38,125,893)**	(21,977,923)
(1) Items that cannot be reclassified subsequently to profit or loss			
Changes in fair value of investments in other equity instruments		**(31,142,485)**	—
(2) Items that may be reclassified subsequently to profit or loss			
1. Gains or losses arising from changes in fair value of available-for-sale financial assets		**—**	(15,010,600)
2. Exchange differences on translation of financial statements of overseas subsidiaries		**(6,983,408)**	(6,967,323)
Other comprehensive income (net of tax) attributable to non-controlling interests		**(5,393,685)**	(3,021,381)
VII. Total comprehensive income for the year		**1,444,511,306**	1,209,579,780
Total comprehensive income attributable to equity shareholders of the Company		**1,451,059,160**	1,246,375,247
Total comprehensive income attributable to non-controlling interests		**(6,547,854)**	(36,795,467)
VIII. Earnings per share:			
(1) Basic earnings per share	7	**2.09**	1.86
(2) Diluted earnings per share	7	**2.09**	1.86

Consolidated Balance Sheet
At 31 December 2018
(Expressed in Renminbi "RMB")

	Notes	**31 December 2018**	31 December 2017
ASSETS:			
Current assets			
Cash and cash equivalents		**2,684,163,417**	1,799,513,559
Financial assets held for trading		**32,913,367**	—
Financial assets at fair value through profit or loss		**—**	4,599,225
Available-for-sale financial assets		**—**	37,513,923
Trade and bills receivable	9	**3,417,463,236**	2,423,203,876
Prepayments for raw materials		**92,445,336**	74,833,629
Other receivables		**135,603,164**	111,722,888
Inventories		**995,149,268**	730,468,166
Other current assets		**130,323,468**	47,040,053
Total current assets		**7,488,061,256**	5,228,895,319
Non-current assets			
Available-for-sale financial assets		**—**	101,234,501
Long-term receivables		**—**	20,000,000
Long-term equity investments		**1,626,151,304**	1,241,866,472
Investments in other equity instruments		**64,829,201**	—
Fixed assets		**2,016,583,574**	1,921,458,636
Construction in progress		**1,170,820,370**	164,473,273
Intangible assets		**291,972,356**	328,050,231
Long-term deferred expenses		**1,313,700**	2,081,726
Deferred tax assets		**84,664,986**	55,242,983
Other non-current assets		**141,485,562**	104,460,862
Total non-current assets		**5,397,821,053**	3,938,868,684
Total assets		**12,885,882,309**	9,167,764,003

	Notes	**31 December 2018**	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Current bank loans	10	**276,645,808**	495,013,000
Trade and bills payable	11	**1,508,113,413**	1,345,760,112
Receipt in advance		**—**	241,566,904
Employee benefits payable		**445,025,136**	304,003,980
Taxes payable		**166,438,867**	188,455,821
Other payables		**499,521,371**	359,005,281
Contract liabilities		**179,060,964**	—
Non-current liabilities due within one year		**275,223,750**	13,818,333
Total current liabilities		**3,350,029,309**	2,947,623,431
Non-current liabilities			
Non-current bank loans	12	**817,000,000**	481,290,000
Deferred income		**79,900,611**	83,223,111
Other non-current liabilities		**262,623,183**	169,799,283
Total non-current liabilities		**1,159,523,794**	734,312,394
Total liabilities		**4,509,553,103**	3,681,935,825
SHAREHOLDERS' EQUITY:			
Share capital		**757,905,108**	682,114,598
Capital reserve		**3,353,543,988**	1,551,725,933
Other comprehensive income		**26,180,356**	66,464,721
Surplus reserve		**557,383,759**	402,047,041
Retained earnings		**3,493,020,983**	2,535,966,730
Total equity attributable to equity shareholders of the Company		**8,188,034,194**	5,238,319,023
Non-controlling interests		**188,295,012**	247,509,155
Total equity		**8,376,329,206**	5,485,828,178
Total liabilities and shareholders' equity		**12,885,882,309**	9,167,764,003

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.

On 29 June 2018, the China Securities Regulatory Commission issued "Zheng Jian Xu Ke [2018] No.1060" Approval in Relation to the Initial Public Issuance of Shares by Yangtze Optical Fibre and Cable Joint Stock Limited Company and approved Yangtze Optical Fibre and Cable Joint Stock Limited Company to publicly issue no more than 75,790,510 new shares. Based on the above approval, the Company completed the initial public offering of A shares and the A shares of the Company were listed on the Shanghai Stock Exchange on 20 July 2018. The new A shares of 75,790,510 shares, with a nominal value of RMB1.00 per share were issued at the offer price of RMB26.71 per share. After the initial public offering of 75,790,510 A shares of the Company, the registered capital rose from RMB682,114,598 to RMB757,905,108. The total share capital changed from 682,114,598 shares to 757,905,108 shares.

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	**2018** Revenue	**2018** Cost	2017 Revenue	2017 Cost
Principal activities	**11,061,853,761**	**7,875,108,914**	10,223,510,120	7,461,680,074
Other operating activities	**297,910,325**	**256,231,479**	142,573,539	115,202,841
Total	**11,359,764,086**	**8,131,340,393**	10,366,083,659	7,576,882,915
Including: Revenue generated from contract	**11,359,764,086**	**8,131,340,393**	10,366,083,659	7,576,882,915

Details of revenue:

	2018	2017
Revenue from principal activities		
– Optical fibres and optical fibre preforms	**4,691,213,906**	4,702,946,373
– Optical fibre cables	**5,726,732,615**	5,034,896,658
– Other sales	**643,907,240**	485,667,089
Sub-total	**11,061,853,761**	10,223,510,120
Revenue from other operating activities		
– Materials	**217,046,012**	114,674,434
– Commission processing	**61,678,026**	—
– Technology licence fees and services	**13,850,304**	22,753,672
– Others	**5,335,983**	5,145,433
Total	**11,359,764,086**	10,366,083,659

5. Financial expenses

Item	**2018**	2017
Interest expenses on loans and payables	**60,388,465**	59,199,586
Less: Borrowing costs capitalised*	**14,842,497**	1,469,850
Less: Financial discount to offset financial expenses	**746,000**	740,400
Interest income from deposits and receivables	**(27,871,149)**	(14,568,237)
Net exchange loss	**12,379,648**	28,173,581
Other financial expenses	**10,840,369**	7,561,710
Total	**40,148,836**	78,156,390

* The interest rate per annum, at which the borrowing costs were capitalized for the 2017 and 2018 by the Group was 4.1% and 3.98% respectively.

6. Income tax

	2018	2017
Income tax for the year based on tax laws and regulations	**207,488,382**	207,697,129
Changes in deferred income tax	**(23,833,861)**	5,369,428
Tax filling differences	**(2,160,347)**	(771,452)
Total	**181,494,174**	212,295,105

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

Item	**2018**	2017
Originations and reversals of temporary differences	**(23,833,861)**	5,369,428
Total	**(23,833,861)**	5,369,428

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

Item	**2018**	2017
Profit before taxation	**1,669,525,058**	1,446,874,189
Expected income tax calculated at tax rate of 25%	**417,381,265**	361,718,547
Effect of tax rate differences	**(146,681,878)**	(124,672,607)
Effect of tax filing difference	**(2,160,347)**	(771,452)
Effect of non-taxable income	**(50,079,646)**	(41,328,650)
Effect of non-deductible cost, expense and loss	**8,285,343**	6,810,426
Additional qualified tax deduction relating to research and development costs	**(71,933,679)**	(31,310,898)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	**26,683,116**	41,849,739
Income tax	**181,494,174**	212,295,105

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 2017 and 2018.

According to the High-tech Enterprise Certificate No. GR201542000605 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and 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 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 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 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.

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	**2018**	2017
Consolidated net profit attributable to ordinary shareholders of the Company	**1,489,185,053**	1,268,353,170
Weighted average number of ordinary shares outstanding	**713,693,977**	682,114,598
Basic earnings per share (RMB/share)	**2.09**	1.86

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

	2018	2017
Number of issued ordinary shares at the beginning of the year	**682,114,598**	682,114,598
Effects from initial public offering of A shares	**31,579,379**	—
Weighted average number of ordinary shares at the end of the year	**713,693,977**	682,114,598

(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 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	2018 Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
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)**
Impairment losses	**–**	**–**	**–**	**–**	**(38,615,213)**	**(38,615,213)**
Credit losses	**–**	**–**	**–**	**–**	**(48,290,427)**	**(48,290,427)**
Gains from changes in fair value	**–**	**–**	**–**	**–**	**257,993**	**257,993**
Investment income	**–**	**–**	**–**	**–**	**151,058,214**	**151,058,214**
Including:						
Income from investment in associates and joint ventures	**–**	**–**	**–**	**–**	**152,089,231**	**152,089,231**
Losses from asset disposals	**–**	**–**	**–**	**–**	**(2,741,721)**	**(2,741,721)**
Other income	**–**	**–**	**–**	**–**	**27,858,039**	**27,858,039**
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**

	2017					
Item	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
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 expenses	(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	—	—	—	—	(565,267,682)	(565,267,682)
R&D expenses	—	—	—	—	(402,799,706)	(402,799,706)
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
Losses 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
– Increase in other non-current assets other than long-term equity investment	261,785,001	98,265,701	213,786,290	(8,440,344)	—	565,396,648

9. Trade and bills receivable

Type	Note	**31 December 2018**	31 December 2017
Bills receivable	(1)	**440,706,252**	588,546,632
Trade receivables	(2)	**2,976,756,984**	1,834,657,244
Total		**3,417,463,236**	2,423,203,876

(1) Bills receivable

(a) Bills receivable by category

Type	**31 December 2018**	31 December 2017
Bank acceptance bills	**326,444,787**	579,044,400
Commercial acceptance bills	**114,261,465**	9,502,232
Total	**440,706,252**	588,546,632

The aforementioned bills receivable were due within one year.

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

Type	**Amount derecongnized at the end of 2018**	**Amount not yet derecognized at the end of 2018**
Bank acceptance bills	**152,374,712**	**100,148,385**

(i) Undue discounted or endorsed bank acceptance bills with full amount derecognized

In 2018, 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 2018. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2018 and 31 December 2017 are RMB32,211,733 and nil respectively. As at 31 December 2018 and 31 December 2017, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB120,162,979 and RMB225,113,959 respectively. As at 31 December 2018, the remaining period of the derecognized bills was 1 to 10 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 derecogzition of the bills and the continued exposure to the maximum risk exposure resulting in the loss of the Group amounted to its full amount.

(ii) Undue discounted or endorsed bank acceptance bills with full amount not derecognized

As at 31 December 2018, apart from the the derecognized bills disclosed in note above, the Group continued to recognize discounted bills and endorsed bills of RMB18,696,208 and RMB81,452,177 respectively (31 December 2017: RMB nil and RMB18,822,252). 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 2018, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB18,696,208 and RMB81,452,177 respectively (31 December 2017: RMB nil and RMB18,822,252). The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

(2) Trade receivables

(a) Analysis of trade receivables by the type of customers:

Type	**31 December 2018**	31 December 2017
Due from related parties	**333,868,828**	111,065,716
Due from third parties	**2,736,179,854**	1,776,966,338
Sub-total	**3,070,048,682**	1,888,032,054
Less: allowance for doubtful debts	**93,291,698**	53,374,810
Total	**2,976,756,984**	1,834,657,244

(b) Ageing analysis of trade receivables:

Ageing	**31 December 2018**	31 December 2017
Within 1 year (1 year inclusive)	**2,842,042,694**	1,668,732,868
1 to 2 years (2 years inclusive)	**150,794,871**	173,307,893
2 to 3 years (3 years inclusive)	**40,270,048**	23,718,969
3 to 4 years (4 years inclusive)	**16,416,134**	8,474,785
4 to 5 years (5 years inclusive)	**8,131,261**	6,503,837
Over 5 years	**12,393,674**	7,293,702
Sub-total	**3,070,048,682**	1,888,032,054
Less: allowance for doubtful debts	**93,291,698**	53,374,810
Total	**2,976,756,984**	1,834,657,244

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

(c) Analysis of trade receivables by category:

	31 December 2018				
	Book value		Allowance for doubtful debts		Carrying amount
Category	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	
Individually assessed for impairment customers in default	**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**
Total	**3,070,048,682**	**100%**	**93,291,698**	**3%**	**2,976,756,984**

	31 December 2017				
	Book value		Allowance for doubtful debts		Carrying amount
Category	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers in default	7,522,105	0%	7,522,105	100%	—
Collectively assessed for impairment by group					
Group 1	111,065,716	6%	3,537,485	3%	107,528,231
Group 2	1,215,227,123	64%	19,842,884	2%	1,195,384,239
Group 3	554,217,110	29%	22,472,336	4%	531,744,774
Total	1,888,032,054	100%	53,374,810	3%	1,834,657,244

(i) Reasons for making doubtful debts provisions with single trade receivables in 2018:

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

(ii) Standard and explanation of making doubtful debts provisions by group in 2018

According to the historical experience of the Company, 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.

(iii) Expected credit loss assessment for trade receivables in 2018:

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.

Group 1	**Expected loss rate**	**Book value**	**Allowance for doubtful debts**
Within 1 year (1 year inclusive)	3%	330,669,098	9,920,073
1 to 2 years (2 years inclusive)	10%	548,980	54,898
2 to 3 years (3 years inclusive)	30%	2,650,750	795,225
3 to 4 years (4 years inclusive)	100%	—	—
4 to 5 years (5 years inclusive)	100%	—	—
Over 5 years	100%	—	—
Total		333,868,828	10,770,196

Group 2	**Expected loss rate**	**Book value**	**Allowance for doubtful debts**
Within 1 year (1 year inclusive)	1%	1,638,079,552	16,380,795
1 to 2 years (2 years inclusive)	5%	37,230,824	1,861,541
2 to 3 years (3 years inclusive)	10%	12,411,377	1,241,138
3 to 4 years (4 years inclusive)	30%	4,428,828	1,328,648
4 to 5 years (5 years inclusive)	50%	8,165,083	4,082,542
Over 5 years	100%	3,869,137	3,869,137
Total		1,704,184,801	28,763,801

Group 3	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	3%	989,577,828	29,687,336
1 to 2 years (2 years inclusive)	10%	16,066,591	1,606,659
2 to 3 years (3 years inclusive)	30%	5,552,753	1,665,825
3 to 4 years (4 years inclusive)	100%	2,594,510	2,594,510
4 to 5 years (5 years inclusive)	100%	1,242,630	1,242,630
Over 5 years	100%	3,591,572	3,591,572
Total		1,018,625,884	40,388,532

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.

(iv) Doubtful debts provision for trade receivables in 2017

Under the standards of the original financial instruments, provision for impairment of assets is prepared only when there is objective evidence for impairment. As at 31 December 2017, the Group had no trade receivable that was past due but not impaired and assessed individually or according to groups.

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

	31 December 2018	**31 December 2017**
Balance under the previous standard for Financial Instruments	**53,374,810**	43,964,275
Adjusted amount under the newly applied standard for Financial Instruments	**—**	—
Adjusted balance at the beginning of the year	**53,374,810**	43,964,275
Addition during the year	**48,290,427**	11,304,765
Written-off during the year	**(8,373,539)**	(1,894,230)
Balance at the end of the year	**93,291,698**	53,374,810

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.

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

As at 31 December 2017 and 31 December 2018, the subtotal of five largest trade receivables of the Group is RMB1,162,479,792 and RMB1,433,488,094, respectively, representing 62% and 47% of the total balance of trade receivables respectively. The corresponding allowance for doubtful debt is RMB23,872,307 and RMB27,872,704, respectively.

10. Current bank loans

Item	**31 December 2018**	31 December 2017
Unsecured loans	**276,645,808**	495,013,000

As at 31 December 2018, the guranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB20,589,600 (2017: Nil).

As at 31 December 2018, the Group did not have any overdue loans not yet repaid.

11. Trade and bills payable

Type	Note	**31 December 2018**	31 December 2017
Bills payable	(1)	**232,494,030**	293,832,710
Trade payables	(2)	**1,275,619,383**	1,051,927,402
Total		**1,508,113,413**	1,345,760,112

(1) Bills payable

Item	**31 December 2018**	31 December 2017
Commercial acceptance bills	**58,170,615**	147,838,562
Bank acceptance bills	**174,323,415**	145,994,148
Total	**232,494,030**	293,832,710

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

The above amounts are bills payable due within one year.

(2) Trade payables

Item	**31 December 2018**	31 December 2017
Due to related parties	**236,218,411**	232,189,978
Due to third parties	**1,039,400,972**	819,737,424
Total	**1,275,619,383**	1,051,927,402

As at 31 December 2018, the ageing analysis of trade payables, based on invoice date, is as follows:

	2018	2017
Within 1 year (1 year inclusive)	**1,241,706,923**	1,035,259,869
1 to 2 years (2 years inclusive)	**24,711,186**	12,661,078
2 to 3 years (3 years inclusive)	**5,449,720**	1,073,742
Over 3 years	**3,751,554**	2,932,713
Total	**1,275,619,383**	1,051,927,402

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

12. Non-current bank Loans

Item	**31 December 2018**	31 December 2017
Loans secured by mortgages	**—**	18,700,000
Unsecured loans	**1,080,620,000**	464,590,000
Less: non-current bank loans due within one year	**263,620,000**	2,000,000
Total	**817,000,000**	481,290,000

The above bank loans have floating rate loans and fixed rate loans. Interest rates range from 1.20%-4.90% for the year of 2017 and 1.20%-5.70% for the year 2018 respectively.

13. Dividends

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

	31 December 2018	31 December 2017
Final dividend proposed after the end of the reporting period of RMB0.25 per ordinary share (2017: Nil)	**189,496,277**	—

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

	2018	2017
Final dividend declared in respect of the previous financial year	**—**	173,939,222

14. 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 2017 and 2018:

— CAS No.14 – Revenue (Revised) ("new revenue standard")

— CAS No.22 – Financial Instruments: Recognition and Measurement (Revised), CAS No.23 – Transfer of Financial Assets (Revised), CAS No.24 – Hedge Accounting (Revised) and CAS No.37 – Presentation and Disclosures of Financial Instruments (Revised) (collectively the "new financial instruments standards")

— CAS Bulletin No.9 - Accounting of Net Investment Losses under Equity Method, CAS Bulletin No.10 - Applying Revenue-based Depreciation Method on Fixed Assets, CAS Bulletin No.11 - Applying Revenue-based Amortisation Method on Intangible Assets and CAS Bulletin No.12 - Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties (collectively the "CAS Bulletins No.9-12")

— Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15)

The Group has applied the above revised accounting standards and interpretations since 1 January 2018 and adjusted the related accounting policies.

(2) Major impact of changes in accounting policies

(a) New revenue standard

The new revenue standard replaces CAS No.14 – Revenue and CAS No.15 – Construction Contracts issued by the MOF in 2006 (the "old revenue standard").

Under previous revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services was recognized by reference to the stage of completion of the transaction at the balance sheet date.

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract:

– Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The Group satisfies a performance obligation over time if certain criteria is met; or otherwise, a performance obligation is satisfied at a point in time. Where a contract has two or more performance obligations, the Group determines the stand alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand- alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

— The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as contract costs, warranties, principal versus agent considerations, licensing, and receipt in advance.

— Under new revenue standard, the Group presents a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment.

The effect of adopting new revenue standard on the Group's accounting policies are as follows:

For the receivables in advance received from customers for the transfer of goods (or service provision), the Group refers to them as "receipt in advance" under the previous revenue standard. Under the new revenue standard, based on the relationship between the performance of obligations by the enterprise and the payment from customers, the Group's obligation to transfer goods to customers after receiving the consideration from them shall be presented as "contract liabilities" on the balance sheet from 1 January 2018, and no adjustments will be made to the comparative financial statements.

(b) New financial instruments standards

The new financial instruments standards revise CAS No.22 – Financial instruments: Recognition and measurement, CAS No.23 – Transfer of Financial assets and CAS No.24 – Hedging issued by the MOF in 2006 and CAS No.37 – Presentation and Disclosures of Financial Instruments (collecting the "old financial instruments standards").

The new financial instruments standards classify financial assets into three basic categories: (1) financial assets measured at amortised cost; (2) financial assets measured at FVOCI; and (3) financial assets measured at FVTPL. The classification of financial assets under the new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under the old financial instruments standards. Under the new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of new financial instruments standards does not have a significant impact on the Group's accounting policies for financial liabilities.

The Group did not designate or de-designated any financial assets or financial liabilities at FVTPL at 1 January 2018.

The new financial instruments standards replace the "incurred loss" model in the old financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in the old financial instruments standards.

The ECL model applies to the following item:

— financial assets measured at amortised cost;

The ECL model does not apply to investments in equity instruments.

The Group has applied the classification and measurement requirements (including impairment) of new financial instruments standards retrospectively. The Group recognised any difference between the previous carrying amount under previous financial instruments standards and the carrying amount at the beginning of the annual reporting period that includes the date of initial application (on 1 January 2018) in the opening retained earnings or other comprehensive income. Comparative information has not been restated.

(c) CAS Bulletins No. 9 – 12

The Group adjusted the relevant accounting policies based on requirements under CAS Bulletins No. 9 – 12 relating to the accounting treatments on net investment losses under equity method, the depreciation and amortisation methods of fixed assets and intangible assets and recognition and disclosure of related- party recipient of key management personnel service.

For the accounting treatments on net investment losses under equity method, comparative figures have been adjusted retrospectively. For the depreciation and amortisation method of fixed assets and intangible assets and recognition and disclosure of associates of key management personnel service, the Group adopted prospective approach and did not adjust the comparative figures.

The adoption of CAS Bulletins No. 9 – 12 does not have any material impact on the financial position and operating results of the Group.

(d) Presentation of Financial Statements

The Group prepared its 2018 annual financial statements in accordance with the format for financial statements specified by CaiKuai [2018] No.15 and retrospectively adjusted the presentation of the related financial statements.

The impacts of the relevant presentation adjustments are as follows:

Items affected in the consolidated and the parent company balance sheet as at 31 December 2017:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Bills receivable	588,546,632	(588,546,632)	—
Trade receivables	1,834,657,244	(1,834,657,244)	—
Bills and trade receivable	—	2,423,203,876	2,423,203,876
Dividends receivable	13,373,336	(13,373,336)	—
Other receivables	98,349,552	13,373,336	111,722,888
Bills payable	293,832,710	(293,832,710)	—
Trade payables	1,051,927,402	(1,051,927,402)	—
Bills and trade payable	—	1,345,760,112	1,345,760,112
Interest payable	8,189,813	(8,189,813)	—
Other payables	350,815,468	8,189,813	359,005,281

	The Company		
	Before adjustment	**Adjustment**	**After adjustment**
Bills receivable	582,931,872	(582,931,872)	—
Trade receivables	1,800,051,280	(1,800,051,280)	—
Bills and trade receivable	—	2,382,983,152	2,382,983,152
Dividends receivable	13,373,336	(13,373,336)	—
Other receivables	257,473,789	13,373,336	270,847,125
Bills payable	308,832,446	(308,832,446)	—
Trade payables	1,286,860,076	(1,286,860,076)	—
Bills and trade payable	—	1,595,692,522	1,595,692,522
Interest payable	8,163,676	(8,163,676)	—
Other payables	215,621,041	8,163,676	223,784,717

Items affected in the consolidated income statement and company income statement for the year ended 31 December 2017

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Administrative expenses	968,067,388	(402,799,706)	565,267,682
R&D expenses	—	402,799,706	402,799,706

	The Company		
	Before adjustment	**Adjustment**	**After adjustment**
Administrative expenses	732,170,041	(292,493,901)	439,676,140
R&D expenses	—	292,493,901	292,493,901

(3) Based on the comparative financial statement after retrospective adjustment (Note 14(2)(d)) in accordance with the requirements of Cai Kuai [2018] No.15, the Group summarized the impacts on the consolidated balance sheet and the items of the parent company as at 1 January 2018 due to changes in accounting policies without retrospective adjustment under the aforementioned Note 14(2)(a)-(o) as follows:

	The Group				
	Carrying amount at 1 January 2018 before adjustment	Reclassification		Remeasurement	Carrying amount at 1 January 2018 after adjustment
		Effect of new revenue standard	Effect of new financial instruments standards	Effect of new financial instruments standards	
Assets:					
Financial assets at fair value through profit or loss	4,599,225	—	(4,599,225)	—	—
Financial assets held for trading*	—	—	42,113,148	—	42,113,148
Available-for-sale financial assets	138,748,424	—	(138,748,424)	—	—
Other non-current financial assets**	—	—	101,234,501	—	101,234,501
Liabilities:					
Receipt in advance	241,566,904	(149,136,904)	—	—	92,430,000
Contract liabilities	—	149,136,904	—	—	149,136,904
Shareholders' equity:					
Other comprehensive income	66,464,721	—	—	(2,158,472)	64,306,249
Retained earnings	2,535,966,730	—	—	2,158,472	2,538,125,202

Note*: This category is financial assets measured at fair value through profit or loss;

Note**: This category is financial assets measured at fair value through other comprehensive income.

	The Company				
	Carrying amount at 1 January 2018 before adjustment	Reclassification		Remeasurement	Carrying amount at 1 January 2018 after adjustment
		Effect of new revenue standard	Effect of new financial instruments standards	Effect of new financial instruments standards	
Assets:					
Financial assets at fair value through profit or loss	4,599,225	—	(4,599,225)	—	—
Financial assets held for trading*	—	—	4,599,225	—	4,599,225
Available-for-sale financial assets	101,024,501	—	(101,024,501)	—	—
Other non-current financial assets**	—	—	101,024,501	—	101,024,501
Liabilities:					
Receipt in advance	134,778,345	(134,778,345)	—	—	—
Contract liabilities	—	134,778,345	—	—	134,778,345
Shareholders' equity:					
Other comprehensive income	60,685,225	—	—	(2,158,472)	58,526,753
Retained earnings	2,218,630,343	—	—	2,158,472	2,220,788,815

Note*: This category is financial assets measured at fair value through profit or loss;

Note**: This category is financial assets measured at fair value through other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 2018, the growth of the market demand slowed down compared with that in 2017, while the capacity from suppliers was expanded. The shortage of optical fibre preforms in the industry was alleviated. The change of the supply and demand relationship resulted in a stabilized average selling price. The Group continued to strengthen its competitive advantages in optical fibre preforms, optical fibres and optical fibre cables segments and maintained its leading position in domestic telecommunication 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 coverage of customers and market. In the midst of a stabilized market, the Group was able to realise a growth rate above its market peers.

During the year under review, the Group's revenue reached another year of record high to approximately RMB11,359.8 million, increased by approximately 9.6% as compared to 2017 of approximately RMB10,336.1 million. The Group reported a gross profit of RMB3,228.4 million, increased by approximately 15.7% as compared to 2017 of approximately RMB2,789.2 million. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB1,489.2 million, increased by approximately 17.4% as compared to 2017 of approximately RMB1,268.4 million.

Basic earnings per share was RMB2.09 per share (2017: RMB1.86 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.

The year 2018 marked the Group's 30th anniversary of establishment. Through 30 years of introduction, digestion, absorption and innovation, the Group has grown from a production plant that relied on foreign technology to a market leader with self-owned core technology. The Group also successfully completed the A share public offering and became the first dual-listed company in the industry and in Hubei province.

Revenue

The Group's revenue for the year ended 31 December 2018 was approximately RMB11,359.8 million, representing an increase of 9.6% as compared to 2017 of approximately RMB10,366.1 million.

By product segment, a total revenue of approximately RMB4,691.2 million was contributed from our optical fibre preforms and optical fibres segment, representing a decrease of 0.2% as compared to 2017 of approximately RMB4,702.9 million and accounting for 41.3% (2017: 45.4%) of the Group's revenue; while a total revenue of RMB5,726.7 million was contributed by our optical fibre cables segment, representing a growth of 13.7% as compared to 2017 of approximately RMB5,034.9 million and accounting for 50.4% (2017: 48.6%) of the Group's revenue. The substantial growth in the Group's total revenue was mainly due to the ramp up of mobile network 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 to the demand for optical fibres and optical fibre cables.

A total revenue of approximately RMB941.9 million was contributed by others, representing an increase of 49.9% as compared to 2017 of approximately RMB628.3 million and accounting for 8.3% (2017: 6.0%) of the Group's revenue. The increase was mainly attributable to the increase in income from Cable solutions,which grew significantly by 89.4% as compared with 2017.

By geographical segment, a total revenue of approximately RMB9,473.8 million was contributed by domestic customers, representing an increase of 2.9% (2017: 24.3%) as compared to 2017 of approximately RMB9,205.8 million and accounting for 83.4% of the Group's revenue. During 2018, the domestic revenue for optical fibre cables grew by 3.7% while the optical fibre preforms and optical fibres decreased by 4.3%. For overseas market, a total revenue of approximately RMB1,886.0 million was reported in 2018 representing a substantial increase of 62.5% (2017: 65.0%) as compared to 2017 of approximately RMB1,160.3 million and accounting for approximately 16.6% of the Group's revenue. The growth in overseas revenue was mainly driven by optical fibre cables, which showed an increase of 73.9% in revenue.

During 2018, 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 2018 was approximately RMB8,131.3 million, representing an increase of 7.3% as compared to 2017 of approximately RMB7,576.9 million and accounting for 71.6% of the Group's revenue. The increase in cost of sales was lower than our growth in revenue, which was mainly due to the optimisation of the Group's capacity structure and the optical fibre preform manufacturing processes, as well as the improvement of production efficiency.

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 2018, the Group's total raw material costs was approximately RMB7,243.9 million, representing an increase of 7.5% as compared to approximately RMB6,735.7 million in 2017.

For the year ended 31 December 2018, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB885.0 million, representing an increase of 5.5% as compared to RMB838.6 million in 2017.

Gross profit and gross profit margin

For the year ended 31 December 2018, the Group reported a gross profit of RMB3,228.4 million, representing an increase of 15.7% as compared to RMB2,789.2 million in 2017 and the gross profit margin increased to 28.4% in 2018 (2017: 26.9%). The increase in gross profit margin was mainly due to the changes in sales structure , optimisation of capacity structure and improvement in manufacturing processes.

Selling expenses

The Group's selling expenses for the year ended 31 December 2018 were RMB385.3 million, representing an increase of 26.4% as compared to RMB304.9 million in 2017. The increase was mainly due to the increase in salary expenditures due to the increase in sales staff and more optical fibre cables were sold during the year which resulted in higher transportation costs.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2018 were RMB646.9 million, representing an increase of 14.4% as compared to RMB565.3 million in 2017. The increase was mainly because of the increase in staff costs as well as administrative expenses incurred by the newly established subsidiaries.

R&D expenses

The Group's R&D expenses for the year ended 31 December 2018 were RMB516.8 million, representing an increase of 28.3% as compared to RMB402.8 million in 2017. The increase was mainly because of the strength of the Company's research in core technology.

Financial expenses

The Group's financial expenses for the year ended 31 December 2018 were RMB40.1 million, representing a decrease of 48.6% as compared to RMB78.2 million in 2017, 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 2018, 81.8% of the bank loans was in RMB, 4.0% was in US Dollar and 14.2% was in HK Dollar.

The interest rates of the bank loans in 2018 ranged from 1.20% to 5.70% per annum (2017: 1.20% to 5.00% per annum), while the annual effective interest rate for the borrowings in 2018 was 4.14% (2017: 4.03%).

Income tax

The Group's income tax for the year ended 31 December 2018 was RMB181.5 million, representing a decrease of 14.5% as compared to RMB212.3 million in 2017. On the other hand, the effective tax rate decreased from 14.7% in 2017 to 10.9% in 2018. 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 RMB1,333.3 million (2017: RMB494.7 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 2018, the proceeds of approximately RMB1,257.7 million were used in the following items:(1) 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 occupied approximately RMB763.4 million; (2) Repayment of bank loans occupied approximately RMB300.0 million; (3)Replenishment of working capital occupied approximately RMB194.3 million. The remaining procceds of approximately RMB636.6 million would still be specially used in 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.

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 2018 was -15.8% (2017: -15.0%).

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 2018.

	2018	2017
Net cash generated from operating activities	**565,350,945**	1,737,869,941
Net cash used in investing activities	**(1,530,096,247)**	(380,963,679)
Net cash generated from/(used in) financing activities	**1,783,529,696**	(980,582,610)
Effect of foreign exchange rate changes on cash and the equivalents	**9,678,488**	(4,385,119)
Net increase/(decrease) in cash and cash equivalents	**828,462,882**	371,938,533

The net cash generated from the Group's operating activities decreased by approximately RMB1,172.5 million. The reason was that the shortage was alleviated in the market and the customers no longer pay in advance to ensure delivery. Thus the payment terms returned to normal status, resulting in a net increase in trade and bills receivable and trade and bills payable of the Group during the year.

The net cash used by the Group's investment activities increased by approximately RMB1,149.1 million, which was mainly due to the investment in Yangtze Optical Fibre (Qianjiang) Co., Ltd's capacity expansion projects of optical fibre preforms and the cash outflow for the construction of fixed assets and investment in the associates increased significantly from the previous year.

Net cash generated from the Group's financing activities increased by approximately RMB2,764.1 million, which was mainly due to net proceeds from the initial public offering of A shares amounted to approximately RMB1,894.3 million.

Cash and cash equivalents as at 31 December 2018 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 2018, the Group's net current assets was RMB4,138.0 million, increased by RMB1,856.7 million from RMB2,281.3 million as at 31 December 2017. The increase in net current assets was mainly due to cash and cash equivalents, trade receivables and bills receivable increased by approximately RMB1,878.9 million.

Bank loans

As at 31 December 2018, the Group's bank loans were RMB1,357.3 million, representing an increase of RMB379.0 million from approximately RMB978.3 million as at 31 December 2017. As at 31 December 2018, 39.4% of the Group's bank loans were floating-rate loans and 60.6% were fixed-rate loans. Among the Group's bank loans, 14.2% were Hong Kong dollar loans, 4.0% were US dollar loans, and the remaining 81.8% were RMB loans.

Commitments and contingencies

As at 31 December 2018, the Group's outstanding capital commitments on fixed assets were approximately RMB2,227.3 million (2017: approximately RMB2,495.1 million), and equity investment was approximately RMB26.3 million (2017: approximately RMB325.5 million). Out of the total amount of unsettled commitments as at 31 December 2018 of approximately RMB2,253.6 million (2017: RMB2,820.6 million), a total amount of approximately RMB493.4 million (2017: approximately RMB551.7 million) were contracted, and the balance of approximately RMB1,760.2 million (2017: approximately RMB2,268.9 million) were authorized but not yet contracted by the Board.

As at 31 December 2018, the Group did not have any material contingent liability.

Charge on assets

As at 31 December 2018, 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.

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 RMB12.4 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 2018, the Group had approximately 4,499 full-time employees (2017: 4,075 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 2018, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB152.4 million (2017: RMB225.1 million) to certain commercial banks in China and its suppliers.

Formation of New Overseas Presence

YOFC INTERNATIONAL (SINGAPORE) PTE. LTD.

On 28 February 2018, Yangtze Optical Fibre and Cable Company (Hong Kong) Limited ("YOFC Hong Kong"), a subsidiary of the Company, established YOFC INTERNATIONAL (SINGAPORE) PTE. LTD. ("YOFC Singapore") in Singapore. Its scope of business includes general wholesale import and export (import and export of tradable telecom equipments) and other unclassified business activities related to telecom. YOFC Singapore is 100% owned by YOFC Hong Kong and its paid-up share capital is USD8 million. During the year, YOFC Hong Kong had contributed USD1.2 million.

Formation of New Domestic Presences

YOFC Gas (Qianjiang) Co., Ltd.

On 21 March 2018, Yangtze Optical Fibre (Qianjiang) Co., Ltd. (the "YOFC Qianjiang"), a subsidiary of the Company, established YOFC Gas Qianjiang Co., Ltd. (the "YOFC Gas") in Hubei province. Its scope of business includes production and sales of vapour, chemical raw materials (excluding hazardous chemicals, precursor chemicals and monitoring chemicals) and the technical service of the above products. YOFC Gas is 100% owned by YOFC Qianjiang and its paid-up share capital is RMB80 million. During the year, YOFC Qianjiang had contributed RMB72 million.

AVIC Baosheng Ocean Engineering Cable Company

AVIC Baosheng Ocean Engineering Cable Company (the "Baosheng Cable") was established on 26 August 2015. Its scope of business includes wires, cables, accessories, components and the design, development, production, sales, installment, technical consulting service of various submarine projects and equipments. Self-conducted and proxy for exports and imports of various products and technologies. (Projects that must be approved according to law shall be approved by the relevant departments before the operation). Baosheng Cable is a joint venture between the Company and Baosheng Science and Technology Innovation Co., Ltd. (the "Baosheng Technology"). The Company holds 30% of total shares and Baosheng Technology holds the remaining 70% of the total shares. Its paid-up share capital is RMB1,000 million. In May 2018, the Company had contributed RMB300 million.

Baosheng YOFC Marine Engineering Company Ltd.

On 1 June 2018, the Company, together with Baosheng Technology, established Baosheng YOFC Marine Engineering Company Ltd (the "Baosheng YOFC ") in Jiangsu. Its scope of business includes the construction of submarine projects, sales of submarine cables, optical cables, composite cables, specialty submarine cables, direct current cables, high voltage cables, umbilical cables, trailing cables, OPGW cables, other power cables and their accessories, the installment, construction, technical consulting services of various submarine projects and equipments. (Projects that must be approved according to law shall be approved by the relevant departments before the operation). Baosheng YOFC is a joint venture between the Company and Baosheng Technology. The Company holds 51% of the total shares of Baosheng YOFC and Baosheng Technology holds the remaining 49% of the total shares. Its paid-up share capital is RMB100 million. During the year, the Company had contributed RMB3.57 million.

The establishment of all the above associates and subsidiaries as disclosed under the sections headed "Formation of New Overseas Presence" and "Formation of New Domestic Presences" did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

OUTLOOK

In 2019, the market would be more complicated with severe competition. Before the mass construction of 5G infrastructure, the growth rate of the demand from the major domestic customers, the three state-owned telecom operators would slow down and the market would stabilise. However, attracted by the high profitability in last two years and the potential 5G related demands in the future, the suppliers expanded their capacity, which resulted in a change of supply and demand relationship. The shortage in supply of optical fibre preforms was alleviated, while there was an oversupply of the optical fibres and optical fibre cables. In March 2019, China Mobile announced its central bidding for common optical fibre cable. Due to the fierce competition, the published average selling price for 2019 decreased significantly compared with that in 2018, According to the announcement of biddy candidates the Company won 4.39% of the bidding and ranked number 6. The bidding which would have a negative effect on the Group's revenue and profitability. Facing challenges, the Group would adhere to its mid to long term strategies and focus on the key segment in the value chain. Apart from realising organic growth of optical fibre preforms, optical fibres and optical fibre cables, the Group would explore overseas markets and promote relevant diversification to generate value for shareholders and customers.

The overall impact from the centred bidding of China Mobile on the Chinese and global option fibre and cable industry and market needs to be further analyses.

The Group aims to ensure its leading position in main businesses and solidify foundation for future growth. In 2019, the Group would fully utilise its advantages in technologies and capacity structure to gain more customers in the optical fibre preform and optical fibre segment, which has the highest profitability and entry barrier. On one hand, the Group would focus on both domestic and overseas markets, take market opportunities, differentiate itself with its leading technologies, branding and quality, and realise synergies within the Group to gain leading positions in core segment within the value chain. On the other hand, the Group would continue to optimise its capacity structure of optical fibre preforms, increase production efficiency and lower costs.

In 2019, facing opportunities in relevant diversification fields, the Group would gradually develop end to end comprehensive solutions based on customers' demand and application scenarios. Through customer replication, products extension and business extension, the Group would strengthen its businesses such as cabling system, specialty optical fibre and components. Meanwhile, under systematic planning and reasonable investment, the core competitiveness of new diversification fields such as optic module and submarine cable would be improved to promote their fast growth and to bring new drivers to the Group's development.

In 2019, facing a growing overseas market, the Company will focus on internationalisation strategy and build regional centre based on sales offices, and strengthen the coordination of production, supply chain and sales within the Group and form a regional localized cooperative operation model. 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. The Group has won four independent orders from the domestic broadband connection phase III projects in Peru. The projects include network design, deployment and maintenance. The total amount is expected to exceed USD400 million. Meanwhile, the Group's EPC project in Philippines was successfully implemented.

Innovation is the foundation of the Group's sustainable growth. In 2019, the Group would continue to innovate in areas such as organisational structure, operation management, new businesses incubation, technology development to enhance core competitiveness. On the one hand, the Group would optimise organisation structure based on market and realise fast end to end response. On the other hand, the Group would focus on the construction of R&D platform and strengthen the development of new technologies, new products and new solutions, so as to lead the development of the Group with advanced technologies and innovation. Moreover, based on the State Key Laboratory, the Group would build an incubator platform for new businesses, together with the operation of capital and investment of strategic resources, in order to promote new drivers for future development.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December2018 of RMB0.25 (2017: Nil) per share totaling RMB189,496,277 (2017: Nil). The expected payment date is on 28 May 2019. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2018 annual general meeting（"AGM"）to be held on 28 July 2019 by the Company. Should the proposal be approved, the dividend for holders of A shares, including holders of A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect（hereinafter referred to as the"Northbound Shareholders"）and holders of H Shares through the Southbound Trading Link（including Shanghai and Shenzhen markets, hereinafter referred to as the"Southbound Shareholders"）will be declared and paid in RMB.

Dividends to holders of H Shares, except the Southbound Shareholders, are paid in Hong Kong dollars. The exchange rate will be calculated as per the average exchange rate for converting RMB into Hong Kong dollars published by the People' s Bank of China during the five business days prior to the AGM.

With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited（"CSDC"）Shanghai Branch and Shenzhen Branch shall receive cash dividends distributed by the Company as the nominee of the Southbound Shareholders for Shanghai market and Shenzhen market, respectively and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

In accordance with the Enterprise Income Tax Law of the People' s Republic of China（《中華人民共和國企業所得稅法》）and its implementation rules effective on January 1, 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from January 1, 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the interim dividend as enterprise income tax, distribute the interim dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company' s shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H shares registered in the name of other organizations and groups.

Pursuant to the PRC Individual Income Tax Law（《中華人民共和國個人所得稅法》）， the Implementation Regulations of the PRC Individual Income Tax Law（《中華人民共和國個人所得稅法實施條例》），the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)（《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法（試行）〉的通知》（國稅發[2009]124號）），the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)（《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》（國稅函[2011]348號）），other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For Northbound Shareholders, with regard to the dividends obtained by the investors (including enterprises and individuals) from investment in the A shares of the Company listed on Shanghai Stock Exchange through the Hong Kong Stock Exchange, the Company will withhold income tax at the rate of 10%, and file tax withholding returns with the competent tax authority. Where there is any tax resident of a foreign country out of the investors through the Northbound Trading Link and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may personally, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax having been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

For Southbound Shareholders, in accordance with the Notice of Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81)（《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》（財稅[2014]81號））,effective from November 17, 2014, and the Notice of the Ministry of Finance, the State Administration of Taxation, and the ChinaSecurities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127)（《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》（財稅[2016]127號））,effective from December 5, 2016, with regard to the dividends obtained by individual mainland investors from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the Company will withhold their individual income tax at the rate of 20% in accordance with the register of individual mainland investors provided by CSDC. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. With respect to the dividends obtained by mainland securities investment funds from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the Company will withhold their income tax with reference to the provisions concerning the collection of tax on individual investors. The Company will not withhold income tax on dividends obtained by mainland enterprise investors, and mainland enterprise investors shall file their income tax returns and pay tax themselves instead.

Holders of H shares are advised to consult their own tax advisers about the tax effect in China, Hong Kong and/or other countries (regions) in respect of owning and disposing of H shares if they are in any doubt as to the above arrangements.

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 2018.

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 2018. 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 2018.

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 2018.

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 2018.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 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, 22 March 2019

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*