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長飛光纖光纜股份有限公司

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

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

(Stock Code: 6869)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the "**Company**"), together with its subsidiaries (the "**Group**"), dated 27 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Announcement**").

The board of directors of the Company (the "**Board**") is pleased to announce that the Company's auditor, KPMG Huazhen LLP, has completed its auditing process of the annual results for the year ended 31 December 2019 of the Group (the "**2019 Annual Results**") in accordance with China Standards on Auditing for Certified Public Accountants.

Save as (i) reclassification adjustments of certain items in consolidated income statement; (ii) proposed distribution of a final dividend for the year ended 31 December 2019; and (iii) commitments and contingencies, there were no significant changes to the 2019 Annual Results contained in the Announcement.

FINANCIAL HIGHLIGHTS

- Revenue was RMB7,769.2 million (2018: RMB11,359.8 million), decreased by approximately 31.6% (2018: increased by 9.6%).
- Gross profit and gross profit margin were RMB1,833.5 million (2018: RMB3,228.4 million) and 23.6% (2018: 28.4%), respectively.
- Profit for the year attributable to equity shareholders of the Company was RMB801.2 million (2018: RMB1,489.2 million), decreased by approximately 46.2% (2018: increased by 17.4%).
- The Group's revenue from domestic business decreased by approximately 35.5% (2018: increased by 2.9%), when compared with the prior year. The Group's overseas revenue decreased by approximately 11.9% (2018: increased by 62.5%), when compared with the prior year.
- The Board recommended the payment of a final dividend of RMB0.318 per share (before tax) for the year ended 31 December 2019 (2018: RMB0.25).

* *For identification purposes only*

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 as follows:

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

		Notes	2019 (Audited)	2018 (Audited)
I.	**Revenue**	4	**7,769,175,495**	11,359,764,086
II.	**Less: Cost of sales**	4	**5,935,648,889**	8,131,340,393
	Taxes and surcharges		**26,708,981**	61,749,553
	Selling expenses		**347,325,663**	385,304,803
	Administrative expenses		**428,531,381**	646,920,902
	R&D expenses		**413,538,214**	516,757,100
	Financial expenses	5	**6,223,776**	40,148,836
	Including: Interest expenses		**61,161,985**	44,799,968
	Interest income		**43,159,364**	27,871,149
	Add: Other income	6	**203,936,325**	27,858,039
	Investment income		**121,786,023**	151,058,214
	Including: Income from investment in associates and joint ventures		**109,848,127**	152,089,231
	Gains from changes in fair value		**238,970**	257,993
	Credit losses		**(33,407,343)**	(48,290,427)
	Impairment losses		**(33,325,145)**	(38,615,213)
	Gains/(losses) from asset disposals		**7,367,173**	(2,741,721)
III.	**Operating profit**		**877,794,594**	1,667,069,384
	Add: Non-operating income		**6,520,253**	3,514,740
	Less: Non-operating expenses		**805,799**	1,059,066
IV.	**Profit before taxation**		**883,509,048**	1,669,525,058
	Less: Income tax	7	**99,224,076**	181,494,174
V.	**Profit for the year**		**784,284,972**	1,488,030,884
	Profit for the year attributable to equity shareholders of the Company		**801,225,042**	1,489,185,053
	Non-controlling interests		**(16,940,070)**	(1,154,169)

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

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

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

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

Notes:

1. CORPORATE INFORMATION

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

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

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

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

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

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

3. REVENUE

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

4. Revenue and cost of sales

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

Details of revenue:

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

5. Financial expenses

Item	**2019 (Audited)**	2018 (Audited)
Interest expenses on loans and payables	**62,148,499**	60,388,465
Interest on lease liabilities	**3,913,486**	–
Less: Borrowing costs capitalised*	**4,900,000**	14,842,497
Less: Financial discount to offset financial expenses	**–**	746,000
Interest income from deposits	**(43,159,364)**	(27,871,149)
Net exchange (gains)/losses	**(19,649,707)**	12,379,648
Other financial expenses	**7,870,862**	10,840,369
Total	**6,223,776**	40,148,836

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

6. Other income

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

7. Income tax

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

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

Item	2019 (Audited)	2018 (Audited)
Originations and reversals of temporary differences	**(11,334,623)**	(23,833,861)
Total	**(11,334,623)**	(23,833,861)

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

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

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

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

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

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

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

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

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

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

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

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

8. Earnings per share

(1) Basic earnings per share

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

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

Weighted average number of ordinary shares is calculated as follows:

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

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

(2) Diluted earnings per share

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

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

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

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

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

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

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

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

9. SEGMENT REPORTING

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

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

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

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

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

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

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

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

	2019 (Audited)					
Item	**Optical fibres and optical fibre preforms segment**	**Optical fibre cables segment**	**Others**	**Elimination among segments**	**Unallocated amount**	**Total**
Revenue from external transactions	2,508,413,385	4,002,028,543	1,258,733,567	–	–	7,769,175,495
Inter-segment revenue	327,502,804	37,831,735	737,696,522	(1,103,031,061)	–	–
Segment profit	1,061,268,611	689,506,156	149,346,366	(66,594,527)	–	1,833,526,606
Including: Depreciation and amortisation expenses	(149,262,183)	(29,238,536)	(112,202,900)	3,721,121	–	(286,982,498)
Taxes and surcharges	–	–	–	–	(26,708,981)	(26,708,981)
Selling expenses	–	–	–	–	(347,325,663)	(347,325,663)
Administration expenses	–	–	–	–	(428,531,381)	(428,531,381)
R&D expenses	–	–	–	–	(413,538,214)	(413,538,214)
Financial expenses	–	–	–	–	(6,223,776)	(6,223,776)
Other income	–	–	–	–	203,936,325	203,936,325
Investment income	–	–	–	–	121,786,023	121,786,023
Including:						
Income from investment in associates and joint ventures	–	–	–	–	109,848,127	109,848,127
Gains from changes in fair value	–	–	–	–	238,970	238,970
Credit losses	–	–	–	–	(33,407,343)	(33,407,343)
Impairment losses	–	–	–	–	(33,325,145)	(33,325,145)
Gains from asset disposals	–	–	–	–	7,367,173	7,367,173
Operating profit/(loss)	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(955,732,012)	877,794,594
Non-operating income	–	–	–	–	6,520,253	6,520,253
Non-operating expenses	–	–	–	–	(805,799)	(805,799)
Profit/(loss) before taxation	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(950,017,558)	883,509,048
Income tax	–	–	–	–	(99,224,076)	(99,224,076)
Profit for the year	1,061,268,611	689,506,156	149,346,366	(66,594,527)	(1,049,241,634)	784,284,972
Total assets	4,106,497,871	3,438,873,331	6,432,644,814	(202,116,421)	–	13,775,899,595
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,495,444,610	–	–	1,495,444,610
– Increase in other non-current assets other than long-term equity investment	643,384,184	189,045,242	196,325,876	(21,844,499)	–	1,006,910,803

	2018 (Audited)					
Item	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)
Other income	–	–	–	–	27,858,039	27,858,039
Investment income	–	–	–	–	151,058,214	151,058,214
Including:						
Income from investment in associates and joint ventures	–	–	–	–	152,089,231	152,089,231
Gains from changes in fair value	–	–	–	–	257,993	257,993
Credit losses	–	–	–	–	(48,290,427)	(48,290,427)
Impairment losses	–	–	–	–	(38,615,213)	(38,615,213)
Losses from asset disposals	–	–	–	–	(2,741,721)	(2,741,721)
Operating profit/(loss)	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,561,354,309)	1,667,069,384
Non-operating income	–	–	–	–	3,514,740	3,514,740
Non-operating expenses	–	–	–	–	(1,059,066)	(1,059,066)
Profit/(loss) before taxation	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,558,898,635)	1,669,525,058
Income tax	–	–	–	–	(181,494,174)	(181,494,174)
Profit for the year	2,517,076,356	701,142,395	218,590,815	(208,385,873)	(1,740,392,809)	1,488,030,884
Total assets	3,339,243,003	2,947,812,542	6,762,745,736	(163,918,972)	–	12,885,882,309
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,626,151,304	–	–	1,626,151,304
– Increase in other non-current assets other than long-term equity investment	1,046,540,370	42,664,890	339,565,101	(92,436,608)	–	1,336,333,753

10. Bills receivable

(1) Bills receivable by category

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

The aforementioned bills receivable were due within one year.

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

Type	**Amount pledged at the end of the year (Audited)**
Bank acceptance bills	25,426,157

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

Type	**Amount derecognized at the end of 2019 (Audited)**	**Amount not yet derecognized at the end of 2019 (Audited)**
Bank acceptance bills	–	102,352,302

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

11. Trade receivables

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

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

(2) Ageing analysis of trade receivables:

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

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

(3) Analysis of trade receivables by category:

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

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

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

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

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

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

— Group 1: Related parties;

— Group 2: Operators under China Telecom network and other companies with good credit records;

— Group 3: Other customers outside of the above groups.

(c) Expected credit loss assessment for trade receivables:

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

2019 (Audited)

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

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

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

2018 (Audited)

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

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

Group 3	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	3.00%	989,577,828	29,687,336
1 to 2 years (2 years inclusive)	10.00%	16,066,591	1,606,659
2 to 3 years (3 years inclusive)	30.00%	5,552,753	1,665,825
3 to 4 years (4 years inclusive)	100.00%	2,594,510	2,594,510
4 to 5 years (5 years inclusive)	100.00%	1,242,630	1,242,630
Over 5 years	100.00%	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.

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

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

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

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

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

12. Receivables under financing

Item	**31 December 2019 (Audited)**	31 December 2018 (Audited)
Bills receivables	**95,235,940**	118,621,938

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

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

Type	**Amount derecongnized at the end of 2019 (Audited)**	**Amount not yet derecognized at the end of 2019 (Audited)**
Bank acceptance bills	**319,180,991**	**–**

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

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

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

13. Current bank loans

Item	**31 December 2019 (Audited)**	31 December 2018 (Audited)
Unsecured loans	**895,576,208**	277,271,416

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

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

14. Bills payable

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

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

15. Trade payables

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

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

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

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

16. Non-current bank loans

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

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

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

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

17. Dividends

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

	2019 (Audited)	2018 (Audited)
Final dividend proposed after the end of the reporting period of RMB0.318 per ordinary share (2018: RMB0.25)	**241,013,824**	189,496,277

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

	2019 (Audited)	2018 (Audited)
Final dividend paid in respect of the previous financial year	**189,496,277**	–

18. Changes of accounting policies

(1) Description and reasons for changes in accounting policies

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

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

— Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)

— Notice on Revision of the 2019 Illustrative Consolidated Financial Statements (Caikuai [2019] No.16)

(2) Major impact of changes in accounting policies

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

The effect of the adjustments is summarized below:

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

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

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

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

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

As a lessee

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

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

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

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

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

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

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

— accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;

— applied a single discount rate to leases with similar characteristics when measuring lease liabilities;

— excluded initial direct costs from measuring the right-of-use assets;

— determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;

— adjusted the right-of-use assets by the amount of onerous contract provision applying CAS No.13 – Contingencies immediately before the date of initial application, as an alternative to an impairment review;

— accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.

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

As a lessor

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

1. Principal Activities Severely Challenged by Market Fluctuation

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

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

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

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

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

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

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

3. Deepened Implementation of International Expansion Strategy

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

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

4. Innovation-driven Development

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

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

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

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

Revenue

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

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

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

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

Cost of sales

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

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

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

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

Gross profit and gross profit margin

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

Selling expenses

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

Administrative expenses

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

R&D expenses

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

Financial expenses

The Group's financial expenses for the year ended 31 December 2019 were RMB6.2 million, representing a decrease of RMB33.9 as compared to RMB40.1 million in 2018, which was mainly because the exchange gains increased by RMB32.0 million as compared with the same period of last year.

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

Other income

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

Income tax

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

Capital expenditures

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

Use of proceeds from the initial public offering of A shares

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

Gearing ratio

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

Cash flow analysis

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

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

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

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

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

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

Net current assets

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

Bank loans

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

Commitments and contingencies

As at 31 December 2019, the Group's outstanding capital commitments on fixed assets were approximately RMB1,529.3 million (2018: approximately RMB2,227.3 million), and equity investment was approximately RMB122.7 million (2018: approximately RMB26.3 million). Out of the total amount of unsettled commitments as at 31 December 2019 of approximately RMB1,652.0 million (2018: RMB2,253.6 million), a total amount of approximately RMB886.3 million (2018: approximately RMB493.4 million) were contracted, and the balance of approximately RMB765.7 million (2018: approximately RMB1,760.2 million) were authorized but not yet contracted by the Board.

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

Charge on assets

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

Funding and treasury policy

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

Exposure to fluctuations in exchange rates

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

During the year, the Group benefited mainly from the favourable fluctuations in exchange rate movements between RMB and US Dollars or Euro. The amount of net foreign exchange gains was RMB19.6 million.

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

Employees and remuneration policies

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

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

Off-balance sheet arrangements

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

Material acquisitions and disposals of subsidiaries and associated companies

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

3. **To further implement internationalisation**

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

4. **To explore relevant diversification**

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

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

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

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

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

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

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

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2019 of RMB0.318 (2018: RMB0.25) per share totaling RMB241,013,824 (2018: RMB189,496,277). The expected payment date is on or before 31 August 2020. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2019 annual general meeting ("**AGM**"). 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 China Securities 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.

ANNUAL GENERAL MEETING

A circular containing among other things, details of the proposed final dividend, together with the notice of AGM, containing details of the AGM as well as the period and arrangement for the closure of register of members will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yofc.com) and despatched to the shareholders of the Company in due course.

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

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

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

The audit committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2019. 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 2019.

SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been compared by the Group's auditor, KPMG Huazhen LLP, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019 and the amounts were found to be in agreement. The work performed by KPMG Huazhen LLP in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

ANNUAL REPORT

The auditing process of the 2019 Annual Results has been completed and the annual report of the Company for the year ended 31 December 2019 will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www. hkexnews.hk) and the website of the Company (www.yofc.com) before the end of April 2020.

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, 23 April 2020

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

* *For identification purposes only*