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Smart Link Better Life.

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

(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 2022

The board of directors (the “**Board**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the “**Company**”) is pleased to announce that the Company’s auditor, KPMG Huazhen LLP, has completed its auditing process of the annual results for the year ended 31 December 2022 of the Company and its subsidiaries (the “**Group**”) (the “**2022 Annual Results**”) in accordance with China Standards on Auditing for Certified Public Accountants.

FINANCIAL HIGHLIGHTS

- Operating income was RMB13,830.3 million (2021: RMB9,536.1 million), increased by approximately 45.0% (2021: increased by approximately 16.0%).
- Gross profit and gross profit margin were RMB3,243.2 million (2021: RMB1,871.8 million) and 23.5% (2021: 19.6%), respectively.
- Net profit for the year attributable to equity shareholders of the Company was RMB1,167.0 million (2021: RMB708.5 million), increased by approximately 64.7% (2021: increased by approximately 30.3%).
- The Group’s revenue from domestic business increased by approximately 42.4% (2021: increased by approximately 5.4%), when compared with the prior year. The Group’s overseas revenue increased by approximately 50.5% (2021: increased by approximately 46.8%), when compared with the prior year.
- The Board recommended the payment of a final dividend of RMB0.462 per share (before tax) for the year ended 31 December 2022 (2021: RMB0.281 per share).

* For identification purposes only

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 as follows:

Consolidated Income Statement

For the year ended 31 December 2022

(Expressed in Renminbi “RMB”)

	<i>Notes</i>	2022 (Audited)	2021 (Audited)
I. Operating income	4	13,830,318,400	9,536,075,578
II. Less: Operating costs	4	10,587,091,277	7,664,228,341
Taxes and surcharges		86,338,839	33,008,372
Selling and distribution expenses		413,577,336	269,827,126
General and administrative expenses		778,801,786	621,056,032
Research and development expenses		783,889,101	473,161,843
Financial expenses	5	82,884,651	122,793,614
Including: Interest expenses		192,265,504	94,362,560
Interest revenue		75,561,756	19,639,960
Add: Other income	6	157,010,529	76,787,615
Investment income		112,295,033	107,418,970
Including: Income from investment in associates and joint ventures		69,876,281	76,825,395
Gains from changes in fair value		9,472,143	339,084,437
Credit losses		(125,090,016)	(72,945,356)
Impairment losses		(78,778,174)	(83,675,970)
Losses from asset disposals		(2,395,445)	(343,632)
III. Operating profit		1,170,249,480	718,326,314
Add: Non-operating income		5,515,591	32,993,001
Less: Non-operating expenses		23,794,263	3,318,146
IV. Profit before income tax		1,151,970,808	748,001,169
Less: Income tax expenses	7	(9,270,617)	27,325,435
V. Net profit for the year		1,161,241,425	720,675,734
Net profit for the year attributable to equity shareholders of the Company		1,166,998,457	708,506,406
Non-controlling interests		(5,757,032)	12,169,328

	<i>Notes</i>	2022 (Audited)	2021 (Audited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company		30,754,929	(7,088,727)
(1) Items that cannot be reclassified subsequently to profit or loss			
Changes in fair value of investments in other equity instruments		(2,933,425)	7,608,570
(2) Items that may be reclassified subsequently to profit or loss			
Translation differences arising from translation of foreign currency financial statements		33,688,354	(14,697,297)
Other comprehensive income (net of tax) attributable to non-controlling interests		(2,547,350)	(2,571,812)
VII. Total comprehensive income for the year		<u>1,189,449,004</u>	<u>711,015,195</u>
Total comprehensive income attributable to equity shareholders of the Company		1,197,753,386	701,417,679
Total comprehensive income attributable to non-controlling interests		(8,304,382)	9,597,516
VIII. Earnings per share:			
(1) Basic earnings per share	<i>8</i>	<u>1.54</u>	<u>0.94</u>
(2) Diluted earnings per share	<i>8</i>	<u>1.54</u>	<u>0.94</u>

Consolidated Balance Sheet
At 31 December 2022
(Expressed in Renminbi “RMB”)

	<i>Notes</i>	31 December 2022 (Audited)	31 December 2021 (Audited)
ASSETS:			
Current assets:			
Cash at bank and on hand		4,323,893,889	2,771,270,979
Financial assets held for trading		1,347,947,294	1,530,491,700
Bills receivable	<i>10</i>	698,622,284	418,221,770
Accounts receivable	<i>11</i>	5,035,236,390	4,160,711,743
Receivables under financing	<i>12</i>	133,861,169	84,479,696
Prepayments		188,716,783	146,270,862
Other receivables		182,451,824	134,828,819
Inventories		3,158,718,111	2,763,022,541
Other current assets		345,419,744	304,514,823
Total current assets		15,414,867,488	12,313,812,933
Non-current assets:			
Long-term equity investments		1,828,164,430	1,684,470,508
Investments in other equity instruments		46,878,451	50,329,539
Other non-current financial assets		60,203,752	47,470,870
Fixed assets		5,749,362,064	3,763,663,869
Construction in progress		1,644,132,850	608,357,734
Right-of-use assets		55,116,615	46,693,199
Intangible assets		1,732,371,560	314,484,005
Goodwill		835,888,454	27,145,122
Long-term deferred expenses		26,924,819	18,829,365
Deferred tax assets		272,648,375	144,414,651
Other non-current assets		536,747,789	458,977,298
Total non-current assets		12,788,439,159	7,164,836,160
Total assets		28,203,306,647	19,478,649,093

	<i>Notes</i>	31 December 2022 (Audited)	31 December 2021 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	<i>13</i>	1,754,882,426	1,717,697,001
Financial liabilities held for trading		–	2,144,400
Bills payable	<i>14</i>	1,430,934,823	940,550,221
Accounts payable	<i>15</i>	2,031,652,081	1,773,023,142
Contract liabilities		816,649,511	762,017,133
Employee benefits payable		451,529,826	260,469,853
Taxes payable		154,138,414	90,519,103
Other payables		641,517,585	452,225,764
Non-current liabilities due within one year		732,895,951	533,393,055
Other current liabilities		61,057,878	30,891,253
Total current liabilities		8,075,258,495	6,562,930,925
Non-current liabilities:			
Long-term loans	<i>16</i>	3,950,988,482	1,289,500,000
Debenture payable		–	488,075,933
Lease liabilities		40,204,695	37,516,751
Long-term payables		673,846,130	–
Deferred income		412,445,638	281,246,701
Deferred tax liabilities		257,758,846	10,583,862
Other non-current liabilities		255,743,147	223,767,404
Total non-current liabilities		5,590,986,938	2,330,690,651
Total liabilities		13,666,245,433	8,893,621,576
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		2,938,596,940	3,561,131,050
Less: Treasury stock		33,653,461	33,653,461
Other comprehensive income		17,753,780	(13,001,149)
Surplus reserve		674,929,332	647,934,100
Retained earnings		5,788,714,185	4,861,682,295
Total equity attributable to shareholders of the Company		10,144,245,884	9,781,997,943
Non-controlling interests		4,392,815,330	803,029,574
Total shareholders' equity		14,537,061,214	10,585,027,517
Total liabilities and shareholders' equity		28,203,306,647	19,478,649,093

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 has 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, optical components and modules and other related products and services. Revenue represents the sales value of goods supplied to customers, net of value added tax.

4. Operating income and costs

Item	2022 (Audited)		2021 (Audited)	
	Income	Cost	Income	Cost
Principal activities	13,686,810,113	10,464,294,065	9,410,612,490	7,568,264,708
Other operating activities	143,508,287	122,797,212	125,463,088	95,963,633
Total	<u>13,830,318,400</u>	<u>10,587,091,277</u>	<u>9,536,075,578</u>	<u>7,664,228,341</u>
Including: Operating income generated from contract	13,830,318,400	10,587,091,277	9,536,075,578	7,664,228,341

Details of operating income:

	2022 (Audited)	2021 (Audited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	3,814,849,329	2,918,504,246
– Optical fibre cables	5,799,148,295	3,920,795,824
– Optical components and modules	1,435,378,151	650,367,826
– Other sales	2,637,434,338	1,920,944,594
Sub-total	13,686,810,113	9,410,612,490
Revenue from other operating activities		
– Materials	131,930,756	79,140,613
– Others	11,577,531	46,322,475
Total	<u>13,830,318,400</u>	<u>9,536,075,578</u>

5. Financial expenses

Item	2022 (Audited)	2021 (Audited)
Interest expenses on loans and payables	202,436,759	96,589,570
Interest on lease liabilities	2,417,894	2,493,685
Less: Borrowing costs capitalised*	12,589,149	4,720,695
Interest income from deposits	(75,561,756)	(19,639,960)
Net exchange (gains)/losses	(45,841,266)	36,842,862
Other financial expenses	12,022,169	11,228,152
Total	<u>82,884,651</u>	<u>122,793,614</u>

* The interest rate per annum, at which the borrowing costs were capitalized for the 2022 and 2021 by the Group was 0.28% and 0.23% respectively.

6. Other income

Item	2022 (Audited)	2021 (Audited)
Government grants related to assets	56,194,088	29,444,334
Government grants related to income	<u>100,816,441</u>	<u>47,343,281</u>
Total	<u><u>157,010,529</u></u>	<u><u>76,787,615</u></u>

7. Income tax expenses

Item	2022 (Audited)	2021 (Audited)
Income tax expenses for the year based on tax laws and regulations	93,406,358	38,156,837
Changes in deferred income tax	(106,156,084)	(5,575,531)
Tax filling differences	<u>3,479,109</u>	<u>(5,255,871)</u>
Total	<u><u>(9,270,617)</u></u>	<u><u>27,325,435</u></u>

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

Item	2022 (Audited)	2021 (Audited)
Originations and reversals of temporary differences	<u>(106,156,084)</u>	<u>(5,575,531)</u>
Total	<u><u>(106,156,084)</u></u>	<u><u>(5,575,531)</u></u>

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

Item	2022 (Audited)	2021 (Audited)
Profit before income tax	1,151,970,808	748,001,169
Income tax expenses calculated at tax rate of 25%	287,992,702	187,000,292
Effect of tax rate differences	(15,616,824)	(24,077,660)
Effect of tax filling difference	3,479,109	(5,255,871)
Effect of non-taxable income	(16,498,655)	(31,074,082)
Effect of non-deductible cost, expense and loss	5,180,978	5,475,515
Effect of temporary differences from using the former unrecognised deferred tax assets	(21,013,137)	(17,792,422)
Additional qualified tax deduction relating to research and development costs	(157,772,641)	(106,100,921)
Additional qualified tax deduction relating to fixed assets	(112,786,508)	-
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	<u>17,764,359</u>	<u>19,150,584</u>
Income tax expenses for the year	<u><u>(9,270,617)</u></u>	<u><u>27,325,435</u></u>

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

According to the High-tech Enterprise Certificate No. GR202042002069 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 1 December 2020 to 1 December 2023, 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.

According to the High-tech Enterprise Certificate No. GR202142001875 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 from 15 November 2021 to 15 November 2024.

According to the High-tech Enterprise Certificate No. GR202162000094 issued by Gansu Provincial Department of Science and Technology, Gansu Provincial Department of Finance, and Gansu Provincial Tax Service, State Taxation Administration, Yangtze Optical Fibre and Cable Lanzhou Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 16 September 2021 to 16 September 2024.

According to the High-tech Enterprise Certificate No. GR202042000356 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 1 December 2020 to 1 December 2023.

According to the High-tech Enterprise Certificate No. GR202042001383 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, Hubei Flying Optical Fibre Material Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 1 December 2020 to 1 December 2023.

According to the High-tech Enterprise Certificate No. GR202142003106 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, Yangtze Gas Qianjiang Company Limited., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 1 December 2021 to 1 December 2024.

According to the High-tech Enterprise Certificate No. GR202242000976 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, Polytech Qianjiang Company Limited., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 1 December 2022 to 1 December 2025.

According to the High-tech Enterprise Certificate No. GR202133007123 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 16 December 2021 to 16 December 2024.

According to the High-tech Enterprise Certificate No. GR202051001520 issued by Sichuan Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan Provincial Tax Service, State Taxation Administration, Sunstar Communication Technology Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 11 September 2020 to 11 September 2023.

According to the High-tech Enterprise Certificate No. GR201951000140 issued by Sichuan Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan Provincial Tax Service, State Taxation Administration, Finetop Science & Technology Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 14 October 2019 to 14 October 2022. According to the newly issued High-tech Enterprise Certificate No. GR202251003732, Finetop Science & Technology Company Limited continued to enjoy the preferential tax rate of 15% from 2 November 2022 to 2 November 2025.

According to the High-tech Enterprise Certificate No. GR201942000436 issued by the Hubei Provincial Department of Science and Technology, the Hubei Provincial Department of Finance and the Hubei Provincial Taxation Bureau of the State Administration of Taxation, from 15 November 2019 to 15 November 2022, the Company's subsidiary, Yangtze (Wuhan) Optical Systems Co., Ltd., enjoys the qualification of high-tech enterprise and enjoys a preferential tax rate of 15%. According to the newly issued High-tech Enterprise Certificate No. GR202242003230, Yangtze (Wuhan) Optical Systems Co., Ltd continued to enjoy the preferential tax rate of 15% from 9 November 2022 to 9 November 2025.

According to the High-tech Enterprise Certificate No. GR202121000452 issued by the Department of Science and Technology of Liaoning Province, the Department of Finance of Liaoning Province and the Liaoning Provincial Taxation Bureau of the State Administration of Taxation, from 24 September 2021 to 24 September 2024, the Company's subsidiary, Yangtze Optical Fibre and Cable Shenyang Co., Ltd., enjoys the qualification of high-tech enterprise and enjoys a preferential tax rate of 15%.

According to the High-tech Enterprise Certificate No. GR202112002942 issued by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau and the Tianjin Municipal Tax Service, State Taxation Administration from 3 December 2021 to 3 December 2024, Yangtze Optical Fibre and Cable (Tianjin) Company Limited., a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202032002730 issued by Jiangsu Municipal Science and Technology Bureau, Jiangsu Finance Bureau and the Jiangsu Municipal Tax Service, State Taxation Administration from 2 December 2020 to 1 December 2023, Yangtze Optical Cable (Suzhou) Company Limited. (Formerly named as Yangtze Zhongli Optical Cable (Jiangsu) Co., Ltd), a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202134003925 issued by Anhui Municipal Science and Technology Bureau, Anhui Finance Bureau and the Anhui Municipal Tax Service, State Taxation Administration from 18 November 2021 to 18 November 2024, Anhui YOFC Advanced Semiconductor Company Limited, a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202033006705 issued by Zhejiang Municipal Science and Technology Bureau, Zhejiang Finance Bureau and the Anhui Municipal Tax Service, State Taxation Administration from 1 December 2020 to 1 December 2023, Broadex Technologies Company Limited, a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to 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], Chengdu Rongbo Communication Technology Company Limited, a subsidiary of the Company, is an enterprise under the preferred industry set up in the western region, which was entitled to preferential tax rate of 15% for the year.

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:

	2022 (Audited)	2021 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>1,166,998,457</u>	<u>708,506,406</u>
Less: Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this year whose shares are expected to unlock in the future	562,000	432,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<u>1,166,436,457</u>	708,074,406
Weighted average number of ordinary shares outstanding	<u>755,905,108</u>	<u>755,905,108</u>
Basic earnings per share (RMB/share)	<u>1.54</u>	<u>0.94</u>

Weighted average number of ordinary shares is calculated as follows:

	2022 (Audited)	2021 (Audited)
Issued ordinary shares at the beginning of the year	757,905,108	757,905,108
Effect from restricted shares in employee share ownership plan (note)	(2,000,000)	(2,000,000)
Weighted average number of ordinary shares at the end of the year	<u>755,905,108</u>	<u>755,905,108</u>

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):

	2022 (Audited)	2021 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	<u>1,166,998,457</u>	<u>708,506,406</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>757,846,844</u>	<u>757,500,900</u>
Diluted earnings per share (RMB/share)	<u>1.54</u>	<u>0.94</u>

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

	2022 (Audited)	2021 (Audited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	1,166,436,457	708,074,406
Diluted adjustments:		
Forfeitable cash dividends declared to restricted H shareholders in employee share ownership plan this year whose shares are expected to unlock in the future (note)	<u>562,000</u>	<u>432,000</u>
Consolidated net profit attributable to ordinary shareholders (diluted)	<u>1,166,998,457</u>	<u>708,506,406</u>

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

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

	2022 (Audited)	2021 (Audited)
Weighted average number of ordinary shares at 31 December	<u>755,905,108</u>	<u>755,905,108</u>
Diluted adjustments:		
Effect from restricted shares in employee share ownership plan	1,941,736	1,595,792
Weighted average number of ordinary shares (diluted) at 31 December	<u>757,846,844</u>	<u>757,500,900</u>

9. SEGMENT REPORTING

The Group determines the three reporting segments, optical fibres and optical fibre preforms segment, optical fibre cables segment and optical components and modules 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.
- Optical components and modules segment-mainly responsible for the production and sales of optical components and modules.

(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:

Items	For the year ended 31 December 2022 (Audited)						Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Elimination among segments	Unallocated amount	
Operating income from external transactions	3,814,849,329	5,799,148,295	1,435,378,151	2,780,942,625	-	-	13,830,318,400
Inter-segment operating income	1,283,948,255	32,696,017	-	970,218,017	(2,286,862,289)	-	-
Segment profit	2,022,033,184	889,237,021	225,366,195	526,092,841	(419,502,118)	-	3,243,227,123
Including: Depreciation and amortisation expenses	(207,756,683)	(64,540,883)	(100,093,452)	(237,255,031)	754,717	-	(608,891,332)
Taxes and surcharges	-	-	-	-	-	(86,338,839)	(86,338,839)
Selling and distribution expenses	-	-	-	-	-	(413,577,336)	(413,577,336)
General and administration expenses	-	-	-	-	-	(778,801,786)	(778,801,786)
Research and development expenses	-	-	-	-	-	(783,889,101)	(783,889,101)
Financial income	-	-	-	-	-	(82,884,651)	(82,884,651)
Impairment losses	-	-	-	-	-	(78,778,174)	(78,778,174)
Credit losses	-	-	-	-	-	(125,090,016)	(125,090,016)
Gains from changes in fair value	-	-	-	-	-	9,472,143	9,472,143
Investment income	-	-	-	-	-	112,295,033	112,295,033
Including: income from investment in associates and joint ventures	-	-	-	-	-	69,876,281	69,876,281
Losses from asset disposals	-	-	-	-	-	(2,395,445)	(2,395,445)
Other income	-	-	-	-	-	157,010,529	157,010,529
Operating profit/(loss)	2,022,033,184	889,237,021	225,366,195	526,092,841	(419,502,118)	(2,072,977,643)	1,170,249,480
Non-operating income	-	-	-	-	-	5,515,591	5,515,591
Non-operating expenses	-	-	-	-	-	(23,794,263)	(23,794,263)
Profit/(loss) before income tax	2,022,033,184	889,237,021	225,366,195	526,092,841	(419,502,118)	(2,091,256,315)	1,151,970,808
Income tax expenses	-	-	-	-	-	9,270,617	9,270,617
Net profit/(loss) for the year	2,022,033,184	889,237,021	225,366,195	526,092,841	(419,502,118)	(2,081,985,698)	1,161,241,425

Items	For the year ended 31 December 2021 (Audited)						Unallocated amount	Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Elimination among segments			
Operating income from external transactions	2,918,504,246	3,920,795,824	650,367,826	2,046,407,682	-	-	9,536,075,578	
Inter-segment operating income	481,010,154	92,376,742	-	465,452,551	(1,038,839,447)	-	-	
Segment profit	1,293,606,435	343,283,304	76,311,332	314,189,045	(155,542,879)	-	1,871,847,237	
Including: Depreciation and amortisation expenses	(221,712,113)	(37,417,193)	(24,489,881)	(114,335,270)	754,717	-	(397,199,740)	
Taxes and surcharges	-	-	-	-	-	(33,008,372)	(33,008,372)	
Selling and distribution expenses	-	-	-	-	-	(269,827,126)	(269,827,126)	
General and administration expenses	-	-	-	-	-	(621,056,032)	(621,056,032)	
Research and development expenses	-	-	-	-	-	(473,161,843)	(473,161,843)	
Financial income	-	-	-	-	-	(122,793,614)	(122,793,614)	
Impairment losses	-	-	-	-	-	(83,675,970)	(83,675,970)	
Credit losses	-	-	-	-	-	(72,945,356)	(72,945,356)	
losses from changes in fair value	-	-	-	-	-	339,084,437	339,084,437	
Investment income	-	-	-	-	-	107,418,970	107,418,970	
Including: income from investment in associates and joint ventures	-	-	-	-	-	76,825,395	76,825,395	
Losses from asset disposals	-	-	-	-	-	(343,632)	(343,632)	
Other income	-	-	-	-	-	76,787,615	76,787,615	
Operating profit/(loss)	1,293,606,435	343,283,304	76,311,332	314,189,045	(155,542,879)	(1,153,520,923)	718,326,314	
Non-operating income	-	-	-	-	-	32,993,001	32,993,001	
Non-operating expenses	-	-	-	-	-	(3,318,146)	(3,318,146)	
Profit/(loss) before income tax	1,293,606,435	343,283,304	76,311,332	314,189,045	(155,542,879)	(1,123,846,068)	748,001,169	
Income tax expenses	-	-	-	-	-	(27,325,435)	(27,325,435)	
Net profit/(loss) for the year	1,293,606,435	343,283,304	76,311,332	314,189,045	(155,542,879)	(1,151,171,503)	720,675,734	

Items	31 December 2022 (Audited)					Unallocated amount	Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Elimination among segments		
Total assets	5,087,905,598	4,484,699,362	2,967,395,071	17,055,676,128	(1,392,369,512)	-	28,203,306,647
Other items:							
- Long-term equity investment in associates and joint ventures	-	-	-	1,828,164,430	-	-	1,828,164,430
- Increase in other non-current assets other than long-term equity investment	918,685,811	156,860,250	1,545,344,448	3,591,695,849	(195,219,917)	-	6,017,366,441
Items	31 December 2021 (Audited)					Unallocated amount	Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Elimination among segments		
Total assets	4,433,689,043	3,788,481,210	669,000,234	11,285,515,541	(698,036,935)	-	19,478,649,093
Other items:							
- Long-term equity investment in associates and joint ventures	-	-	-	1,684,470,508	-	-	1,684,470,508
- Increase in other non-current assets other than long-term equity investment	286,233,078	115,084,985	96,193,801	659,897,213	43,056,096	-	1,200,465,173

10. Bills receivable

(1) Bills receivable by category

Type	31 December 2022 (Audited)	31 December 2021 (Audited)
Bank acceptance bills	552,898,889	269,332,609
Commercial acceptance bills	145,723,395	148,889,161
Total	<u>698,622,284</u>	<u>418,221,770</u>

As at 31 December 2022, the aforementioned bills receivable were due within one year.

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

As at 31 December 2022, the Group's bills receivables pledged was RMB1,698,200 (31 December 2021: RMB884,439).

(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 2022 (Audited)	Amount not yet derecognized at the end of 2021 (Audited)
Bank acceptance bills	–	225,524,209
Commercial acceptance bills	–	2,347,118
Total	<u>–</u>	<u>227,871,327</u>

As at 31 December 2022, the Group continued to recognize discounted bills and endorsed bills of RMB183,940,408 and RMB43,930,919 respectively (31 December 2021: RMB31,603,159 and RMB37,380,986). 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 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 2022, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB183,940,408 and RMB43,930,919 respectively (31 December 2021: RMB31,603,159 and RMB37,380,986). The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

11. Accounts receivable

(1) Accounts receivable by customer are as follows:

Type	31 December 2022 (Audited)	31 December 2021 (Audited)
Due from related parties	336,656,173	167,979,202
Due from third parties	5,132,591,642	4,247,810,257
Sub-total	5,469,247,815	4,415,789,459
Less: allowance for doubtful debts	434,011,425	255,077,716
Total	<u>5,035,236,390</u>	<u>4,160,711,743</u>

(2) Ageing analysis of accounts receivable:

Ageing	31 December 2022 (Audited)	31 December 2021 (Audited)
Within 1 year (1 year inclusive)	4,389,345,571	3,578,756,146
1 to 2 years (2 years inclusive)	667,272,705	505,001,422
2 to 3 years (3 years inclusive)	215,250,518	220,359,869
Over 3 years	197,379,021	111,672,022
Sub-total	5,469,247,815	4,415,789,459
Less: allowance for doubtful debts	434,011,425	255,077,716
Total	<u>5,035,236,390</u>	<u>4,160,711,743</u>

The ageing of accounts receivable is calculated from the date of recognition.

(3) Analysis of accounts receivable by category:

Category	Book value		31 December 2022 (Audited) Allowance for doubtful debts		Carrying amount
	Amount	Provision (%)	Amount	Proportion proportion (%)	
Individually assessed for impairment customers which credit losses incurred	52,041,436	0.95	52,041,436	100.00	—
Collectively assessed for impairment by group					
Group 1	336,656,173	6.15	4,245,715	1.26	332,410,458
Group 2	1,763,694,977	32.25	155,549,913	8.82	1,608,145,064
Group 3	3,316,855,229	60.65	222,174,361	6.70	3,094,680,868
Total	<u>5,469,247,815</u>	/	<u>434,011,425</u>	/	<u>5,035,236,390</u>

Category	31 December 2021 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Provision (%)	Amount	Proportion proportion (%)	
Individually assessed for impairment customers which credit losses incurred	17,433,058	0.39	17,433,058	100.00	–
Collectively assessed for impairment by group					
Group 1	167,979,202	3.81	2,817,417	1.68	165,161,785
Group 2	1,973,452,421	44.69	118,344,521	6.00	1,855,107,900
Group 3	2,256,924,778	51.11	116,482,720	5.16	2,140,442,058
Total	4,415,789,459	/	255,077,716	/	4,160,711,743

(a) Reasons for making doubtful debts provisions with single accounts receivable in 2022:

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

(b) Standard and explanation of making doubtful debts provisions by group in 2022

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: Telecommunication network operators in China and other companies with good credit records;
- Group 3: Other customers outside of the above groups.

(c) Expected credit loss assessment for accounts receivable:

The management measures loss allowances for accounts receivable 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.

2022 (Audited)

Group 1	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.24	305,264,001	734,098
Overdue 1 to 2 years (2 years inclusive)	6.37	24,378,142	1,552,888
Overdue 2 to 3 years (3 years inclusive)	27.44	6,967,063	1,911,762
Overdue Over 3 years	100.00	46,967	46,967
Total		<u>336,656,173</u>	<u>4,245,715</u>
Group 2	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	1.19	1,509,445,065	17,962,396
Overdue 1 to 2 years (2 years inclusive)	18.12	122,240,014	22,149,891
Overdue 2 to 3 years (3 years inclusive)	55.62	37,341,758	20,769,486
Overdue Over 3 years	100.00	94,668,140	94,668,140
Total		<u>1,763,694,977</u>	<u>155,549,913</u>
Group 3	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.28	2,956,862,565	67,492,813
Overdue 1 to 2 years (2 years inclusive)	19.23	209,330,060	40,254,171
Overdue 2 to 3 years (3 years inclusive)	56.71	83,703,457	47,468,230
Overdue Over 3 years	100.00	66,959,147	66,959,147
Total		<u>3,316,855,229</u>	<u>222,174,361</u>

2021 (Audited)

Group 1	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.32	157,913,190	505,322
Overdue 1 to 2 years (2 years inclusive)	22.69	10,023,016	2,274,222
Overdue 2 to 3 years (3 years inclusive)	86.25	37,258	32,135
Overdue Over 3 years	100.00	5,738	5,738
Total		<u>167,979,202</u>	<u>2,817,417</u>
Group 2	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.95	1,694,413,054	16,096,923
Overdue 1 to 2 years (2 years inclusive)	11.89	148,610,579	17,669,798
Overdue 2 to 3 years (3 years inclusive)	44.14	82,081,970	36,230,982
Overdue Over 3 years	100.00	48,346,818	48,346,818
Total		<u>1,973,452,421</u>	<u>118,344,521</u>
Group 3	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.46	2,065,490,985	50,810,660
Overdue 1 to 2 years (2 years inclusive)	11.64	121,464,699	14,138,491
Overdue 2 to 3 years (3 years inclusive)	59.03	44,997,621	26,562,096
Overdue Over 3 years	100.00	24,971,473	24,971,473
Total		<u>2,256,924,778</u>	<u>116,482,720</u>

Expected credit 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 2022 (Audited)	31 December 2021 (Audited)
Balance at the beginning of the year	255,077,716	184,946,460
Addition during the year	144,762,598	74,143,226
Reversal during the year	(19,539,863)	(1,197,870)
Written-off during the year	(387,511)	(5,359,915)
Increase by business combination not under common control	54,098,485	2,545,815
	<u>434,011,425</u>	<u>255,077,716</u>

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

(5) **Five largest accounts receivable by debtors at the end of the year:**

As at 31 December 2022 and 31 December 2021, the subtotal of five largest accounts receivable of the Group is RMB1,597,352,410 and RMB1,608,355,032, respectively, representing 29.2% and 36.4% of the total balance of accounts receivable respectively. The corresponding allowance for doubtful debts is RMB75,090,674 and RMB66,215,242, respectively.

12. Receivables under financing

Item	31 December 2022 (Audited)	31 December 2021 (Audited)
Bills receivable	<u>133,861,169</u>	<u>84,479,696</u>

There is no change in fair value of receivables under financing of the Group in 2022. The accumulated impairment losses recognized in other comprehensive income is zero.

Receivables under financing endorsed or discounted at the end of the year and undue at the balance sheet date:

Type	Amount derecognized at the end of 2022 (Audited)	Amount not yet derecognized at the end of 2022 (Audited)
Bank acceptance bills	<u>845,160,887</u>	<u>—</u>

During the reporting period, 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 2022. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2022 and 31 December 2021 are RMB549,131,483 and RMB181,064,533 respectively. As at 31 December 2022 and 31 December 2021 the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB296,029,404 and RMB61,435,160 respectively. As at 31 December 2022, the remaining period of the derecognized bills was 1 to 12 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. Short-term loans

Item	31 December 2022 (Audited)	31 December 2021 (Audited)
Unsecured loans	1,754,882,426	1,716,812,562
Pledged loans	–	884,439
Total	<u>1,754,882,426</u>	<u>1,717,697,001</u>

As at 31 December 2022, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB52,234,500 (2021: RMB210,398,100).

As at 31 December 2022, the Group did not have any overdue loans not yet repaid.

14. Bills payable

Item	31 December 2022 (Audited)	31 December 2021 (Audited)
Commercial acceptance bills	375,316,985	456,527,048
Bank acceptance bills	1,055,617,838	484,023,173
Total	<u>1,430,934,823</u>	<u>940,550,221</u>

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

The above amounts are bills payable due within one year.

15. Accounts payable

Item	31 December 2022 (Audited)	31 December 2021 (Audited)
Due to related parties	132,449,120	153,544,874
Due to third parties	1,899,202,961	1,619,478,268
Total	<u>2,031,652,081</u>	<u>1,773,023,142</u>

The ageing analysis of accounts payable, based on invoice date, is as follows

	31 December 2022 (Audited)	31 December 2021 (Audited)
Within 1 year (1 year inclusive)	1,959,415,826	1,715,099,396
1 to 2 years (2 years inclusive)	15,920,658	36,281,617
2 to 3 years (3 years inclusive)	35,901,875	6,157,435
Over 3 years	20,413,722	15,484,694
Total	<u>2,031,652,081</u>	<u>1,773,023,142</u>

Accounts payable over 1 year are paid for goods and spare parts for system integration projects, and the Group continue to trading with the responding parties.

16. Long-term loans

Item	31 December 2022 (Audited)	31 December 2021 (Audited)
Unsecured loans	4,160,408,710	1,794,743,174
Less: non-current bank loans due within one year	(209,420,228)	(505,243,174)
Total	<u>3,950,988,482</u>	<u>1,289,500,000</u>

As at 31 December 2022, there was no overdue long-term loans. The above bank loans were fixed rate loans of which interest rate was 0.9%-4.0% (2021: 1.2%-3.6%, the interest rate of floating rate loan is the quoted interest rate of one-year loan market minus 0.61% to the quoted interest rate of one-year loan market minus 0.11%).

The Group's bank loans (including short-term loans and long-term loans) by repayment time were listed as follows:

	2022 (Audited)	2021 (Audited)
Within 1 year (1 year inclusive)	1,964,302,654	2,222,940,175
1 to 2 years (2 years inclusive)	1,237,081,603	92,000,000
2 to 5 years (5 years inclusive)	2,713,906,879	1,197,500,000
Total	<u>5,915,291,136</u>	<u>3,512,440,175</u>

17. Dividends

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

	2022 (Audited)	2021 (Audited)
Final dividend proposed after the end of the reporting period of RMB0.462 per ordinary share (2021: RMB0.281)	<u>350,152,160</u>	<u>212,971,335</u>

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

	2022 (Audited)	2021 (Audited)
Final dividend paid in respect of the previous financial year	<u>212,971,335</u>	<u>163,707,503</u>

18. Changes of major accounting policies

The Group implemented the relevant provisions and guidelines of the Accounting Standards for Business Enterprises issued by the Ministry of Finance in recent years in 2022, mainly including:

- Accounting Standards for Business Enterprises Interpretation No. 15 (Cai Kuai [2021] No. 35) (“**Interpretation No. 15**”) stipulates that “the accounting treatment for the external sales of products or by-products produced before the fixed assets are ready for their intended use or in the process of research and development” (“**the commissioning accounting treatment for sales**”);

The adoption of above policy does not have significant effect on the financial position and financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year, the Group's operating income was approximately RMB13,830.3 million, increased by approximately 45.0% as compared to 2021 of approximately RMB9,536.1 million. The Group reported a gross profit of approximately RMB3,243.2 million, increased by approximately 73.3% as compared to 2021 of approximately RMB1,871.8 million. The Group's net profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB1,167.0 million, increased by approximately 64.7% as compared to 2021 of approximately RMB708.5 million. The Group's net profit for the year attributable to the equity shareholders of the Company deduction of non-recurring profit and loss amounted to approximately RMB982.1 million, increased by approximately 216.1% as compared to 2021 of approximately RMB310.6 million.

Basic earnings per share was RMB1.54 per share (2021: RMB0.94 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.

Operating income

The Group's operating income for the year ended 31 December 2022 was approximately RMB13,830.3 million, representing an increase of approximately 45.0% as compared to 2021 of approximately RMB9,536.1 million.

For the year ended 31 December 2022, the Group reclassified its product segment revenues in its financial results according to business attributes. By product segment, a total revenue of approximately RMB3,814.8 million was contributed from our optical fibres and optical fibre preforms segment, representing an increase of 30.7% as compared to 2021 of approximately RMB2,918.5 million and accounting for 27.6% (2021: 30.6%) of the Group's revenue; a total revenue of approximately RMB5,799.1 million was contributed by our optical fibre cables segment, representing an increase of 47.9% as compared to 2021 of approximately RMB3,920.8 million and accounting for 41.9% (2021: 41.1%) of the Group's revenue while a total revenue of approximately RMB1,435.4 million was contributed by our optical components and modules segment, representing an increase of 120.7% as compared to 2021 of approximately RMB650.4 million and accounting for 10.4% (2021: 6.8%) of the Group's revenue.

A total revenue of approximately RMB2,780.9 million was contributed by others, representing an increase of 35.9% as compared to 2021 of approximately RMB2,046.4 million and accounting for 20.1% (2021: 21.5%) of the Group's revenue. The increase was mainly due to the substantial increase in revenue in power cable as compared to 2021.

By geographical segment, a total revenue of approximately RMB9,186.2 million was contributed by domestic customers, representing an increase of 42.4% (2021: increase of 5.4%) as compared to 2021 of approximately RMB6,449.8 million and accounting for 66.4% of the Group's revenue. For overseas market, a total revenue of approximately RMB4,644.1 million was reported in 2022, representing an increase of 50.5% (2021: increase of 46.8%) as compared to 2021 of approximately RMB3,086.3 million and accounting for approximately 33.6% of the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2022 was approximately RMB10,587.1 million, representing an increase of 38.1% as compared to 2021 of approximately RMB7,664.2 million and accounting for 76.5% of the Group's revenue. The increase in cost of sales was mainly due to the increase in sales of the Group's main products during the year.

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

In 2022, the Group's total raw material costs were approximately RMB8,337.1 million, representing an increase of 37.3% as compared to approximately RMB6,070.8 million in 2021.

In 2022, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB2,241.6 million, representing an increase of 40.9% as compared to RMB1,590.5 million in 2021.

Gross profit and gross profit margin

For the year ended 31 December 2022, the Group reported a gross profit of approximately RMB3,243.2 million, representing an increase of 73.3% as compared to RMB1,871.8 million in 2021 and the gross profit margin increased to 23.5% in 2022 (2021: 19.6%). The gross profit margin had a slight increase over 2021. The increase was mainly due to an increase of unit price of main products and the Group's improved manufacturing efficiency during the year.

Selling and distribution expenses

For the year ended 31 December 2022, the Group's selling and distribution expenses were approximately RMB413.6 million, representing an increase of 53.3% as compared to approximately RMB269.8 million in 2021. The increase was mainly due to an increase in sales of the Company's main products and accelerated internationalization and diversification during the year.

General and administrative expenses

For the year ended 31 December 2022, the Group's general and administrative expenses were approximately RMB778.8 million, representing an increase of 25.4% as compared to approximately RMB621.1 million in 2021. The proportion of the Group's administrative expenses to operating revenue decreased from 6.5% in 2021 to 5.6% in 2022.

Research and development expenses

For the year ended 31 December 2022, the Group's research and development expenses were approximately RMB783.9 million, representing an increase of 65.7% as compared to approximately RMB473.2 million in 2021. The increase was mainly due to the Company increased the investment in R&D during the year.

Financial expenses

For the year ended 31 December 2022, the Group's financial expenses were approximately RMB82.9 million, representing a decrease of 32.5% as compared to approximately RMB122.8 million in 2021, which was due to the increase in exchange gains.

The annual effective interest rate of the bank loans in 2022 ranged from 0.10% to 4.00% per annum (2021: 0.054% to 4.10% per annum).

Other income

For the year ended 31 December 2022, the Group's other income was approximately RMB157.0 million, representing an increase of approximately RMB80.2 million as compared to approximately RMB76.8 million in 2021, which was mainly because the government grants related to income increased by approximately RMB53.5 million, and the government grants related to assets increased by approximately RMB26.7 million.

Gains from changes in fair value

For the year ended 31 December 2022, the Group's gains from changes in fair value was approximately RMB9.5 million, representing a decrease of approximately RMB329.6 million as compared to approximately RMB339.1 million in 2021. The decrease was mainly due to the significant increase in the fair value of Hangzhou Semiconductor Wafer Co., Ltd. (杭州中欣晶圓半導體股份有限公司) invested by the Company in 2021.

Income tax expenses

For the year ended 31 December 2022, the Group's income tax expenses were approximately RMB-9.3 million, representing a decrease of approximately RMB36.6 million as compared to approximately RMB27.3 million in 2021, which was mainly because the taxable income increased and the newly purchased fixed assets in the fourth quarter of 2022 were allowed an additional deduction before tax, according to Announcement No. 28, 2022 of the Ministry of Finance, the State Administration of Taxation, and the Ministry of Science and Technology on Increasing the Pre tax Deduction in Support of Scientific and Technological Innovation. 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 RMB2,280.4 million (2021: approximately RMB794.6 million) in total, which was mainly due to the overseas localized capacity expansion, construction of submarine cable engineering service capacity, and optimization of domestic optical fibre preforms and optical fibres capacity.

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 2022 was 17.7% (2021: 14.5%).

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 2022.

	2022 (Audited)	2021 (Audited)
Net cash generated from operating activities	1,594,503,624	526,744,742
Net cash used in investing activities	(2,186,845,713)	(1,389,534,490)
Net cash generated from financing activities	1,977,479,312	2,288,942,733
Effect of foreign exchange rate changes on cash and the equivalents	75,856,472	(42,587,264)
Net increase in cash and cash equivalents	<u>1,460,993,695</u>	<u>1,383,565,721</u>

The net cash generated from the Group's operating activities increased by approximately RMB1,067.8 million, which was mainly because the net profit after deducting the impact of changes in fair value increased by approximately RMB770.2 million compared with last year. Meanwhile, the increase in the Group's working capital in the current year decreased by 185.3 million compared to the increase in the previous year.

Net cash used in the Group's investing activities increased by approximately RMB797.3 million, which was mainly due to the increased investment of approximately RMB1,154.6 million in acquisition and construction of fixed assets and intangible assets during the year.

Net cash generated from the Group's financing activities decreased by approximately RMB311.5 million, which was mainly due to the significant increase in net cash generated from operating activities as compared with last year which decreased the demand of bank loans.

Cash and cash equivalents as at 31 December 2022 were cash at banks and in hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 31 December 2022, the Group's net current assets was approximately RMB7,339.6 million, representing an increase of approximately RMB1,588.7 million as compared to approximately RMB5,750.9 million as at 31 December 2021. The increase in net current assets was mainly due to cash at bank and on hand increased by approximately RMB1,522.6 million.

Bank loans

As at 31 December 2022, the Group's bank loans were approximately RMB5,915.3 million, representing an increase of RMB2,402.9 million from approximately RMB3,512.4 million as at 31 December 2021. As at 31 December 2022, Among the Group's bank loans, 2.0% were EUR dollar loans, 4.7% were US dollar loans, and the remaining 93.3% were mainly RMB loans.

Commitments and contingencies

As at 31 December 2022, the Group's outstanding capital commitments on fixed assets were approximately RMB1,443.7 million (2021: approximately RMB1,831.8 million) and equity investment was approximately RMB386.5 million (2021: Nil). Out of the total amount of unsettled commitments as at 31 December 2022 of approximately RMB1,830.2 million (2021: approximately RMB1,831.8 million), a total amount of approximately RMB1,359.6 million (2021: approximately RMB1,311.2 million) were contracted, and the balance of approximately RMB470.6 million (2021: approximately RMB520.6 million) were authorized but not yet contracted by the Board.

As at 31 December 2022, the Group did not have any material contingent liability.

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 Group's revenues and expenses are settled in RMB and USD while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars, Euro, AUD, IDR, MXN, NZD, PEN, PHP, SGD, THB and ZAR. Most of the bank deposits are in RMB, US Dollars and Euro.

During the year, due to the depreciation of RMB against major currencies such as the US dollar, the Group realized net foreign exchange gains of approximately RMB45.8 million.

Employees and remuneration policies

As at 31 December 2022, the Group had approximately 10,532 full-time employees (2021: 7,889 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 2022, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB845.2 million (2021: approximately RMB242.5 million) to certain commercial banks in China and its suppliers.

ACQUISITION AND FORMATION OF NEW PRESENCES

Wuhan Ruixin Investment Management Company Limited

On 1 December 2021, Wuhan YOFC Capital Management Co., Ltd. (“**YOFC Capital**”), a subsidiary of the Company, established Wuhan Ruixin Investment Management Co., Ltd. (“**Wuhan Ruixin**”) in Wuhan. Its general business scope is engaging in investment activities with its own funds. Wuhan Ruixin is 100% owned by YOFC Capital and its paid-up share capital is RMB70,000. During the year, YOFC Capital had contributed RMB70,000 in cash.

The Company and Wuhan Ruixin (an indirect wholly-owned subsidiary of the Company) entered into the Joint Investment Agreement with YOFC Science & Innovation Industry Fund Partnership (LP), Hangzhou Dahe Thermo-Magnetic Co., Ltd., Shanghai Shenhe Investment Co., Ltd., Wuhu Haiwo Hard Technology Venture Capital Fund Partnership (Limited Partnership), Wuhu Zewan No. 2 Investment Management Partnership (Limited Partnership), Wuhan Optics Valley New Technology Industry Investment Co., Ltd. and Shanghai Linjun Electronic Technology Co., Ltd on 8 March 2022 to form the Consortium and to jointly bid in the Overall Transaction Plan listed on the Anhui Changjiang Equity Exchange. Upon Completion, Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd. became subsidiaries of the Company. On 10 March 2022, the Company has received confirmation letters dated 10 March 2022 from the Anhui Changjiang Equity Exchange, which confirmed that the Consortium has been selected as the successful bidder for the Equity Transfer Transactions. The aggregate amount paid by the Company and Wuhan Ruixin under the Equity Transfer Transactions was RMB779.7 million. Further details of this transaction are set out in the Company’s announcements dated on 9 March 2022 and 11 March 2022.

Since one or more of the applicable percentage ratios under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) in respect of the Equity Transfer Transactions exceed 5% but are less than 25%, the Equity Transfer Transactions constitute discloseable transactions under the Hong Kong Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14 of the Hong Kong Listing Rules.

Anhui YOFC Advanced Semiconductor Company Limited

On 12 May 2022, the Company completed the acquisition of interests in Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd.. The name of Wuhu Tus Semiconductor Co., Ltd. has been changed to Anhui YOFC Advanced Semiconductor Co., Ltd., and Wuhu THZ Engineering Centre Co., Ltd. has become a wholly-owned subsidiary of Anhui YOFC Advanced Semiconductor Co., Ltd. Its general business scope includes epitaxy of silicon carbide and gallium nitride, related wafer manufacturing such as third generation semiconductor power and radio frequency, the R&D, manufacture and sales of the whole industry chain, such as power modules and power single tube packaging and testing. Anhui YOFC Advanced Semiconductor Co., Ltd. is 37.78% directly owned by YOFC.

Yangtze Optical Cable (Suzhou) Company Limited

In January 2022, the Company invested RMB183.3 million to acquire 49% shares of Yangtze Optical Cable (Suzhou) Company Limited (“**YOFC Suzhou**”). The financial results of YOFC Suzhou has been comprised in the consolidated financial statements of the Group since January 2022.

YOFC Suzhou was established in Changshu, Jiangsu Province on 6 March 2002. Its business scope mainly covers the production and sales of optical fibers, optical cables and their series products, optical active and passive devices, and communication terminal equipment.

Broadex Technologies Co., Ltd.

On April 7, 2022, the Company, Mr. Zhu Wei (“**Mr. Zhu**”), Mr. Ding Yong, Ms. Jiang Rongzhi, Ms. Wang Xiaohong and TDG Holding Co., Ltd. entered into the Share Transfer Agreement for the acquisition of 12.72% of Broadex Technologies Co., Ltd.’s (“**BDX**”) issued share capital. The consideration paid by the Company under the Share Transfer Agreement amounts to RMB1,028.0 million. On April 7, 2022, the Company and Mr. Zhu also entered into the Voting Right Entrustment Agreement pursuant to which Mr. Zhu agreed to entrust the Company to exercise all voting rights attached to 22,110,372 shares of BDX held by him, representing 12.71% of the issued share capital of BDX. On May 27, 2022, the parties agreed to make adjustments to the number of shares to be entrusted by Mr. Zhu, the number of shares in BDX to be transferred and the consideration to be paid by the Company to be adjusted to RMB949.4 million. During the period from April 14, 2022 to July 15, 2022, the further acquired a total of 3,150,000 Broadex Shares on the open market for an aggregate consideration of approximately RMB51.86 million (excluding transaction costs) (the “**Open Market Acquisition**”). Following completion of the acquisitions (taking into account the adjustment), the Company held an aggregate of approximately 12.75% of the equity interest of BDX, and together with the entrustment of approximately 12.67% of the voting rights of BDX under the Voting Right Entrustment Agreement, the Company controlled approximately 25.43% of the voting rights of BDX (the “**BDX Acquisition**”). Further details of the BDX Acquisition are set out in the Company’s announcements dated April 7, 2022, May 27, 2022, July 15, 2022 and November 3, 2022.

On November 3, 2022, the Company and BDX entered into the Subscription Agreement, pursuant to which the Company agreed to subscribe for and BDX agreed to allot and issue not more than 22,000,000 Subscription Shares at the Subscription Price of not more than RMB386,540,000 (the “**Specific Investor Issuance**”). The Specific Investor Issuance was approved on the general meeting of Shareholders held on 2 March, 2023 and approved by the Shenzhen Stock Exchange on 2 March 2023 and is subject to approval from the CSRC.

Since all the relevant percentage ratios under the Hong Kong Listing Rules in respect of 1) the Acquisition dated April 7, 2022; 2) the Open Market Acquisition (as aggregated with the Acquisition dated April 7, 2022); and 3) the Subscription (as aggregated with the BDX Acquisition) exceed 5% but are less than 25%, each of the aforementioned transactions constitute discloseable transactions under the Hong Kong Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14 of the Hong Kong Listing Rules.

Nanjing Fiberfoton Technologies Corporation Limited

In April 2022, Everfoton Technologies Corporation Limited, a subsidiary of the Company acquired 100% of the equity of Nanjing Fiberfoton Technologies Corporation Limited (“**Nanjing Fiberfoton Technologies**”) through share exchange. The financial results of Nanjing Fiberfoton Technologies as a non-wholly-owned subsidiary has been comprised in the consolidated financial statements of the Group since April 2022.

Nanjing Fiberfoton Technologies was established on 21 February 2022 in Nanjing. Its business scope mainly includes special equipment repair, technology import and export, and electronic component manufacturing.

On 3 August 2020, Nanjing Fiberfoton Corporation Limited. (“**Nanjing Fiberfoton**”) was established in Nanjing. Nanjing Fiberfoton is 100% owned by Nanjing Fiberfoton Technologies. Its business scope mainly includes integrated circuit chip design and service, integrated circuit manufacturing, optoelectronic device manufacturing, etc..

Polyresin (Hubei) Advanced Materials Company Limited

On 6 May 2022, Polytech Qianjiang Company Limited (“**Polytech Qianjiang**”), a subsidiary of Yangtze Optical Fibre (Qianjiang) Co., Ltd, established Polyresin (Hubei) Advanced Materials Company Limited (“**Polyresin**”) in Qianjiang, Hubei province. Its general business scope includes R&D, manufacturing and sales of electronic special materials. Polyresin is 100% owned by Polytech Qianjiang and its paid-up share capital is RMB20,000,000.

PT EverPro Indonesia Technologies

On 25 October 2022, EverPro Technologies Company Limited. (“**EverPro Technologies**”), a subsidiary of the Company, established PT EverPro Indonesia Technologies (“**PT EverPro**”) in Indonesia. Its general business scope is trading and engineering services of optical fibres, optical cables and related products. EverPro Technologies is 80% owned by EverProsper Technologies Company Limited, a subsidiary of EverPro Technologies and 20% owned by EverPro Technologies. Its paid-up share capital is USD1,500,000.

Saved as disclosed above, the aforementioned transactions did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

OUTLOOK

In 2022, the global telecommunications industry maintained a healthy growth trend despite multiple challenges such as macro-economy, geopolitical conflicts and the resurgence of pandemic. The mobile and fixed telecommunication network, such as 5G, fibre to the home (FTTH) and gigabit optical network, continued to advance their construction within and beyond China, while the increase in data traffic, deployment of “Eastern Data and Western Computing” and development of new technology applications such as artificial intelligence drove the continued development of computing power and data transmission capacity and stimulated the growth in demand for optical fibre and cables and product upgrades.

In 2022, the domestic optical fibre and cable industry rebounded steadily, while the overseas market experienced a sustained growth. In view of the opportunities in the market, the Company further strengthened its internationally leading technology research and development and cost efficiency advantages of its main business, and realized a relatively fast growth of operating results. During the reporting period, the Company’s operating revenue reached RMB13.83 billion, representing an increase of approximately 45.0% compared to approximately RMB9.54 billion in 2021, the highest level in history. The Company’s gross profit margin increased from 19.6% in 2021 to 23.5% in 2022, while net profit (exclusive of non-operating profit) attributable to shareholders increased significantly by approximately 216.1% from approximately RMB310.0 million in 2021 to approximately RMB980.0 million in 2022.

The year 2022 marked the second year of the Company’s strategic implementation against the “14th Five-Year Plan”, and it was also a critical linking year to build a solid foundation for achieving its strategic goals. With the deepened implementation of various strategic initiatives, the Company, on one hand, ensured the continuous growth of its operating performance, and on the other hand, it consolidated its globally leading industry position through technological innovation and digital transformation, delivered the highest percentage in history of revenue for its overseas business, completed the deployment in major diversified fields, and reasonably utilized the investment and financing channels in the capital market to support the Company’s long-term sustainable development.

1. Market improvement and industry recovery

In 2022, with the “Strong Cyberpower” strategy (網絡強國) and Digital China strategy (數字中國) on track, the digital economy and real economy continued to deepen their integration, and the construction of new information infrastructure, including 5G, gigabit optical network, achieved milestone progress, and the popularization of various applications accelerating in an all-round way. In January 2022, the “14th Five-Year Plan for Digital Economy Development” issued by the State Council put forward quantitative requirements for the core industries of digital economy and gigabit broad-band deployment. In February 2022, the National Development and Reform Commission, the Office of the Central Cyberspace Affairs Commission, Ministry of Industry and Information Technology (“MIIT”), and the National Energy Administration jointly announced the deployment of “Eastern Data and Western Computing”, as well as the construction of national computing power hub nodes, data center clusters and data transmission channels. In August 2022, MIIT and other six ministries issued the Notice on the Action Plan for Green and Low-carbon Development of the Information and Telecommunications Industry (2022-2025)《信息通信行業綠色低碳發展行動計劃(2022-2025年)》 to promote the green, low-carbon and high-quality development of the information and telecommunications industry during the 14th Five-Year Plan period, steadily promote all-optical network, and encourage the adoption of new ULL optical fibre. In February 2023, according to the “Overall Deployment Plan for the Development of Digital China” issued by the Central Committee of the Communist Party of China and the State Council, it’s proposed that the accelerated implementation of Digital China initiatives is of great significance and profound impact on the comprehensive construction of a modern socialist country and the great rejuvenation of the Chinese nation, and it is required to facilitate the synergetic development of 5G network and gigabit optical network, promote the comprehensive development of mobile Internet of Things, systematically optimize the layout of computing power infrastructure, and drive efficient complementation and synergistic linkage of computing power between the east and the west. All of the above measures have effectively boosted the steady development of the telecommunications industry.

According to data released by MIIT in January 2023, the number of 5G mobile phone users in China reached 561 million as of the end of 2022, accounting for 33.3% of mobile phone users. In 2022, the monthly average data traffic per user (DOU) of mobile internet reached 15.2GB/user/month, representing an increase of 13.8% as compared to that in 2021; in December 2022, the DOU reached 16.18GB/user, representing an increase of 1.46GB/user as compared to the monthly DOU of December 2021. The continuous increase of network data traffic will promote the further construction of data transmission networks. In terms of fixed network, the scale of fixed broadband access users in China was 590 million as of the end of 2022, of which 91.75 million fixed broadband users with gigabit and above access rates, accounting for 15.6%, still reflecting a large space for construction. Meanwhile, the domestic mobile Internet of Things has also ushered in an important period of development. As of the end of 2022, the total terminal connections with domestic mobile network reached 3.528 billion, of which 1.845 billion were cellular Internet of Things terminal users which represented the number of “thing” connections, accounting for 52.3%, exceeding the number of natural person connections.

According to data released by the MIIT, the total length of optical cables throughout China amounted to 59.58 million kilometres as of the end of 2022, representing a net increase of 4.77 million kilometres or 8.7% from the end of 2021. According to the report issued by the independent industry research institution Commodity Research Unit (CRU), the total domestic demand for optical cables in 2022 was approximately 260 million fibre kilometres, with a year-on-year increase of more than 7%, while the price improved significantly compared with 2021. Being a leading player in the industry, the Company seized the opportunity of market recovery and gained leading shares in operators’ centralised procurements. It also achieved rapid growth in operating revenue and profit in 2022.

2. Cost reduction, efficiency improvement and technological innovation

The Company deeply promoted technological innovation and digital transformation, and achieved a high level of intelligent manufacturing. In 2022, in preform segment, the core area of the industry, the Company continued to improve the outside vapor deposition (“OVD”) and vapor axial deposition (“VAD”) preform manufacturing process and optimized the production efficiency of its main products. Benefiting from the recovery of the market price, the advantages of the Company in cost control ability and the optimization of the product mix, the gross profit margin of the Company’s preform and optical fibre segment in 2022 reached 47.5%, while the gross profit margin of the optical fibre cables segment reached 15.3%. With the improvement of preform deposition rate, size and other indicators, the Company received the 23rd China Patent Silver Award for its invention patent on a “VAD-based production device and method for optical fibre preforms”. In 2023, the Company will further improve its production capacity deployment, make full use of the efficiency advantages of OVD and VAD processes for large-scale mass production of communication products, and leverage on the advantages of PCVD process in precise control of refractive index distribution and production flexibility to produce preforms fitting to multi-mode and specialty optical fibre, and communication optical fibres of various specifications to maximize efficiency.

While continuously improving production efficiency, the Company has also achieved breakthroughs in the research and development of new products, their business development and commercial application. In the “Eastern Data and Western Computing” project and the replacement and upgrading of telecommunication backbone networks, the FarBand® ultra-strong and ultra-low loss G.654.E optical fibre of the Company is the best solution for long-distance, high-speed and high-capacity connections. The Company earned the largest share in the centralised procurement of this product by domestic telecom operators in 2022. The Company also steadily promoted the research and development and application of cutting-edge products in the industry. During the reporting period, the Company’s new products such as multi-core optical fibre, few-mode optical fibre, and the optical fibre with space-division multiplexing technology have made milestone progress in testing or experimental laying. In the future, the Company will continue to strengthen its advantages in technology research and development and consolidate its leading position in the industry.

3. Expanding international business and optimizing overseas production capacity

At present, when the world is undergoing digital transformation, and countries have accelerated investments in telecommunication network infrastructure, the optical fibre and cable industry has entered a new growth cycle. According to the report of Commodity Research Unit (“CRU”), the global demand for optical cables in 2022 was approximately 540 million fibre kilometres, surpassing the peak level of the previous cycle of approximately 510 million fibre kilometres in 2018, hitting a record high. It is estimated that the global demand for optical fibre and cable will exceed 600 million fibre kilometres in 2024. Facing the opportunities arising from accelerated FTTx laying in developed countries and regions such as North America and Western Europe and the huge potential of optical fibre network construction in emerging markets, the Company deeply implemented its internationalization strategies and vigorously expanded its overseas businesses. In 2022, the Company’s revenue generated from overseas businesses reached approximately RMB4.64 billion, an increase of approximately 50.5% compared with RMB3.09 billion in 2021, accounting for more than one-third of the Company’s total revenue, the highest level in history.

Amid the complex geopolitical environment and macroeconomic situation, the Company continued to enhance the plan for localizing production capacity in overseas markets to meet customers' requirements for lead time, potential trade protectionism measures and the fluctuation risk of currency exchange rate in the target market. In 2022, the Company completed the expansion of optical fibre and cable production capacity in Indonesia, and the new capacity has been put into operation and delivered in batches. The Company's optical cable production capacity in Poland has also achieved mass production in the first half of 2022. Meanwhile, the Company's production capacity in Brazil and South Africa is undergoing expansion as planned, and it is expected that the facility will be put into production in 2023. In the future, the Company will continue to plan the production capacity of optical fibre and cable in key areas according to the demand of the international market and improve its overseas deployment.

In addition to boosting the market demand for optical fibre and cable, the accelerated communication network construction has also driven the business growth of communication network engineering projects in emerging markets. The Company's projects in Peru and Philippines are on track steadily, and the business team has also made breakthroughs in Indonesia, Mexico and other markets. In 2022, the Company's overseas communication network engineering projects achieved revenue of approximately RMB0.62 billion, representing an increase of approximately 36.1% compared with RMB0.46 billion in 2021. Through business expansion in recent years, the Company has been fully equipped end-to-end communication network construction and delivery capabilities, and is expected to achieve sustainable business development in countries and regions with low penetration rate of optical network. In 2023, the Company will continue to enhance its overseas market expansion and achieve steady growth in its international business.

4. Improving diversified deployment and achieving business expansion

In 2022, the Company carried out strategic deployment in major diversified fields such as optical component and module, third-generation semiconductor, industrial lasers and submarine cable engineering, and achieved rapid development of related businesses.

In optical component and module business, the Company completed the acquisition of BDX in August 2022, and intended to further consolidate its controlling position by participating in the subscription of shares issued by BDX in the Specific Investor Issuance, and marked a milestone in diversifying such field. Given that this business and the main business of the Company are both in the optical communication industry, the acquisition will help the Company integrate upstream and downstream resources, promote the synergy with Broadex Technologies Co., Ltd.. Driven by the factors such as the continuous construction of cloud data center, popular application of artificial intelligence and HPC, scale deployment for the next-generation PON, construction needs for 5G wireless communication network, as well as the upgrading of the transmission network, the scale of the global optical component and module market will continue to increase, and the telecommunication and internet operators will also continue to upgrade and iterate the optical network, so as to adapt the increasing needs of traffic. The Company will seize the opportunity to continue to develop quickly in such market, adapt to the increasing needs of consumers for communication, data, voice, and multimedia service, satisfy the demand for telecommunication, internet, and other operators, and provide various products and comprehensive services such as multi-mode optical fibre, optical transceiver, active optical cables, silicon optical module, cabling solutions in the continuous upgrading fields of networks of fibre communication, IT, consumer electronics, industry, and others, and further develop the market and business.

With regard to the third-generation semiconductor business, the Company completed the acquisition and integration of Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd. in May 2022. Following the acquisition, the target company was renamed to Anhui YOFC Advanced Semiconductor Company Limited. It is mainly engaged in the process R&D and the manufacture of the third generation of semiconductors represented by silicon carbide (SiC) and gallium nitride (GaN) semiconductors. It has professional OEM capability and technology R&D capability for semiconductor material epitaxy production, chip and device manufacturing, and module packaging tests. Besides, it has a complete set of 6-inch semiconductor production line and a cutting-edge auxiliary system that manufacture products mainly for new energy vehicles and other fields, with promising market prospects. After acquisition, Anhui YOFC Advanced Semiconductor Company Limited deepened its strategic structuring and business integration, accelerated the research and development of core products and made milestone breakthroughs in terms of sample delivery and testing for strategic customers.

In terms of the industrial laser business, the Company consolidated relevant resources along the value chain to establish Everfoton Technologies Corporation Limited (Everfoton), which possessed the critical technology of core laser components and parts such as specialty optical fibres, pump packaging and high-power grating for industrial lasers. The replacement of traditional processing with laser processing and the use of fibre lasers to substitute other lasers are becoming more popular in industrial manufacturing. In 2022, Everfoton took advantage of the vertical integration to successfully realize the mass production and large-scale sales of industrial lasers, and provided optical fibre and laser solutions such as ring-type fibre and VBP CW fibre lasers with continuous adjustable laser output beam and 10,000-watt CW fibre lasers. In 2023, Everfoton will continue to expand its market share with high-quality, differentiated and intelligent laser application solutions and strive to achieve a breakthrough in the market segment.

Since China is implementing the “Double Carbon” strategy, the installed capacity of offshore wind power is likely to maintain growth. For the submarine cable engineering business, Baosheng YOFC Marine Engineering Company Ltd., a subsidiary of the Company, will continue to prepare for professional vessels, construction equipment, human resources and other aspects in 2022, and is expected to stage construction capabilities such as foundation installation, hoisting, and cable laying and installation and achieve market breakthroughs in 2023.

In 2022, the Company’s revenue from businesses other than preforms, optical fibres and cables accounted for more than 30% of the total revenue. In the future, the Company will further improve its business integration and development of diversified fields that it has tapped into, optimize its business structure, and achieve long-term sustainable development.

5. Steady growth of the Company supported by synergy with the capital market

In the pursuit of the diversification strategy, the Company made reasonable use of the investment and financing channels in the capital market. In the acquisition of Anhui YOFC Advanced Semiconductor Company Limited, the Company effectively controlled the investment costs and risks by establishing a bidding consortium. In the acquisition of BDX, the Company became the controlling shareholder through equity transfer and entrustment of voting rights. The acquisition optimized the deployment of the capital market platform. Meanwhile, Wuhan YOFC Science & Innovation Industry Fund Partnership and Hubei Yangtze YOFC Laser Smart Manufacturing Venture Capital Fund Partnership, which were cofounded by the Company, will also play an active role in the industrial fund and create synergies with the Company’s strategic layout and development.

Given the steady operating results of the Company, China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司) issued a long-term corporate credit rating of AAA and a stable outlook for the Company in May 2022, respectively.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2022 of RMB0.462 (2021: RMB0.281) per share totaling RMB350,152,160 (2021: RMB212,971,335). The expected payment date is on or before 18 August 2023. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2022 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 《中華民國企業所得稅法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 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 final dividend as enterprise income tax, distribute the final 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.

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) 《(關於個人所得稅若干政策問題的通知》(財稅字[1994]020 號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends for the year ended 31 December 2022 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

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 17 November 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 5 December 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

In 2022, there were no purchase, sales or redemption of the Company's listed securities by the Company or its subsidiaries.

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 Part 2 of Appendix 14 to the Hong Kong 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 2022. The audit committee has also reviewed the accounting principles and practices adopted by the Group with the management and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2022.

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 2022 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 2022 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 2022.

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 of the Company 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 2022.

ANNUAL REPORT

The auditing process of the 2022 Annual Results has been completed and the annual report of the Company for the year ended 31 December 2022 will be despatched to shareholders of the Company 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 2023.

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, 31 March 2023

As at the date of this announcement, the Board comprises Mr. 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