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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 2023

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 of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**2023 Annual Results**”) in accordance with China Standards on Auditing for Certified Public Accountants.

FINANCIAL HIGHLIGHTS

- Operating income was RMB13,352.8 million (2022: RMB13,830.3 million), decreased by approximately 3.5% (2022: increased by approximately 45.0%).
- Gross profit and gross profit margin were RMB3,272.0 million (2022: RMB3,243.2 million) and 24.5% (2022: 23.5%), respectively.
- Net profit for the year attributable to equity shareholders of the Company was RMB1,297.4 million (2022: RMB1,167.0 million), increased by approximately 11.2% (2022: increased by approximately 64.7%).
- The Group’s revenue from domestic business decreased by approximately 1.9% (2022: increased by approximately 42.4%). The Group’s overseas revenue decreased by approximately 6.5% (2022: increased by approximately 50.5%).
- The Board recommended the payment of a final dividend of RMB0.514 per share (before tax) for the year ended 31 December 2023 (2022: RMB0.462 per share (before tax)).

* For identification purposes only

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 as follows:

Consolidated Income Statement

For the year ended 31 December 2023

(Expressed in Renminbi “RMB”)

	<i>Notes</i>	2023 (Audited)	2022 (Audited)
I. Operating income	4	13,352,753,464	13,830,318,400
II. Less: Operating costs	4	10,080,797,059	10,587,091,277
Taxes and surcharges		94,211,590	86,338,839
Selling and distribution expenses		502,285,938	413,577,336
General and administrative expenses		1,048,107,534	778,801,786
Research and development expenses		774,993,271	783,889,101
Financial expenses	5	127,333,959	82,884,651
Including: Interest expenses		229,119,222	192,265,504
Interest revenue		110,873,263	75,561,756
Add: Other income	6	188,590,506	157,010,529
Investment income		534,418,114	112,295,033
Including: Income from investment in associates and joint ventures		8,552,733	69,876,281
Gains from changes in fair value		10,770,040	9,472,143
Credit losses		(139,971,157)	(125,090,016)
Impairment losses		(97,877,326)	(78,778,174)
Losses from disposal of assets		(2,224,108)	(2,395,445)
III. Operating profit		1,218,730,182	1,170,249,480
Add: Non-operating income		29,662,537	5,515,591
Less: Non-operating expenses		31,968,526	23,794,263
IV. Profit before income tax		1,216,424,193	1,151,970,808
Less: Income tax expenses	7	39,486,269	(9,270,617)
V. Net profit for the year		1,176,937,924	1,161,241,425
Net profit for the year attributable to equity shareholders of the Company		1,297,437,793	1,166,998,457
Non-controlling interests		(120,499,869)	(5,757,032)

	<i>Notes</i>	2023 (Audited)	2022 (Audited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company		54,472,252	30,754,929
(1) Items that cannot be reclassified subsequently to profit or loss			
1. Changes in fair value of investments in other equity instruments		19,708,948	(2,933,425)
(2) Items that may be reclassified subsequently to profit or loss			
1. Translation differences arising from translation of foreign currency financial statements		34,763,304	33,688,354
Other comprehensive income (net of tax) attributable to non-controlling interests		2,406,811	(2,547,350)
VII. Total comprehensive income for the year		<u>1,233,816,987</u>	<u>1,189,449,004</u>
Total comprehensive income attributable to equity shareholders of the Company		1,351,910,045	1,197,753,386
Total comprehensive income attributable to non-controlling interests		(118,093,058)	(8,304,382)
VIII. Earnings per share:			
(1) Basic earnings per share	8	<u>1.71</u>	<u>1.54</u>
(2) Diluted earnings per share	8	<u>1.71</u>	<u>1.54</u>

Consolidated Balance Sheet
At 31 December 2023
(Expressed in Renminbi “RMB”)

	<i>Notes</i>	31 December 2023 (Audited)	31 December 2022 (Audited)
ASSETS:			
Current assets:			
Cash at bank and on hand		3,895,836,574	4,323,893,889
Financial assets held for trading		1,048,211,393	1,347,947,294
Bills receivable	<i>10</i>	726,336,662	698,622,284
Accounts receivable	<i>11</i>	5,197,048,639	5,035,236,390
Receivables under financing	<i>12</i>	141,157,180	133,861,169
Prepayments		125,173,815	188,716,783
Other receivables		163,517,268	182,451,824
Inventories		2,941,352,651	3,158,718,111
Other current assets		317,660,688	345,419,744
Total current assets		<u>14,556,294,870</u>	<u>15,414,867,488</u>
Non-current assets:			
Long-term equity investments		3,303,333,932	1,828,164,430
Investments in other equity instruments		70,065,449	46,878,451
Other non-current financial assets		51,655,870	60,203,752
Fixed assets		6,731,878,425	5,749,362,064
Construction in progress		965,535,668	1,644,132,850
Right-of-use assets		82,388,148	55,116,615
Intangible assets		1,610,640,981	1,732,371,560
Goodwill		896,910,942	835,888,454
Long-term deferred expenses		62,809,995	26,924,819
Deferred tax assets		344,103,613	272,648,375
Other non-current assets		466,726,000	536,747,789
Total non-current assets		<u>14,586,049,023</u>	<u>12,788,439,159</u>
Total assets		<u>29,142,343,893</u>	<u>28,203,306,647</u>

	<i>Notes</i>	31 December 2023 (Audited)	31 December 2022 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	<i>13</i>	1,749,536,836	1,754,882,426
Bills payable	<i>14</i>	1,368,353,135	1,430,934,823
Accounts payable	<i>15</i>	1,787,840,959	2,031,652,081
Contract liabilities		498,602,106	816,649,511
Employee benefits payable		538,427,393	451,529,826
Taxes payable		187,029,917	154,138,414
Other payables		1,670,745,115	641,517,585
Non-current liabilities due within one year		1,262,096,142	732,895,951
Other current liabilities		19,406,181	61,057,878
Total current liabilities		9,082,037,784	8,075,258,495
Non-current liabilities:			
Long-term loans	<i>16</i>	4,855,183,468	3,950,988,482
Lease liabilities		60,730,739	40,204,695
Long-term payables		–	673,846,130
Deferred income		430,985,306	412,445,638
Deferred tax liabilities		238,142,674	257,758,846
Other non-current liabilities		77,766,485	255,743,147
Total non-current liabilities		5,662,808,672	5,590,986,938
Total liabilities		14,744,846,456	13,666,245,433
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		3,066,048,015	2,938,596,940
Less: Treasury stock		–	33,653,461
Other comprehensive income		72,226,032	17,753,780
Surplus reserve		711,564,222	674,929,332
Retained earnings		6,699,364,928	5,788,714,185
Total equity attributable to shareholders of the Company		11,307,108,305	10,144,245,884
Non-controlling interests		3,090,389,132	4,392,815,330
Total shareholders' equity		14,397,497,437	14,537,061,214
Total liabilities and shareholders' equity		29,142,343,893	28,203,306,647

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 is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

4. OPERATING INCOME AND COSTS

Item	2023 (Audited)		2022 (Audited)	
	Income	Cost	Income	Cost
Principal activities	13,104,628,895	9,845,444,308	13,686,810,113	10,464,294,065
Other operating activities	248,124,569	235,352,751	143,508,287	122,797,212
Total	<u>13,352,753,464</u>	<u>10,080,797,059</u>	<u>13,830,318,400</u>	<u>10,587,091,277</u>
Including: Operating income generated from contract	13,352,753,464	10,080,797,059	13,830,318,400	10,587,091,277

Details of operating income

	2023 (Audited)	2022 (Audited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	3,172,912,057	3,814,849,329
– Optical fibre cables	5,357,545,065	5,799,148,295
– Optical components and modules	1,470,216,547	1,435,378,151
– Other sales	3,103,955,226	2,637,434,338
Sub-total	<u>13,104,628,895</u>	<u>13,686,810,113</u>
Revenue from other operating activities		
– Materials	234,101,392	131,930,756
– Others	14,023,177	11,577,531
Sub-total	<u>248,124,569</u>	<u>143,508,287</u>
Total	<u>13,352,753,464</u>	<u>13,830,318,400</u>

5. FINANCIAL EXPENSES

Item	2023 (Audited)	2022 (Audited)
Interest expenses on loans and payables	242,009,170	202,436,759
Interest on lease liabilities	3,155,807	2,417,894
Less: Borrowing costs capitalised*	16,045,755	12,589,149
Interest income from deposits	(110,873,263)	(75,561,756)
Net exchange gains	(4,473,894)	(45,841,266)
Other financial expenses	13,561,894	12,022,169
Total	<u>127,333,959</u>	<u>82,884,651</u>

* The interest rate per annum, at which the borrowing costs were capitalized for the year by the Group was 0.27% (2022: 0.28%).

6. OTHER INCOME

Item	2023 (Audited)	2022 (Audited)
Government grants related to assets	81,602,682	56,194,088
Government grants related to income	<u>106,987,824</u>	<u>100,816,441</u>
Total	<u><u>188,590,506</u></u>	<u><u>157,010,529</u></u>

7. INCOME TAX EXPENSES

Item	2023 (Audited)	2022 (Audited)
Income tax expenses for the year based on tax laws and regulations	164,296,231	93,406,358
Changes in deferred income tax	(113,971,811)	(106,156,084)
Tax filling differences	<u>(10,838,151)</u>	<u>3,479,109</u>
Total	<u><u>39,486,269</u></u>	<u><u>(9,270,617)</u></u>

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

Item	2023 (Audited)	2022 (Audited)
Originations and reversals of temporary differences	<u>(113,971,811)</u>	<u>(106,156,084)</u>
Total	<u><u>(113,971,811)</u></u>	<u><u>(106,156,084)</u></u>

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

Item	2023 (Audited)	2022 (Audited)
Profit before income tax	1,216,424,193	1,151,970,808
Income tax expenses calculated at tax rate of 25%	304,106,048	287,992,702
Effect of tax rate differences	(75,062,533)	(15,616,824)
Effect of tax filling difference	(10,838,151)	3,479,109
Effect of non-taxable income	(108,292,632)	(16,498,655)
Effect of non-deductible cost, expense and loss	6,325,365	5,180,978
Effect of temporary differences from using the former unrecognised deferred tax assets	(9,193,650)	(21,013,137)
Additional qualified tax deduction relating to research and development costs	(156,090,370)	(157,772,641)
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>88,532,192</u>	<u>17,764,359</u>
Income tax expenses for the year	<u><u>39,486,269</u></u>	<u><u>(9,270,617)</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 newly issued High-tech Enterprise Certificate No. GR202342002827, the Company continued to 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 from 14 November 2023 to 14 November 2026. Therefore, the Company enjoyed a preferential tax rate of 15% for the year.

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 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 newly issued High-tech Enterprise Certificate No. GR202342002604, Yangtze Optical Fibre (Qianjiang) Co., Ltd., a subsidiary of the Company, continued to 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 from 26 October 2023 to 26 October 2026.

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 newly issued High-tech Enterprise Certificate No. GR202342000569, Hubei Flying Optical Fibre Material Co., Ltd., a subsidiary of the Company, continued to 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 from 16 October 2023 to 16 October 2026.

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 newly issued High-tech Enterprise Certificate No. GR202351001128, Sunstar Communication Technology Company Limited, a subsidiary of the Company, continued to 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 from 16 October 2023 to 16 October 2026.

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

According to the High-tech Enterprise Certificate No. GR202242003230 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 9 November 2022 to 9 November 2025, 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 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, a subsidiary of the Company, Yangtze Optical Fibre and Cable (Tianjin) Company Limited., 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 newly issued High-tech Enterprise Certificate No. GR202332001816, Yangtze Optical Cable (Suzhou) Company Limited., a subsidiary of the Company, continued to 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 from 6 November 2023 to 6 November 2026.

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 the newly issued High-tech Enterprise Certificate No. GR202333009634, Broadex Technologies Company Limited, a subsidiary of the Company, continued to be entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% from 8 December 2023 to 8 December 2026.

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.

According to the High-tech Enterprise Certificate No. GR202342008441 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 8 December 2023 to 8 December 2026, Everfoton Technologies Corporation Limited, a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

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:

Item	2023 (Audited)	2022 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>1,297,437,793</u>	<u>1,166,998,457</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
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<u>1,297,437,793</u>	1,166,436,457
Weighted average number of ordinary shares outstanding	<u>757,905,108</u>	<u>755,905,108</u>
Basic earnings per share (RMB/share)	<u>1.71</u>	<u>1.54</u>

Weighted average number of ordinary shares is calculated as follows:

	2023 (Audited)	2022 (Audited)
Issued ordinary shares at the end of the year	757,905,108	757,905,108
Effect from restricted shares in employee share ownership plan (<i>note</i>)	–	(2,000,000)
Weighted average number of ordinary shares at the end of the year	<u>757,905,108</u>	<u>755,905,108</u>

Note: The Company has phase I employee share ownership plan following the approval by the Company's 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):

Item		2023 (Audited)	2022 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	<u>1,297,437,793</u>	<u>1,166,998,457</u>
Weighted average number of ordinary shares outstanding (diluted)	(b)	<u>757,905,108</u>	<u>757,846,844</u>
Diluted earnings per share (RMB/share)		<u>1.71</u>	<u>1.54</u>

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

Item	2023 (Audited)	2022 (Audited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	1,297,437,793	1,166,436,457
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)	—	562,000
Consolidated net profit attributable to ordinary shareholders (diluted)	1,297,437,793	1,166,998,457

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:

Item	2023 (Audited)	2022 (Audited)
Weighted average number of ordinary shares at the end of the year	757,905,108	755,905,108
Diluted adjustments:		
Effect from restricted shares in employee share ownership plan	—	1,941,736
Weighted average number of ordinary shares (diluted) at the end of the year	757,905,108	757,846,844

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 2023 (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	3,172,912,057	5,357,545,065	1,470,216,547	3,352,079,795	-	-	13,352,753,464
Inter-segment operating income	1,308,805,488	9,589,685	-	566,197,360	(1,884,592,533)	-	-
Segment profit	1,949,385,007	954,917,253	207,125,484	549,219,520	(388,690,859)	-	3,271,956,405
Including: Depreciation and amortisation expenses	(261,051,761)	(59,478,617)	(212,583,278)	(341,669,823)	754,717	-	(874,028,762)
Taxes and surcharges	-	-	-	-	-	(94,211,590)	(94,211,590)
Selling and distribution expenses	-	-	-	-	-	(502,285,938)	(502,285,938)
General and administration expenses	-	-	-	-	-	(1,048,107,534)	(1,048,107,534)
Research and development expenses	-	-	-	-	-	(774,993,271)	(774,993,271)
Financial income	-	-	-	-	-	(127,333,959)	(127,333,959)
Impairment losses	-	-	-	-	-	(97,877,326)	(97,877,326)
Credit losses	-	-	-	-	-	(139,971,157)	(139,971,157)
Gains from changes in fair value	-	-	-	-	-	10,770,040	10,770,040
Investment income	-	-	-	-	-	534,418,114	534,418,114
Including: income from investment in associates and joint ventures	-	-	-	-	-	8,552,733	8,552,733
Losses from disposal of assets	-	-	-	-	-	(2,224,108)	(2,224,108)
Other income	-	-	-	-	-	188,590,506	188,590,506
Operating profit/(loss)	1,949,385,007	954,917,253	207,125,484	549,219,520	(388,690,859)	(2,053,226,223)	1,218,730,182
Non-operating income	-	-	-	-	-	29,662,537	29,662,537
Non-operating expenses	-	-	-	-	-	(31,968,526)	(31,968,526)
Profit/(loss) before income tax	1,949,385,007	954,917,253	207,125,484	549,219,520	(388,690,859)	(2,055,532,212)	1,216,424,193
Income tax expenses	-	-	-	-	-	(39,486,269)	(39,486,269)
Net profit/(loss) for the year	<u>1,949,385,007</u>	<u>954,917,253</u>	<u>207,125,484</u>	<u>549,219,520</u>	<u>(388,690,859)</u>	<u>(2,095,018,481)</u>	<u>1,176,937,924</u>

Items	For the year ended 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			
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 disposal of assets	-	-	-	-	-	(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	<u>2,022,033,184</u>	<u>889,237,021</u>	<u>225,366,195</u>	<u>526,092,841</u>	<u>(419,502,118)</u>	<u>(2,081,985,698)</u>	<u>1,161,241,425</u>	

Items	31 December 2023 (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	5,698,322,415	4,336,410,224	2,034,876,437	19,385,477,760	(2,312,742,943)	-	29,142,343,893
Other items:							
- Long-term equity investment in associates and joint ventures	-	-	-	3,303,333,932	-	-	3,303,333,932
- Increase in other non-current assets other than long-term equity investment	358,838,703	237,604,498	153,366,294	1,973,589,183	(186,922,820)	-	2,536,473,858
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

10. BILLS RECEIVABLE

(1) Bills receivable by category

Type	31 December 2023 (Audited)	31 December 2022 (Audited)
Bank acceptance bills	584,932,712	552,898,889
Commercial acceptance bills	141,403,950	145,723,395
Total	<u>726,336,662</u>	<u>698,622,284</u>

As at 31 December 2023, the aforementioned bills receivable were due within one year.

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

As at 31 December 2023, the Group's bills receivables pledged was nil (31 December 2022: RMB1,698,200).

(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 2023 (Audited)	Amount not yet derecognized at the end of 2023 (Audited)
Bank acceptance bills	–	117,457,557
Commercial acceptance bills	–	8,339,900
Total	<u>–</u>	<u>125,797,457</u>

As at 31 December 2023, the Group continued to recognize discounted bills and endorsed bills of RMB32,444,036 and RMB93,353,421 respectively (31 December 2022: RMB183,940,408 and RMB43,930,919). 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 2023, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB32,444,036 and RMB93,353,421 respectively (31 December 2022: RMB183,940,408 and RMB43,930,919). 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 2023 (Audited)	31 December 2022 (Audited)
Due from related parties	255,628,005	336,656,173
Due from third parties	5,451,281,614	5,132,591,642
Sub-total	5,706,909,619	5,469,247,815
Less: allowance for doubtful debts	509,860,980	434,011,425
Total	<u>5,197,048,639</u>	<u>5,035,236,390</u>

(2) Ageing analysis of accounts receivable:

Ageing	31 December 2023 (Audited)	31 December 2022 (Audited)
Within 1 year (1 year inclusive)	4,910,383,313	4,389,345,571
1 to 2 years (2 years inclusive)	420,842,972	667,272,705
2 to 3 years (3 years inclusive)	152,341,503	215,250,518
Over 3 years	223,341,831	197,379,021
Sub-total	5,706,909,619	5,469,247,815
Less: allowance for doubtful debts	509,860,980	434,011,425
Total	<u>5,197,048,639</u>	<u>5,035,236,390</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 2023 (Audited) Allowance for doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Individually assessed for impairment customers which credit losses incurred	57,843,060	1.01	57,843,060	100.00	-
Collectively assessed for impairment by group					
Group 1	255,628,005	4.48	1,134,073	0.44	254,493,932
Group 2	1,958,040,076	34.31	148,509,425	7.58	1,809,530,651
Group 3	3,435,398,478	60.20	302,374,422	8.80	3,133,024,056
Total	<u>5,706,909,619</u>	<u>100.00</u>	<u>509,860,980</u>	8.93	<u>5,197,048,639</u>

Category	31 December 2022 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts	Provision proportion (%)	
	Amount	Proportion (%)	Amount		
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>100.00</u>	<u>434,011,425</u>	7.94	<u>5,035,236,390</u>

(a) Reasons for making doubtful debts provisions with single accounts receivable in 2023: 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 2023:

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.

2023 (Audited)

Customers group 1	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.29	249,392,422	723,242
Overdue 1 to 2 years (2 years inclusive)	5.64	6,143,113	346,472
Overdue 2 to 3 years (3 years inclusive)	37.12	44,706	16,595
Overdue over 3 years	100.00	47,764	47,764
Total		<u>255,628,005</u>	<u>1,134,073</u>
Customers group 2	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	1.07	1,695,231,304	18,068,127
Overdue 1 to 2 years (2 years inclusive)	17.06	141,739,946	24,180,835
Overdue 2 to 3 years (3 years inclusive)	55.84	33,533,430	18,725,067
Overdue over 3 years	100.00	87,535,396	87,535,396
Total		<u>1,958,040,076</u>	<u>148,509,425</u>
Customers group 3	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.52	2,951,647,370	74,278,145
Overdue 1 to 2 years (2 years inclusive)	20.40	253,603,074	51,735,027
Overdue 2 to 3 years (3 years inclusive)	52.40	112,997,446	59,210,662
Overdue over 3 years	100.00	117,150,588	117,150,588
Total		<u>3,435,398,478</u>	<u>302,374,422</u>

2022 (Audited)

Customers 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		336,656,173	4,245,715
Customers 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		1,763,694,977	155,549,913
Customers 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		3,316,855,229	222,174,361

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 2023 (Audited)	31 December 2022 (Audited)
Balance at the beginning of the year	434,011,425	255,077,716
Addition during the year	124,704,793	144,762,598
Reversal during the year	(15,086,801)	(19,539,863)
Written-off during the year	(32,916,533)	(387,511)
Increase by business combination not under common control	–	54,098,485
Disposal of subsidiaries	(851,904)	–
Balance at the end of the year	509,860,980	434,011,425

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 2023, the subtotal of five largest accounts receivable of the Group is RMB1,683,169,408 (31 December 2022: RMB1,597,352,410), representing 29.5% of the total balance of accounts receivable (31 December 2022: 29.2%). The corresponding allowance for doubtful debts is RMB63,675,623 (31 December 2022: RMB75,090,674).

12. RECEIVABLES UNDER FINANCING

Item	31 December 2023 (Audited)	31 December 2022 (Audited)
Bills receivable	<u>141,157,180</u>	<u>133,861,169</u>

There is no change in fair value of receivables under financing of the Group in 2023. The accumulated impairment losses recognized in other comprehensive income is nil.

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 2023 (Audited)	Amount not yet derecognized at the end of 2023 (Audited)
Bank acceptance bills	<u>865,244,516</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 2023. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2023 is RMB635,675,241 (31 December 2022: RMB549,131,483). As at 31 December 2023, the carrying amounts of undue bills receivable that have been endorsed and derecognized were RMB229,569,275 (31 December 2022: RMB296,029,404). As at 31 December 2023, the remaining period of the derecognized bills was 1 to 11 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 2023 (Audited)	31 December 2022 (Audited)
Unsecured loans	<u>1,749,536,836</u>	<u>1,754,882,426</u>
Total	<u>1,749,536,836</u>	<u>1,754,882,426</u>

As at 31 December 2023, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB34,371,000 (31 December 2022: RMB52,234,500).

As at 31 December 2023, the Group did not have any overdue loans not yet repaid.

14. BILLS PAYABLE

Item	31 December 2023 (Audited)	31 December 2022 (Audited)
Commercial acceptance bills	<u>799,029,013</u>	<u>375,316,985</u>
Bank acceptance bills	<u>569,324,122</u>	<u>1,055,617,838</u>
Total	<u>1,368,353,135</u>	<u>1,430,934,823</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 2023 (Audited)	31 December 2022 (Audited)
Due to related parties	<u>322,874,669</u>	<u>132,449,120</u>
Due to third parties	<u>1,464,966,290</u>	<u>1,899,202,961</u>
Total	<u>1,787,840,959</u>	<u>2,031,652,081</u>

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

	31 December 2023 (Audited)	31 December 2022 (Audited)
Within 1 year (1 year inclusive)	<u>1,689,329,664</u>	<u>1,959,415,826</u>
1 to 2 years (2 years inclusive)	<u>49,744,090</u>	<u>15,920,658</u>
2 to 3 years (3 years inclusive)	<u>13,759,904</u>	<u>35,901,875</u>
Over 3 years	<u>35,007,301</u>	<u>20,413,722</u>
Total	<u>1,787,840,959</u>	<u>2,031,652,081</u>

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

16. LONG-TERM LOANS

Item	31 December 2023 (Audited)	31 December 2022 (Audited)
Unsecured loans	6,090,598,259	4,160,408,710
Less: non-current bank loans due within one year	<u>(1,235,414,791)</u>	<u>(209,420,228)</u>
Total	<u><u>4,855,183,468</u></u>	<u><u>3,950,988,482</u></u>

As at 31 December 2023, there was no overdue long-term loans. The above bank loans were fixed rate loans of which interest rate was 0.9%-4.0% (2022: 0.9%-4.0%), the interest rate of floating rate loan is the quoted interest rate of one-year loan market minus 1.20% to the quoted interest rate of one-year loan market minus 0.55%.

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

	31 December 2023 (Audited)	31 December 2022 (Audited)
Within 1 year (1 year inclusive)	2,984,951,627	1,964,302,654
1 to 2 years (2 years inclusive)	2,213,663,901	1,237,081,603
2 to 5 years (5 years inclusive)	<u>2,641,519,567</u>	<u>2,713,906,879</u>
Total	<u><u>7,840,135,095</u></u>	<u><u>5,915,291,136</u></u>

17. DIVIDENDS

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

	2023 (Audited)	2022 (Audited)
Final dividend proposed after the end of the reporting period of RMB0.514 per ordinary share (2022: RMB0.462)	<u>389,563,226</u>	<u>350,152,160</u>

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

	2023 (Audited)	2022 (Audited)
Final dividend paid in respect of the previous financial year	<u>350,152,160</u>	<u>212,971,335</u>

18. CHANGES OF MAJOR ACCOUNTING POLICIES

The Group has adopted the new or revised CAS standards and relevant guidance recently issued by the Ministry of Finance since 2023, including the following:

- “Accounting for the deferred tax related to assets and liabilities arising from a single transaction which is not applicable to initial recognition exemption” in CAS Bulletin No.16 (Cai Kuai [2022] No.31);

The adoption of the above regulations has not had a significant impact on the financial condition and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year, the Group's operating income was approximately RMB13,352.8 million, decreased by approximately 3.5% as compared to 2022 of approximately RMB13,830.3 million. The Group reported a gross profit of approximately RMB3,272.0 million, increased by approximately 0.9% as compared to 2022 of approximately RMB3,243.2 million. The Group's net profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB1,297.4 million, increased by approximately 11.2% as compared to 2022 of approximately RMB1,167.0 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 RMB730.0 million, decreased by approximately 25.7% as compared to 2022 of approximately RMB982.1 million.

Basic earnings per share for the reporting period was RMB1.71 per share (2022: RMB1.54 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 2023 was approximately RMB13,352.8 million, representing a decrease of approximately 3.5% as compared to 2022 of approximately RMB13,830.3 million.

For the year ended 31 December 2023, by product segment, a total revenue of approximately RMB3,172.9 million was contributed from our optical fibres and optical fibre preforms segment, representing a decrease of 16.8% as compared to 2022 of approximately RMB3,814.8 million and accounting for 23.8% (2022: 27.6%) of the Group's revenue; a total revenue of approximately RMB5,357.6 million was contributed by our optical fibre cables segment, representing a decrease of 7.6% as compared to 2022 of approximately RMB5,799.1 million and accounting for 40.1% (2022: 41.9%) of the Group's revenue; and a total revenue of approximately RMB1,470.2 million was contributed by our optical components and modules segment, representing an increase of 2.4% as compared to 2022 of approximately RMB1,435.4 million and accounting for 11.0% (2022: 10.4%) of the Group's revenue.

A total revenue of approximately RMB3,352.1 million was contributed by other products and services, representing an increase of 20.5% as compared to 2022 of approximately RMB2,780.9 million and accounting for 25.1% (2022: 20.1%) of the Group's revenue. The increase was mainly due to the increase in revenue derived from diversified businesses of industrial laser, communication engineering project and power cables as compared to 2022.

By geographical segment, a total revenue of approximately RMB9,010.2 million was contributed by domestic customers, representing a decrease of 1.9% (2022: increase of 42.4%) as compared to 2022 of approximately RMB9,186.2 million and accounting for 67.5% of the Group's revenue. For overseas market, a total revenue of approximately RMB4,342.6 million was reported in 2023, representing a decrease of 6.5% (2022: increase of 50.5%) as compared to 2022 of approximately RMB4,644.1 million and accounting for approximately 32.5% of the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2023 was approximately RMB10,080.8 million, representing a decrease of 4.8% as compared to 2022 of approximately RMB10,587.1 million and accounting for 75.5% of the Group's revenue.

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.

During the year, the Group's total raw material costs were approximately RMB7,722.8 million, representing a decrease of 7.4% as compared to approximately RMB8,337.1 million in 2022.

During the year, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB2,354.4 million, representing an increase of 5.0% as compared to approximately RMB2,241.6 million in 2022.

Gross profit and gross profit margin

For the year ended 31 December 2023, the Group reported a gross profit of approximately RMB3,272.0 million, representing an increase of 0.9% as compared to approximately RMB3,243.2 million in 2022 and the gross profit margin increased to 24.5% in 2023 (2022: 23.5%).

Selling and distribution expenses

For the year ended 31 December 2023, the Group's selling and distribution expenses were approximately RMB502.3 million, representing an increase of 21.4% as compared to approximately RMB413.6 million in 2022. The increase was mainly due to the Company's accelerated internationalization and diversification during the year.

General and administrative expenses

For the year ended 31 December 2023, the Group's general and administrative expenses were approximately RMB1,048.1 million, representing an increase of 34.6% as compared to approximately RMB778.8 million in 2022. The increase was mainly due to the Company's accelerated internationalization and diversification during the year.

Research and development expenses

For the year ended 31 December 2023, the Group's research and development expenses were approximately RMB775.0 million, representing a decrease of approximately 1.1% as compared to approximately RMB783.9 million in 2022.

Financial expenses

For the year ended 31 December 2023, the Group's financial expenses were approximately RMB127.3 million, representing an increase of 53.6% as compared to approximately RMB82.9 million in 2022, which was mainly due to the significantly decrease in exchange gains for the year as compared to last year.

The annual effective interest rate of the bank loans for the year ranged from 0.10% to 4.00% per annum (2022: 0.10% to 4.00% per annum).

Other income

For the year ended 31 December 2023, the Group's other income was approximately RMB188.6 million, representing an increase of approximately RMB31.6 million as compared to approximately RMB157.0 million in 2022, which was mainly because the government grants related to income increased by approximately RMB6.2 million, and the government grants related to assets increased by approximately RMB25.4 million during the year.

Gains from changes in fair value

For the year ended 31 December 2023, the Group's gains from changes in fair value was approximately RMB10.8 million, representing an increase of approximately RMB1.3 million as compared to approximately RMB9.5 million in 2022.

Income tax expenses

For the year ended 31 December 2023, the Group's income tax expenses were approximately RMB39.5 million, representing an increase of approximately RMB48.8 million as compared to approximately RMB-9.3 million in 2022, which was mainly because 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 RMB2,210.4 million (2022: approximately RMB2,280.4 million) in total, which was mainly due to the overseas localized capacity expansion, continuous layout in diversified projects, 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 2023 was 31.6% (2022: 17.7%).

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 2023.

	2023 (Audited)	2022 (Audited)
Net cash generated from operating activities	1,514,407,175	1,594,503,624
Net cash used in investing activities	(2,613,693,173)	(2,186,845,713)
Net cash generated from financing activities	643,401,491	1,977,479,312
Effect of foreign exchange rate changes on cash and the equivalents	19,369,033	75,856,472
Net (decrease) increase in cash and cash equivalents	<u>(436,515,474)</u>	<u>1,460,993,695</u>

The net cash generated from the Group's operating activities decreased by approximately RMB80.1 million, the cash flow from the Company's operating activities remained relatively stable, consistent with the trend of changes in operating income during the reporting period.

Net cash used in the Group's investing activities increased by approximately RMB426.8 million, which was mainly due to the additional external investment and passive dilution of subsidiaries of the Company on the balance sheet during the year.

Net cash generated from the Group's financing activities decreased by approximately RMB1,334.1 million, which was mainly because the Group has preliminarily completed its strategic layout in diversified business areas, and the relevant financing needs decreased during the reporting period.

Cash and cash equivalents as at 31 December 2023 were cash at banks and on hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 31 December 2023, the Group's net current assets was approximately RMB5,474.3 million, representing a decrease of approximately RMB1,865.4 million as compared to approximately RMB7,339.6 million as at 31 December 2022. The decrease in net current assets was mainly because (1) cash on hand and at bank decreased by approximately RMB428.1 million; (2) financial assets held for trading decreased by approximately RMB299.7 million; (3) contract liabilities decreased approximately RMB318.0 million; (4) other payables increased by approximately RMB1,029.2 million; and (5) non-current liabilities due within one year increased by approximately RMB529.2 million.

Bank loans

As at 31 December 2023, the Group's bank loans were approximately RMB7,840.1 million, representing an increase of approximately 32.5% as compared approximately RMB5,915.3 million as at 31 December 2022. As at 31 December 2023, among the Group's bank loans, 0.12% were EUR dollar loans, and the remaining 99.88% were mainly RMB loans.

Capital commitments and contingent liabilities

As at 31 December 2023, the Group's outstanding capital commitments on fixed assets were approximately RMB1,610.1 million (31 December 2022: approximately RMB1,443.7 million) and equity investment was nil (31 December 2022: approximately RMB386.5 million). Out of the total amount of unsettled commitments as at 31 December 2023 of approximately RMB1,610.1 million (31 December 2022: approximately RMB1,830.2 million), a total amount of approximately RMB744.6 million (31 December 2022: approximately RMB1,359.6 million) were contracted, and the balance of approximately RMB865.5 million (31 December 2022: approximately RMB470.6 million) were authorized by the Board but not yet contracted.

As at 31 December 2023, the Group did not have any 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 USD, Euro, AUD, IDR, MXN, NZD, PEN, PHP, SGD, THB and ZAR. Most of the bank deposits are in RMB, USD and Euro.

During the year, due to the depreciation of RMB against major currencies such as the USD, the Group realized net foreign exchange gains of approximately RMB4.5 million.

Employees and remuneration policies

As at 31 December 2023, the Group had approximately 9,176 full-time employees (31 December 2022: approximately 10,532 full-time employees). During the reporting period, the staff costs of the Group were RMB1,781.7 million (2022: RMB1,618.9 million). 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 2023, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB865.2 million (31 December 2022: approximately RMB845.2 million) to certain commercial banks in China and its suppliers.

ACQUISITION, DISPOSAL AND FORMATION OF NEW PRESENCES

YOFC International (Malaysia) Sdn. Bhd.

On 22 February 2023, a subsidiary of Yangtze Optical Fibre and Cable Company (Hong Kong) Limited (“**YOFC Hongkong**”), YOFC International (Singapore) Pte. Ltd. (“**YOFC Singapore**”), established YOFC International (Malaysia) Sdn. Bhd. (“**YOFC Malaysia**”) in Malaysia. Its general business scope is engaging in import and export of optical fibre, optical cable and relevant products. YOFC Malaysia is 100% owned by YOFC Singapore and its registered capital is MYR5,000,000.

Shenzhen Kingdar Optics Company Limited

On 3 March 2023, a subsidiary of the Company, Everfoton Technologies Corporation Limited, acquired 100% equity interest of Shenzhen Kingdar Optics Company Limited (“**Shenzhen Kingdar**”). The financial results of Shenzhen Kingdar has been consolidated in the financial statements of the Group since March 2023.

Shenzhen Kingdar was established in Shenzhen, Guangdong Province on 11 November 2020. Its business scope mainly covers development of fiber optic communication and related communication technologies; and design, research and development, sales, and technical services of prefabricated rods, optical fibers, optical cables, communication cables, special cables, and related materials.

Silicon Line GmbH

On 20 April 2023, a subsidiary of the Company, EverPro (Wuhan) Technologies Joint Stock Limited Company, acquired 100% equity interest of Silicon Line GmbH. The financial results of Silicon Line GmbH has been consolidated in the financial statements of the Group since 20 April 2023.

Silicon Line GmbH’s business scope mainly includes the design and development of Integrated Circuit (IC) for Active Optical Cable connectivity products, trading of electronic products and commodities, and trading of other various commodities.

YOFC International (Poland) sp. z o.o.

On 20 June 2023, YOFC Singapore established YOFC International (Poland) sp. z o.o. (“**YOFC International Poland**”) in Poland. Its general business scope includes purchasing, selling, distributing, importing, exporting optical cables and any materials and accessories related to optical communication; and engineering and technical consulting. YOFC International Poland is 100% owned by YOFC Singapore and its registered capital is PLN1,300,000.

YOFC WHIID Digital Technology Innovation Center (Wuhan) Company Limited

On 27 June 2023, the Company established YOFC WHIID Digital Technology Innovation Center (Wuhan) Company Limited (“**YOFC WHIID**”) in Wuhan, Hubei Province. Its general business scope includes technical services, development, consulting, exchange, transfer, promotion, and digital technology services. YOFC WHIID is 70% owned by the Company and its registered capital is RMB20,000,000.

YOFC Quartz Materials (E'zhou) Company Limited

On 11 July 2023, a subsidiary of the Company, YOFC Quartz Technology (Wuhan) Company Limited (“**YOFC Quartz**”), established YOFC Quartz Materials (E'zhou) Company Limited (“**Ezhou Quartz**”) in Ezhou, Hubei Province. Its general business scope is engaging in new material technology promotion services, new material technology research and development, manufacturing and sales of technical glass products, production, sales and research and development of electronic special materials. Ezhou Quartz is 100% owned by YOFC Quartz and its registered capital is RMB20,000,000.

YOFC International (Germany) GmbH

On 26 July 2023, YOFC Singapore established YOFC International (Germany) GmbH (“**YOFC Germany**”) in Germany. Its general business scope includes high frequency transmission technology field. YOFC Germany is 100% owned by YOFC Singapore and its registered capital is EUR25,000.

YOFC International Columbia SAS

On 28 August 2023, YOFC Singapore established YOFC International Columbia SAS. (“**YOFC Columbia**”) in Columbia. Its general business scope includes importing and exporting of optical fibres optical cables and relevant products. YOFC Columbia is 100% owned by YOFC Singapore and its registered capital is COP100,000,000.

Yangtze Optics Mexico Cable S.A. de C.V.

On 28 September 2023, YOFC Singapore and YOFC Hongkong established Yangtze Optics Mexico Cable S.A. de C.V. (“**YOFC Mexico Cable**”) in Mexico. Its general business scope is engaging in production and sales of optical fibres, optical cables and relevant products. YOFC Mexico Cable is 24.5% and 75.5% owned by YOFC Singapore and YOFC Hongkong, respectively, and registered capital is MXN203,551.

Yangtze Gas Ezhou Company Limited

On 12 December 2023, a subsidiary of Yangtze Qianjiang Company Limited, Yangtze Gas Qianjiang Company Limited. (“**Qianjiang Gas**”), established Yangtze Gas Ezhou Company Limited (“**Ezhou Gas**”) in Ezhou, Hubei province. Its general business scope is engaging in basic chemical raw material manufacturing, research and development of emerging energy technologies, research and development of new material technologies, etc.. Ezhou Gas is 100% owned by YOFC Qianjiang Gas and its registered capital is RMB60,000,000.

YOFC Advanced Semiconductor Company Limited

On 26 June 2023, the Company entered into the Series A Capital Increase Agreement with Anhui YOFC Advanced Semiconductor Company Limited (安徽長飛先進半導體有限公司) (“**YOFC Advanced Semiconductor**”), other investors and the existing shareholders of YOFC Advanced Semiconductor, pursuant to which the Company and other investors proposed to make a capital contribution of an aggregate of RMB3,244,000,000 in cash to the registered capital of YOFC Advanced Semiconductor (in which the Company proposed to make capital contribution of RMB281,000,000 in cash). The Company, other investors, the existing shareholders of YOFC Advanced Semiconductor and YOFC Advanced Semiconductor also entered into the Series A Shareholders’ Agreement on 26 June 2023 to govern their respective rights as a shareholder of YOFC Advanced Semiconductor.

On the same date, the Company entered into (i) the Wuhu Haiwo Equity Transfer Agreement with Wuhu Haiwo Hard Technology Venture Capital Fund Partnership (Limited Partnership) (蕪湖海沃硬科技創業投資基金合夥企業(有限合夥)) (“**Wuhu Haiwo**”), pursuant to which Wuhu Haiwo agreed to sell and the Company agreed to purchase the entire equity interest of Wuhu Haiwo in YOFC Advanced Semiconductor at a proposed consideration of RMB154,441,600, and (ii) the Wuhu Zewan No. 2 Equity Transfer Agreement with Wuhu Zewan No. 2 Investment Management Partnership (Limited Partnership) (蕪湖澤灣貳號投資管理合夥企業(有限合夥)) (“**Wuhu Zewan No. 2**”), pursuant to which Wuhu Zewan No. 2 agreed to sell and the Company agreed to purchase the entire equity interest of Wuhu Zewan No. 2 in YOFC Advanced Semiconductor at a proposed consideration of RMB64,350,700.

Upon completion of these transactions, the equity interest in YOFC Advanced Semiconductor directly owned by the Company has been diluted to 22.9008% of the enlarged share capital of YOFC Advanced Semiconductor. Pursuant to the resolution of YOFC Advanced Semiconductor’s general meeting passed on 15 August 2023, the Company ceased to be entitled to nominate the majority of the board of directors of YOFC Advanced Semiconductor, hence the Company lost control over the board composition of YOFC Advanced Semiconductor. As such, on the same date, subject to the applicable accounting standards, YOFC Advanced Semiconductor cease to be a subsidiary of the Company and was deemed as deconsolidated from the consolidated financial statements of the Group and be reclassified as an associate of the Company.

The dilution of the Company’s equity interest in YOFC Advanced Semiconductor to 22.9008% constituted a deemed disposal of interest in YOFC Advanced Semiconductor under Rule 14.29 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”).

As the Series A Capital Increase Agreement, the Wuhu Haiwo Equity Transfer Agreement and the Wuhu Zewan No. 2 Equity Transfer Agreement were entered into on the same day and the transactions contemplated thereunder involve the acquisition of equity interest in one particular company, the Series A Capital Increase, the Wuhu Haiwo Equity Transfer Transaction and the Wuhu Zewan No. 2 Equity Transfer Transaction shall be aggregated pursuant to Rules 14.22 and 14.23 of the Hong Kong Listing Rules. Since the highest relevant percentage ratios under the Listing Rules in respect of the Series A Capital Increase and the Series A Equity Transfer Transactions, as aggregated, is expected to exceed 5% but is less than 25%, the Series A Capital Increase and the Series A Equity Transfer Transactions constitute discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The Series A Equity Transactions do not constitute material assets reorganizations under the Administrative Measures for the Material Assets Reorganizations of Listed Companies promulgated by China Securities Regulatory Commission.

Saved as the deemed disposal of equity interest in YOFC Advanced Semiconductor, 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

At present, a new round of scientific and technological revolution and industrial reform are deeply developing, and informatization is advancing rapidly. The national informatization plan of the 14th five-year plan (the “**14th Five Year Plan**”) states that informatization has entered a new stage of accelerating digital development and building a digital China during the period of the 14th Five-Year Plan. Supported by 5G and 5G-A (5G–Advanced, also known as 5.5G, which is a further evolution of 5G technology and a partial upgrade in functionality and coverage), channeling digital computing resources from East to West, FTTR, Dual Gigabit, and Broadband Frontier, the digital economy is on the rise. Meanwhile, artificial intelligence is becoming an important driving force leading a new round of global technological revolution and industrial transformation, profoundly changing the way people work, live and learn. The commercialization of artificial intelligence applications is rapidly developing with more prominent requirements on communication network bandwidth and latency, that require the capabilities to provide a speed at the rate of 10 Gbps and millisecond transmission latency. A variety of intelligent services and applications will also facilitate the construction of communication network infrastructure, driving the continuous evolution of communication optical fibre in the direction of ultra-large capacity, ultra-low loss and ultra-low latency.

Optical fibre and optical cable are the important infrastructure for mobile and fixed networks, as well as an integral part of the basic infrastructure for new types of applications in computing networks, such as cloud computing and artificial intelligence. According to the data released by the Ministry of Industry and Information Technology (“MIIT”), as at the end of 2023, the total length of optical cables in China has reached 64.32 million kilometers, representing a net increase of 4.74 million kilometers or 8.0% over 2022. In terms of mobile network, the construction of 5G network in China made further progress. According to the data released by the MIIT in January 2024, as at the end of 2023, the total number of mobile communication base stations in China has reached 11.62 million, of which 3.377 million were 5G base stations, accounting for 29.1% of the total number of mobile base stations, representing an increase of 7.8 percentage points as compared to the end of 2022. Meanwhile, in 2023, the monthly average traffic of mobile network users reached 16.85GB/user per month, representing an increase of 10.9% as compared with the previous year. The steady growth of mobile network data traffic has strongly supported the demand for construction of high-quality communication networks. The information network infrastructure is the foundation of digital economy, and its strategic role in the development of the real economy and industrial innovation and upgrading has been increasingly highlighted. In 2023, the MIIT and other ministries have prepared detailed plans for the construction of communication projects such as dual-gigabit, channeling digital computing resources from East to West and broadband frontier, which will effectively promote the long-term high-quality development of the industry.

The global communication industry was under short-term demand pressure in 2023, while maintaining a steady development trend in the medium and long term. Affected by macroeconomic fluctuations, geopolitical influences, high interest rates and other factors, the capital expenditure of telecom operators and the demand for optical fibres and cables have slowed down. According to the report released by Commodity Research Unit (“CRU”), the total capital expenditure of the 60 major telecom operators in the first three quarters of 2023 was approximately US\$197 billion, representing a decrease of approximately 6% as compared to the same period in 2022. In 2023, approximately 536 million fibre kilometers of optical cables were deployed globally, representing a slight decrease as compared to the year of 2022. The Company directly addressed the market pressure and consolidated its leading market position through measures such as optimizing product mix, strengthening cost control and continuously exploring customers, which ensured a stable profitability. In 2023, the Company realized an operating revenue of approximately RMB13,353 million, representing a decrease of approximately 3.5% as compared to approximately RMB13,830 million in 2022. The gross profit margin of the Company increased from 23.5% in 2022 to 24.5% in 2023, the net profit attributable to shareholders of the Company increased from approximately RMB1,167 million in 2022 to approximately RMB1,297 million in 2023, representing an increase of approximately 11.2%.

In 2023, the Company continued to implement key strategic initiatives, promoting the development and application of cutting-edge products through technological innovation and digital transformation, and maintaining its leading cost advantages to realize the development of main businesses. In terms of internationalization, the proportion of the Company’s overseas revenue as of total revenue continued to maintain a relatively high level of more than 30%, and the brand awareness was significantly improved. In terms of diversification, major diversified businesses of the Company have made substantive business progress, and the proportion of revenue generated from diversified businesses has reached a record high level. The successful implementation of key strategies has laid a solid foundation for the realization of the Company’s 14th Five-Year Plan.

1. Consolidate the leading position of main businesses

The short-term demand in the global optical fibre and optical cable industry has been under pressure in 2023, but there is still great potential in medium and long-term market demand. According to the CRU Report, the global demand for optical fibres and optical cables will maintain a steady growth trend from 2024 to 2028. China is the largest market for the global optical fibre and optical cable industry, and telecom operators are the core customers of the optical fibre and cable market in China. China Mobile Communications Group Co. Ltd (“**China Mobile**”) completed the centralized procurement of common optical cables in July 2023, with a total procurement volume of approximately 108 million fibre kilometers. Benefiting from the Company’s core competitive advantages, the Company was awarded 19.46% share of the total volume, ranking first, which laid a solid foundation for operating results in 2024.

The continuous increase in data traffic and the rapid expansion of application scenarios have led to higher requirements for high-speed, efficient and intelligent communication networks. The Company has launched the i-Fibre series of optical fibres, which have the characteristics of ultra-large capacity, ultra-low loss, ultra-low latency, integrated sensing and communication, and environmental friendliness, which can fully meet the relevant needs of network development. Among them, the Company’s new generation of G.654.E optical fibre, which went through a few years of independent R&D and market penetration, has a large effective area and low attenuation coefficient, and supports large bandwidth, low latency and long-span backbone network transmission, being a top choice optical fibre for 400G, 800G and future Tbit/s ultra-high-speed transmission technology in scenarios such as trunk line upgrade and channeling digital computing resources from East to West. The G.654.E optical fibre of the Company has been deployed nearly 2 million fibre kilometers globally, and has successfully achieved large-scale commercial use in networks of China Mobile, China Telecom Corp. Ltd, China United Network Communication Limited, State Grid Corporation of China and the construction of various national network infrastructure projects in the Philippines and Brazil etc.. In 2023, the Company continued to take the lead in the procurement of these products by major telecom operators, and the product technical parameters were also among the highest in the world. Meanwhile, the Company continued to optimize its manufacturing process and production costs, and made full use of the 5G+ industrial internet to improve the level of intelligent manufacturing. In 2023, the Company’s YOFC 5G Factory was selected into the “5G Factory List of 2023” issued by the MIIT in November 2023. Benefiting from the improvement of the Company’s production efficiency and product structure, the Company achieved a gross profit margin of 24.5% in a challenging market environment, representing an increase of approximately 1.0 percentage points as compared to 2022.

From its establishment in May 1988 to December 2023, the Company has delivered a total of 1 billion fibre kilometers of optical fibre. This length can circle the earth’s equator by 25,000 times, reflecting the Company’s role in the development of the optical communication industry. In 2024, the Company will seize the opportunity of market development and take advantage as a cost and R&D leader to realize differentiated competition in the markets for common and new types of products, further consolidate the global leading position in the main businesses, and achieve high-quality and sustainable business development.

2. Internationalization strategy accelerated expansion

After ten years of overseas business expansion since 2014, the Company has deeply implemented the internationalization strategy. At present, six production bases have been established in Indonesia, South Africa, Brazil and Poland. The Company has expanded its global presence in more than 90 countries and regions through more than 50 overseas subsidiaries or offices in the provision of optical communication products and services. The proportion of revenue from overseas businesses to the Company's total revenue has remained above 30% for three consecutive years. In 2023, the Company has realized overseas revenue of approximately RMB4,343 million, accounting for 32.5% of the Company's total revenue. In addition to the market breakthrough of optical fibre and cable products and the significant increase in brand influence, the Company's communication network engineering services business has also achieved stage results. As at the end of 2023, the Company has built a total of 6,500 kilometers of backbone communication network in the Philippines, more than 1,500 base stations were built, covering a population of approximately 2.6 million, which has helped to increase the broadband coverage in the relevant region from 3.4% to 19%. In Indonesia, the Company has deployed networks in more than 50 cities, serving more than 700,000 households. In Peru, the Company has undertaken the national broadband projects in four provinces, which will bring network coverage to 1,683 remote towns and provide internet services to 1,746 schools, 128 police stations and 715 hospitals. In 2023, the revenue from the Company's overseas communication network engineering projects was approximately RMB582 million.

At present, overseas markets are still facing unfavorable factors, such as decline in short-term demand, strengthening of trade protective measures, greater macroeconomic uncertainty, and high interest rates, which are affecting network construction costs. However, the overseas communication network infrastructure has sufficient growth potential, and the global demand for optical cable will also maintain a steady growth in medium and long term. In the face of market opportunities and challenges, the Company has always adhered to the internationalization strategy and rationally deployed overseas production capacity. At present, the production efficiency of the Company's overseas production bases has been significantly improved, and the product quality has been able to meet the certification requirements of major international operators. In 2024, the Company will continue to expand into the international market, optimize local production, sales and service capabilities, to achieve a continuous increase in the proportion of overseas business revenue.

3. Diversified layout made substantive business progress

In 2023, the Company has achieved substantive progress in major diversified areas such as optical components and modules, third-generation semiconductors, industrial lasers and submarine cable engineering.

In the field of optical components and modules, the Company achieved business and management synergy with Broadex Technologies, and completed the integration of Broadex Technologies and EverPro Technologies Company Limited. Broadex Technologies 10G PON OLT optical module and DWDM components have a leading position in domestic market, and it continues to develop next generation PON and high speed wireless transmission modules. In the meantime, Broadex has supplied 25G to 400G short to mid term optical modules, active optical cable and high speed copper cable to domestic and overseas internet customers. Its 400G-DR4 silicon photovoltaic modules realized scaled sales, and Broadex is actively exploring silicon photovoltaic modules for next generation data centers.

In the field of third-generation semiconductors, Anhui YOFC Advanced Semiconductor Company Limited has completed equity financing with a total amount of approximately RMB3.6 billion, and started the construction of the R&D and production base for a third-generation semiconductor power component with annual production capacity of 360,000 pieces of SiC MOSFET wafers. At present, the business of the company is progressing smoothly and it has built the capability of independent research and development and mass production of silicon carbide products. It owns the 1200V Gen3 SiC MOSFET design and technical process platform with fully independent intellectual property rights. The specific on-resistance performance of related products ranks among the world's advanced levels, and the product yield has reached 80%, which is also at the forefront of the industry.

In the field of industrial lasers, Everfoton Technologies Corporation Limited (“YOFC Everfoton”) has the advantages of vertical integration in the industry chain and leading technical strength. It has been able to provide a variety of optional wavelengths, different beam modes, as well as quasi-continuous, narrow linewidth, ultra-short pulse and other diversified fibre laser solutions, and has achieved business breakthroughs in handheld welding, high-power cutting, multi-industry applications, etc., achieving rapid growth in sales volume. In 2024, YOFC Everfoton will accelerate the construction of production capacity, improve technology levels, enhance its ability to provide differentiated and customized fibre laser solutions, and consolidate its core competitiveness in market segments.

In the field of offshore engineering, Baosheng YOFC Marine Engineering Company Ltd. has been equipped with construction service capabilities and has successfully completed customer orders in offshore wind power duct foundation construction and wind turbine installation projects, achieving market breakthroughs. The large-scale and high-quality development of offshore wind power is an important direction to accelerate the green and low-carbon transformation of energy, and the market demand potential is great. In 2024, the Company will further improve its submarine cable laying and wind turbine installation capabilities to achieve scaled sales and business growth.

Since 2022, the Company's revenue from businesses other than preforms, optical fibres and optical cables has accounted for more than 30% of the total revenue, and the diversification strategy has shown initial results. In the future, the Company will carry out business integration and expansion around the diversified areas that have been deployed to achieve long-term sustainable development.

4. Technological innovation and intelligent manufacturing

Advanced production and manufacturing processes and R&D and innovation capabilities are the guarantees for the Company to maintain its global leading position in its main businesses. The Company continued to optimize the production process level of PCVD, OVD and VAD preforms, improved the main parameters such as deposition rate and material consumption, thus realizing improvement in production efficiency of mainstream products. With the continuous development of industrial application scenarios such as digital economy and artificial intelligence in the future, bandwidth and latency requirements will become more prominent, while space division multiplexing optical fibre and hollow-core optical fibre are the two main technical directions for the next generation of mainstream optical fibres. The Company is actively deploying these new optical fibres with a leading position in its R&D and commercialization.

In October 2023, the Company cooperated with China Mobile to conduct the world's first network trial of four-core optical fibre and seven-core optical fibre on the same cable. This line is the first pilot line of four-core optical fibre in China and the first pilot line of multi-core optical fibre in China Mobile. In the field of hollow-core anti-resonance optical fibre, which can further reduce the transmission loss of optical signals in the optical fibre and achieve lower latency and higher bandwidth, the Company is one of the few enterprises in the world that can achieve kilometer-level hollow-core anti-resonance optical fibre production. The attenuation performance indicators of the relevant products researched and developed by the Company are leading in the world, which can meet the requirements of the new generation of computing power infrastructure for applications such as generative artificial intelligence. The Company has undertaken the topic of optical fibre preparation in the national key research and development plan of "Research on ultra-large capacity optical transmission system based on air-core optical fibre".

Based on the Company's leading technological innovation capabilities, the Company won the first place in the 2023 Hubei Province Top 100 High-tech Enterprises. In the future, the Company will continue to follow the development direction of new applications and the actual needs of customers closely, to play a leading role in the research and development of cutting-edge technologies and products in the industry, and strengthen our core competitive advantages.

5. Synergistic growth of capital operation

In the process of strategic planning in internationalization and diversification, the Company made reasonable use of investment and financing channels in the capital market. In 2023, YOFC Advanced Semiconductor seized the market opportunities, attracted a number of relevant industrial and financial investors, and completed a large-scale Series A equity financing to support the construction project of the R&D and production base. In addition, the successful integration of the Company's subsidiary Broadex with EverPro will be beneficial for both parties to expand their comprehensive service capabilities, bringing synergies in terms of enterprise scale, customer relationship, product structure and technology research and development, and improve the Company's strategic layout of optical components and modules. The Company also subscribed for limited partner shares in Hubei Yangtze YOFC Laser Smart Manufacturing Venture Capital Fund Partnership (Limited Partnership) and Beijing China Mobile Digital New Economy Industry Fund Partnership (Limited Partnership) to achieve synergistic business development and optimize the industrial layout.

Benefiting from the stable operations of the Company, China Chengxin International Credit Rating Co., Ltd. and China Lianhe Credit Rating Co., Ltd. issued the 2023 annual tracking report with a credit rating of AAA and a stable rating outlook for the Company in May 2023.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2023 of RMB0.514 before tax (2022: RMB0.462 before tax) per share totaling RMB389,563,226 (2022: RMB350,152,160). The expected payment date is on or before 16 August 2024. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2023 annual general meeting of the Company (the “AGM”). Should the proposal be approved, the dividend for holders of A shares, including holders of A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the “**Northbound Shareholders**”) and holders of H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the “**Southbound Shareholders**”) will be declared and paid in RMB.

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

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

In accordance with the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 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 2023 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 Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yofc.com) and despatched to the requesting shareholders of the Company in due course.

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

In 2023, there were no purchase, sales or redemption of the Company's listed securities by the Company or its subsidiaries.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On October 13, 2023, the Company convened the third extraordinary general meeting of 2023 to approve the "Proposal on the Acquisition of Equity Interests in RFS Germany and RFS Suzhou", in which the Company signed an agreement with RFS Holding GmbH ("RFS Holding") to acquire all the equity interests in cash of Radio Frequency Systems GmbH ("RFS Germany"), a wholly-owned subsidiary of RFS Holding GmbH, and RFS Suzhou Co. ("RFS Suzhou"). Upon completion of the transaction, it is expected that the Company will own 100% of RFS Germany and RFS Suzhou, and will include RFS Germany and RFS Suzhou in its consolidated financial statements. The Company is currently proceeding with this transaction.

AUDIT COMMITTEE

The Company established the audit committee of the Company ("**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Hong Kong Listing Rules. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Song Wei, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang'ai, 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 2023. 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 2023.

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 2023 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 2023 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 2023.

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 C3 to the Hong Kong Listing Rules. Having made specific enquiries in writing to 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 2023.

ANNUAL REPORT

The auditing process of the 2023 Annual Results has been completed and the annual report of the Company for the year ended 31 December 2023 will be despatched to the requesting shareholders of the Company and made available on the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yofc.com) before the end of April 2024.

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, 28 March 2024

As at the date of this announcement, the Board comprises Mr. Zhuang Dan as executive Director; Mr. Ma Jie, Mr. Guo Tao, Mr. Philippe Claude Vanhille, Mr. Pier Francesco Facchini, Mr. Iuri Longhi, Mr. Xiong Xiangfeng and Mr. Mei Yong, as non-executive Directors; Mr. Bingsheng Teng, Mr. Song Wei, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang’ai, as independent non-executive Directors.

* For identification purposes only