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長飛光纖光纜股份有限公司

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

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

(Stock Code: 6869)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Total revenue was approximately RMB3,318.9 million, decreased by approximately RMB2,313.0 million, representing a 41.1% decrease as compared to the same period of last year.
- Gross profit was approximately RMB781.2 million, decreased by approximately RMB808.0 million, representing a 50.8% decrease as compared to the same period of last year.
- Profit for the period attributable to equity shareholders of the Company was approximately RMB436.8 million, decreased by approximately RMB371.9 million, representing a 46.0% decrease as compared to the same period of last year.
- The Group's revenue from domestic customers decreased by approximately 47.9%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 5.8%, as compared with the same period of last year.
- The board of directors of the Company did not recommend any interim dividend.

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**”, “**YOFC**”) announced the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”), together with the relevant comparative figures of the same period of 2018 as follows:

Consolidated Income Statement
For the six months ended 30 June 2019
(Expressed in Renminbi (“RMB”))

		For the six months ended 30 June	
	Note	2019 (Unaudited)	2018 (Unaudited)
I. Revenue	4	3,318,908,436	5,631,896,629
II. Less: Cost of sales	4	2,537,684,468	4,042,675,721
Taxes and surcharges		12,143,200	31,219,236
Selling expenses		149,083,296	168,551,921
Administrative expenses		207,532,786	313,470,128
R&D expenses		160,208,254	169,958,994
Financial expenses	5	4,290,107	30,981,081
Including: Interest expenses		25,925,868	20,079,965
Interest revenue		16,289,444	9,507,434
Impairment losses		12,242,980	27,320,502
Credit losses		14,981,584	20,898,372
Add: Other income	6	183,467,453	12,687,245
Investment income		68,548,452	89,061,059
Including: Income from investment in associates and joint ventures		67,131,847	87,927,991
Gains from changes in fair value		208,300	456,839
Gains/(losses) from asset disposals		8,557,123	(1,139,277)
III. Operating profit		481,523,089	927,886,540
Add: Non-operating income		1,414,313	1,188,563
Less: Non-operating expenses		562,709	491,393
IV. Profit before taxation		482,374,693	928,583,710
Less: Income tax	7	57,286,586	114,352,671
V. Profit for the period		425,088,107	814,231,039
Profit for the period attributable to equity shareholders of the Company		436,797,231	808,683,310
Non-controlling interests		(11,709,124)	5,547,729

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
<i>Note</i>			
VI. Other comprehensive income, net of tax			
	Other comprehensive income (net of tax) attributable to shareholders of the Company		
(1) Items that can not be reclassified subsequently to profit or loss			
1.	Changes in fair value of investments in other equity instruments	3,025,094	(33,107,338)
(2) Items that may be reclassified subsequently to profit or loss			
1.	Exchange differences on translation of financial statements of overseas subsidiaries	8,749,058	(10,643,170)
	Other comprehensive income (net of tax) attributable to non-controlling interests	843,369	(4,360,708)
		<u><u>843,369</u></u>	<u><u>(4,360,708)</u></u>
VII. Total comprehensive income for the period		437,705,628	766,119,823
	Total comprehensive income attributable to equity shareholders of the Company	448,571,383	764,932,802
	Total comprehensive income attributable to non-controlling interests	(10,865,755)	1,187,021
VIII. Earnings per share:			
(1)	Basic earnings per share	0.58	1.19
		<u><u>0.58</u></u>	<u><u>1.19</u></u>
(2)	Diluted earnings per share	0.58	1.19
		<u><u>0.58</u></u>	<u><u>1.19</u></u>

Consolidated Balance Sheet
At 30 June 2019
(Expressed in Renminbi “RMB”)

	<i>Note</i>	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS:			
Current assets			
Cash and cash equivalents		1,982,449,496	2,684,163,417
Financial assets held for trading		17,318,856	32,913,367
Bills receivable	<i>10</i>	222,739,250	322,084,314
Trade receivables	<i>11</i>	3,239,844,380	2,976,756,984
Receivables financing		97,028,788	118,621,938
Prepayments for raw materials		146,888,629	92,445,336
Other receivables		283,801,202	135,603,164
Inventories		1,451,067,329	995,149,268
Other current assets		204,731,738	130,323,468
Total current assets		7,645,869,668	7,488,061,256
Non-current assets			
Long-term equity investments		1,648,612,481	1,626,151,304
Investments in other equity instruments		68,388,135	64,829,201
Fixed assets		2,490,683,681	2,016,583,574
Construction in progress		980,999,086	1,170,820,370
Intangible assets		287,335,122	291,972,356
Right-of-use assets		48,292,563	–
Long-term deferred expenses		7,736,661	1,313,700
Deferred tax assets		73,586,318	84,664,986
Other non-current assets		91,423,837	141,485,562
Total non-current assets		5,697,057,884	5,397,821,053
Total assets		13,342,927,552	12,885,882,309

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current bank loans	12	660,189,902	277,271,416
Bills payable	13	290,129,555	232,494,030
Trade payables	14	1,091,794,828	1,275,619,383
Contract liabilities		209,417,344	179,060,964
Employee benefits payable		269,310,018	445,025,136
Taxes payable		49,240,667	166,438,867
Other payables		627,526,708	485,661,296
Non-current liabilities due within one year		<u>673,693,038</u>	<u>276,854,467</u>
Total current liabilities		<u>3,871,302,060</u>	<u>3,338,425,559</u>
Non-current liabilities			
Non-current bank loans	15	473,000,000	817,000,000
Lease Liabilities		36,622,760	–
Deferred income		111,771,952	91,504,361
Other non-current liabilities		<u>271,940,983</u>	<u>262,623,183</u>
Total non-current liabilities		<u>893,335,695</u>	<u>1,171,127,544</u>
Total liabilities		<u>4,764,637,755</u>	<u>4,509,553,103</u>
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		3,358,600,302	3,353,543,988
Less: treasury stock		33,653,461	–
Other comprehensive income		37,954,508	26,180,356
Surplus reserve		612,010,760	557,383,759
Retained earnings		<u>3,685,714,936</u>	<u>3,493,020,983</u>
Total equity attributable to equity shareholders of the Company		<u>8,418,532,153</u>	<u>8,188,034,194</u>
Non-controlling interests		<u>159,757,644</u>	<u>188,295,012</u>
Total equity		<u>8,578,289,797</u>	<u>8,376,329,206</u>
Total liabilities and shareholders' equity		<u>13,342,927,552</u>	<u>12,885,882,309</u>

Notes:

1. CORPORATE INFORMATION

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

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

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

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

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

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

3. REVENUE

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

4. REVENUE AND COST OF SALES

Item	For the six months ended 30 June			
	2019 (Unaudited)		2018 (Unaudited)	
	Revenue	Costs	Revenue	Costs
Principal activities	3,229,070,115	2,453,124,644	5,488,996,448	3,926,492,131
Other operating activities	89,838,321	84,559,824	142,900,181	116,183,590
Total	3,318,908,436	2,537,684,468	5,631,896,629	4,042,675,721

Details of revenue:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	1,071,817,240	2,416,239,589
– Optical fibre cables	1,869,263,507	2,790,452,593
– Other sales	287,989,368	282,304,266
Sub-total	3,229,070,115	5,488,996,448
Revenue from other operating activities		
– Materials	77,038,133	133,748,035
– Technology licence fees and services	2,701,127	6,865,317
– Others	10,099,061	2,286,829
Total	3,318,908,436	5,631,896,629

5. FINANCIAL EXPENSES

Item	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses on loans and payables	29,526,471	25,456,354
Interest on lease liabilities	1,488,397	–
Less: Borrowing costs capitalised*	5,089,000	5,376,389
Interest income from deposits and receivables	(16,289,444)	(9,507,434)
Net exchange loss	(9,274,387)	15,650,189
Other financial expenses	3,928,070	4,758,361
Total	4,290,107	30,981,081

* The capitalisation rate of the Group's capitalised amounts of borrowing costs in the first half of 2019 was 2.21% (the first half of 2018:1.91%)

6. OTHER INCOME

Item	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Government grants related to assets	9,010,099	2,852,542
Government grants related to income	174,457,354	9,834,703
Total	<u>183,467,453</u>	<u>12,687,245</u>

7. INCOME TAX

Item	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income tax for the period based on tax laws and regulations	50,147,136	125,109,867
Changes in deferred income tax	10,544,828	(8,936,001)
Tax filling differences	(3,405,378)	(1,821,195)
Total	<u>57,286,586</u>	<u>114,352,671</u>

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

Item	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Origination and reversal of temporary differences	<u>10,544,828</u>	<u>(8,936,001)</u>

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

Item	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit before taxation	482,374,693	928,583,710
Expected income tax calculated at tax rate of 25%	120,593,673	232,145,928
Effect of tax rate differences	(42,890,596)	(80,972,912)
Effect of tax filling differences	(3,405,378)	(1,821,195)
Effect of non-taxable income	(6,052,423)	(30,729,452)
Effect of non-deductible cost, expense and loss	2,329,644	2,642,770
Additional qualified tax deduction relating to research and development costs	(26,354,494)	(19,807,097)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized during the period	<u>13,066,160</u>	<u>12,894,629</u>
Income tax for the period	<u>57,286,586</u>	<u>114,352,671</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. GR201742002234 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, from 30 November 2017 to 30 November 2020, the Company would be entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% with preferential tax treatments in deductions from research and development costs. Therefore, the Company was entitled to a preferential tax rate of 15% in 2018 and 2019.

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

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

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

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

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

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

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

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

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

Item	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>436,797,231</u>	<u>808,683,310</u>
Weighted average number of ordinary shares outstanding	<u>757,238,441</u>	<u>682,114,598</u>
Basic earnings per share (RMB/share)	<u>0.58</u>	<u>1.19</u>

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Number of issued ordinary shares at the beginning of the period	757,905,108	682,114,598
Effects from shares redeeming	(666,667)	–
Weighted average number of ordinary shares at the end of the period	<u>757,238,441</u>	<u>682,114,598</u>

(b) Diluted earnings per share

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

9. SEGMENT REPORTING

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

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

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

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

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

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

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

For the six months ended 30 June 2019 (Unaudited)						
Item	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	1,071,817,240	1,869,263,507	377,827,689	—	—	3,318,908,436
Including: Revenue from						
mainland China	858,921,617	1,387,826,027	312,382,910	—	—	2,559,130,554
Revenue from overseas	212,895,623	481,437,480	65,444,779	—	—	759,777,882
Inter-segment revenue	141,019,018	16,313,755	379,900,679	(537,233,452)	—	—
Segment profit	536,647,021	221,653,639	77,210,742	(54,287,434)	—	781,223,968
Including: depreciation and amortisation	(56,631,015)	(15,264,463)	(49,622,248)	2,044,699	—	(119,473,027)
Taxes and surcharges	—	—	—	—	(12,143,200)	(12,143,200)
Selling expenses	—	—	—	—	(149,083,296)	(149,083,296)
Administration expenses	—	—	—	—	(207,532,786)	(207,532,786)
R&D expenses	—	—	—	—	(160,208,254)	(160,208,254)
Financial expenses	—	—	—	—	(4,290,107)	(4,290,107)
Impairment losses	—	—	—	—	(12,242,980)	(12,242,980)
Credit losses	—	—	—	—	(14,981,584)	(14,981,584)
Gains from changes in fair value	—	—	—	—	208,300	208,300
Investment income	—	—	—	—	68,548,452	68,548,452
Including:						
Income from investment in associates and joint ventures	—	—	—	—	67,131,847	67,131,847
Gains from asset disposals	—	—	—	—	8,557,123	8,557,123
Other income	—	—	—	—	183,467,453	183,467,453
Operating profit/(loss)	536,647,021	221,653,639	77,210,742	(54,287,434)	(299,700,879)	481,523,089
Non-operating income	—	—	—	—	1,414,313	1,414,313
Non-operating expenses	—	—	—	—	(562,709)	(562,709)
Profit/(loss) before taxation	536,647,021	221,653,639	77,210,742	(54,287,434)	(298,849,275)	482,374,693
Income tax	—	—	—	—	(57,286,586)	(57,286,586)
Profit for the period	536,647,021	221,653,639	77,210,742	(54,287,434)	(356,135,861)	425,088,107

For the six months ended 30 June 2018 (Unaudited)

Item	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	2,416,239,589	2,790,452,593	425,204,447	–	–	5,631,896,629
Including: Revenue from						
mainland China	2,257,454,469	2,299,254,246	357,096,129	–	–	4,913,804,844
Revenue from overseas	158,785,120	491,198,347	68,108,318	–	–	718,091,785
Inter-segment revenue	292,516,678	15,361,017	248,329,756	(556,207,451)	–	–
Segment profit	1,236,622,753	300,013,066	105,874,739	(53,289,650)	–	1,589,220,908
Including: depreciation and amortisation	(46,936,526)	(13,672,181)	(45,246,239)	1,825,337	–	(104,029,609)
Taxes and surcharges	–	–	–	–	(31,219,236)	(31,219,236)
Selling expenses	–	–	–	–	(168,551,921)	(168,551,921)
Administration expenses	–	–	–	–	(313,470,128)	(313,470,128)
R&D expenses	–	–	–	–	(169,958,994)	(169,958,994)
Financial expenses	–	–	–	–	(30,981,081)	(30,981,081)
Impairment losses	–	–	–	–	(27,320,502)	(27,320,502)
Credit losses	–	–	–	–	(20,898,372)	(20,898,372)
Gains from changes in fair value	–	–	–	–	456,839	456,839
Investment income	–	–	–	–	89,061,059	89,061,059
Including:						
Income from investment in associates and joint ventures	–	–	–	–	87,927,991	87,927,991
Losses from asset disposals	–	–	–	–	(1,139,277)	(1,139,277)
Other income	–	–	–	–	12,687,245	12,687,245
Operating profit/(loss)	1,236,622,753	300,013,066	105,874,739	(53,289,650)	(661,334,368)	927,886,540
Non-operating income	–	–	–	–	1,188,563	1,188,563
Non-operating expenses	–	–	–	–	(491,393)	(491,393)
Profit/(loss) before taxation	1,236,622,753	300,013,066	105,874,739	(53,289,650)	(660,637,198)	928,583,710
Income tax	–	–	–	–	(114,352,671)	(114,352,671)
Profit for the period	1,236,622,753	300,013,066	105,874,739	(53,289,650)	(774,989,869)	814,231,039

As at 30 June 2019 (Unaudited)						
Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Other	Elimination among segments	Unallocated amount	Total
Total assets	3,711,607,409	3,219,469,657	6,621,631,949	(209,781,463)	–	13,342,927,552
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,648,612,481	–	–	1,648,612,481
– The amounts of additions to non-current assets other than long-term equity investment	187,494,088	17,694,385	279,063,994	(5,194,880)	–	479,057,587
As at 31 December 2018 (Audited)						
Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Other	Elimination among segments	Unallocated amount	Total
Total assets	3,339,243,003	2,947,812,542	6,762,745,736	(163,918,972)	–	12,885,882,309
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,626,151,304	–	–	1,626,151,304
– The amounts of additions to non-current assets other than long-term equity investment	1,046,540,370	42,664,890	339,565,101	(92,436,608)	–	1,336,333,753

10. BILLS RECEIVABLE

(1) Bills receivable by category

Item	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank acceptance bills	121,873,450	207,822,849
Commercial acceptance bills	100,865,800	114,261,465
Total	222,739,250	322,084,314

The aforementioned bills receivable are due within one year.

- (2) Outstanding endorsed or discounted bills that have not matured at the end of the period/year

Item	Amount derecognized at 30 June 2019 (Unaudited)	Amount not yet derecognized at 30 June 2019 (Unaudited)
Bank acceptance bills	<u><u>89,080,196</u></u>	<u><u>50,952,296</u></u>
	Amount derecognized at 31 December 2018 (Audited)	Amount not yet derecognized at 31 December 2018 (Audited)
Bank acceptance bills	<u><u>152,374,712</u></u>	<u><u>100,148,385</u></u>

11. TRADE RECEIVABLES

- (1) Trade receivables by customer type are as follows:

Type	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Due from related parties	154,422,269	333,868,828
Due from third parties	<u><u>3,193,695,393</u></u>	<u>2,736,179,854</u>
Sub-total	3,348,117,662	3,070,048,682
Less: allowance for doubtful debts	<u><u>108,273,282</u></u>	<u>93,291,698</u>
Total	<u><u>3,239,844,380</u></u>	<u><u>2,976,756,984</u></u>

- (2) The ageing analysis of trade receivables is as follows:

Ageing	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year (1 year inclusive)	2,940,034,184	2,842,042,694
1 to 2 years (2 years inclusive)	325,212,784	150,794,871
2 to 3 years (3 years inclusive)	39,417,788	40,270,048
3 to 4 years (4 years inclusive)	16,685,124	16,416,134
4 to 5 years (5 years inclusive)	7,838,707	8,131,261
Over 5 years	18,929,075	12,393,674
Sub-total	3,348,117,662	3,070,048,682
Less: allowance for doubtful debts	108,273,282	93,291,698
Total	3,239,844,380	2,976,756,984

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

- (3) Additions, recoveries or reversals of allowance for doubtful debts during the reporting period/year:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Balance under the previous standard for Financial Instruments	93,291,698	53,374,810
Adjusted amount under the newly applied standard for Financial Instruments	-	-
Adjusted balance at the beginning of the year	93,291,698	53,374,810
Addition during the reporting period	14,981,584	48,290,427
Written-off during the reporting period	-	(8,373,539)
Balance at the end of the reporting period	108,273,282	93,291,698

- (a) At the end of each reporting period/year, the Group assesses and calculates the balance of allowance for doubtful debts according to the accounting policies and accounting estimates of the Group's allowance for doubtful debts for trade receivables. The impairment amount were accrued or reversed after comparing with the balance of allowance for doubtful debts of the previous fiscal year.

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

- (b) During the reporting period, the Group did not write-off trade receivables with significant individual amount.

(4) Five largest trade receivables by debtors at the end of the period/year

As at 30 June 2019 and 31 December 2018, the subtotal of five largest trade receivables of the Group is RMB1,606,576,286 and RMB1,433,488,094, respectively, representing 48.0% and 46.7% of the total balance of trade receivables respectively. The corresponding allowance for doubtful debts is RMB30,172,150 and RMB27,872,704, respectively.

12. CURRENT BANK LOANS

Item	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Unsecured loans	660,189,902	277,271,416

As at 30 June 2019 and 31 December 2018, the Group did not have any overdue loans not yet repaid.

Certain of the Group's bank loans are subject to the fulfillment of covenants relating to the Group's assets/liabilities ratio, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2019 and 31 December 2018, none of the covenants relating to bank loans had been breached.

13. BILLS PAYABLE

Item	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Commercial acceptance bills	117,423,177	58,170,615
Bank acceptance bills	172,706,378	174,323,415
Total	290,129,555	232,494,030

The Group did not have any bills payable due and not yet paid.

The above amounts were bills payable due within one year.

14. TRADE PAYABLES

Item	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Due to related parties	234,004,274	236,218,411
Due to third parties	857,790,554	1,039,400,972
Total	1,091,794,828	1,275,619,383

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year (1 year inclusive)	1,060,579,371	1,241,706,923
Over 1 year but within 2 years (2 years inclusive)	18,388,146	24,711,186
Over 2 years but within 3 years (3 years inclusive)	5,784,206	5,449,720
Over 3 years	7,043,105	3,751,554
	<u>1,091,794,828</u>	<u>1,275,619,383</u>

15. NON-CURRENT BANK LOANS

Classification of non-current bank loans

Item	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Unsecured loans	1,133,744,565	1,093,854,467
Less: non-current bank loans due within one year	<u>660,744,565</u>	<u>276,854,467</u>
Total	<u>473,000,000</u>	<u>817,000,000</u>

The above borrowings bear floating interest rate and fixed interest rate. The interest rates ranged from 1.20%-5.70% for the reporting period and 1.20%-5.70% for the year 2018 respectively.

16. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the reporting period

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
The dividend was declared for the previous fiscal year during the reporting period was RMB0.25 per share (For the six months ended 30 June 2018: RMB0 per share)	<u>189,476,277</u>	<u>–</u>

17. CHANGES OF ACCOUNTING POLICIES

(1) Description and reasons for changes in accounting policies

During 2019, The Group has applied the following revised regulations issued by The Ministry of Finance (MOF) in 2019:

- CAS No.21 – Lease (Revised) (“**new lease standard**”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- CAS No.7 – Exchange of Non-monetary Assets (Revised) (CAS [2019] No.7)
- CAS No.12 – Debt Restructuring (Revised) (CAS [2019] No.12)

(2) **Major impact of changes in accounting policies**

- (a) The Group prepared financial statements for the period ended 30 June 2019 in accordance with the presentation format for financial statements specified by CaiKuai [2019] No.6. The Group has applied the new presentation requirements retrospectively.

The effect of the adjustments is summarised below:

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

	The Group		
	Before adjustment	Adjustment	After adjustment
Bills and trade receivable	3,417,463,236	(3,417,463,236)	–
Bills receivable	–	322,084,314	322,084,314
Trade receivables	–	2,976,756,984	2,976,756,984
Receivables financing	–	118,621,938	118,621,938
Bills and trade payable	1,508,113,413	(1,508,113,413)	–
Bills payable	–	232,494,030	232,494,030
Trade payables	–	1,275,619,383	1,275,619,383
Non-current liabilities due within one year	275,223,750	1,630,717	276,854,467
Deferred income	79,900,611	11,603,750	91,504,361
Current bank loans	276,645,808	625,608	277,271,416
Other payables	499,521,371	(13,860,075)	485,661,296
	The Company		
	Before adjustment	Adjustment	After adjustment
Bills and trade receivable	3,618,173,316	(3,618,173,316)	–
Bills receivable	–	308,043,350	308,043,350
Trade receivables	–	3,195,721,925	3,195,721,925
Receivables financing	–	114,408,041	114,408,041
Bills and trade payable	2,096,084,468	(2,096,084,468)	–
Bills payable	–	243,238,463	243,238,463
Trade payables	–	1,852,846,005	1,852,846,005
Non-current liabilities due within one year	269,110,467	7,744,000	276,854,467
Deferred income	31,209,940	5,490,467	36,700,407
Current bank loans	238,556,208	578,681	239,134,889
Other payables	222,444,816	(13,813,148)	208,631,668

(b) New lease standard

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

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

The Group

	Carrying amount at 1 January 2019 before adjustment	Remeasurement	Carrying amount at 1 January 2019 after adjustment
Assets:			
Right-of-use assets	–	54,025,345	54,025,345
Liabilities:			
Non-current liabilities due within one year	276,854,467	11,926,285	288,780,752
Lease Liabilities	–	42,099,060	42,099,060

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

From 2015 to 2018, the demand for optical cable grew fast because of both mobile and fixed network construction by domestic telecom operators. In the second half of 2018, since the 4G network and Fibre To The Home(FTTH) construction had reached peak level, the growth rate of optical cable demand slowed down. According to the disclosed annual demand volume for common optical cable by domestic telecom operators, the total annual demand in 2019 is roughly in line with that in 2018. On the other hand, in terms of supply, since optical cable is a downstream product in the value chain and its entry barrier and technology requirement is relatively low, with demand growth slowing down, the competition became fiercer. As a result, in China Mobile's central bidding for common optical cable in March 2019, the average selling price decreased by approximately 40%. The price level will spread to other domestic customers and to overseas markets. It will also affect the whole value chain by adding pressure on price and profitability of optical fibre and even optical fibre preform.

In the meantime, the orders for optical cable from China Mobile began to be released in late May 2019, while China Telecom finished the central bidding in August 2019. From the pace of order release of customers, because of the relatively late central biddings, the Company faced more pressure in the first half, especially in the second quarter of 2019.

Optical fibre preform is the major raw material for optical fibre, while optical fibre is the major raw material for optical cable. Similar to optical cable, optical fibre preform and optical fibre were also affected by the supply and demand change in the market, and their profitability is under pressure. After 2015, customers' demand grew very fast, but the technical entry barrier for optical fibre preform was high and the capacity expansion cannot be completed within a short period, which led to a severe shortage of optical fibre preform and subsequently higher prices for optical fibre preform, optical fibre and optical cable. Because of relatively attractive profit margin after the price increase and the expected 5G related demand, peer companies deployed expansion projects for optical fibre preform. In the first half of 2019, as discussed above, the total demand volume was stable, but the growth rate slowed down significantly, while the preform capacity prepared for 5G has already been released into the market. Thus the shortage of optical fibre preform was alleviated and there were oversupply of optical fibre and cable.

Facing market pressure, the Company, while sticking to its long-term strategies, also took every measure to optimize operation and lower costs. In the first half of 2019, the administrative expenses decreased by approximately 33.8%, selling expenses decreased by 11.6%, and financial expenses decreased by 86.2%. The Company will consistently strive to reduce costs and improve efficiency to mitigate market pressure.

Optical fibre and cable are key infrastructures in telecom network, and the mass construction of 5G network will bring another cycle for the optical fibre and cable industry. On 6 June 2019, the Ministry of Industry and Information Technology issued 5G licenses to four telecom operators. According to the information from GSA (Global Mobile Suppliers Association), in May 2019, 235 telecom operators in 93 countries invested in 5G, and the construction is expected to expand from trial network to scaled network. The mass scale construction of 5G network may facilitate growth in demand and drive selling price of optical fibre and cable to raise.

During the first half of 2019, the Group's revenue reached approximately RMB3,318.9 million, decreased by approximately 41.1% as compared to the same period of 2018 of approximately RMB5,631.9 million. The Group reported a gross profit of approximately RMB781.2 million, decreased by approximately 50.8% as compared to the same period of 2018 of approximately RMB1,589.2 million. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB436.8 million, decreased by approximately 46.0% as compared to the same period of 2018 of approximately RMB808.7 million.

Basic earnings per share was RMB0.58 per share (for the six months ended 30 June 2018: RMB1.19 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 as set out in this announcement.

Revenue

The Group's revenue for the Period was approximately RMB3,318.9 million, representing a decrease of approximately 41.1% as compared to the same period of 2018 of approximately RMB5,631.9 million.

By product segment, a total revenue of approximately RMB1,071.8 million was contributed from our optical fibre preform and optical fibre segment, representing a decrease of 55.6% as compared to the same period of 2018 of approximately RMB2,416.2 million and accounting for 32.3% of the Group's revenue; while a total revenue of RMB1,869.3 million was contributed by our optical fibre cable segment, representing a decrease of 33.0% as compared to the same period of 2018 of approximately RMB2,790.5 million and accounting for 56.3% of the Group's revenue. The substantial decrease in the Group's total revenue was mainly because in the recent central biddings from domestic telecom operators, the price of optical fibre and cable decreased by approximately 40%. Also, affected by the relatively late timing of the biddings, although the announced total volume in the biddings were roughly the same as last year, in the first half of 2019 the volume in the biddings was not released in full.

A total revenue of approximately RMB377.8 million was contributed by others, representing a decrease of 11.1% as compared to the same period of 2018 of approximately RMB425.2 million and accounting for 11.4% of the Group's revenue. The decrease was mainly attributable to the shortage of demand in the first half of 2019, which resulted in significant decrease in commission processing.

By geographical segment, a total revenue of approximately RMB2,559.1 million was contributed by domestic customers, representing a decrease of 47.9% as compared to the same period of 2018 of approximately RMB4,913.8 million and accounting for 77.1% of the Group's revenue. During the Period, the domestic revenue for optical fibre cables decreased by 39.6% while the optical fibre preforms and optical fibres decreased by 62.0%. For overseas market, a total revenue of approximately RMB759.8 million was recorded in the first half of 2019, representing an increase of 5.8% as compared to the same period of 2018 of approximately RMB718.1 million and accounting for approximately 22.9% of the Group's revenue.

Cost of sales

The Group's cost of sales for the Period was approximately RMB2,537.7 million, representing a decrease of 37.2% as compared to the same period of 2018 of approximately RMB4,042.7 million and accounting for 76.5% of the Group's revenue. The decrease in cost of sales was roughly consistent with the decrease of the Group's revenue. The percentage difference was mainly because the price level and volume of some items in the cost of sales cannot decrease proportionally with the revenue decrease in the short term.

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

For the Period, the Group's total raw material costs was approximately RMB2,117.8 million, representing a decrease of 40.8% as compared to approximately RMB3,579.5 million during the first half of 2018.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB419.9 million, representing a decrease of 9.3% as compared to RMB463.2 million during the first half of 2018.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of RMB781.2 million, representing a decrease of 50.8% as compared to RMB1,589.2 million during the first half of 2018 and the gross profit margin decreased to 23.5% in the first half of 2019 (the first half of 2018: 28.2%). The decrease in gross profit margin was mainly because while the price of optical cable decreased significantly, the Group's fixed costs such as raw materials, labour costs, utility costs cannot be reduced proportionally in the short term.

Selling expenses

The Group's selling expenses for the Period were RMB149.1 million, representing a decrease of 11.6% as compared to RMB168.6 million during the first half of 2018. The decrease was mainly due to the decrease in revenue and cut down in salary expenditures.

Administrative expenses

The Group's administrative expenses for the Period were RMB207.5 million, representing a decrease of 33.8% as compared to RMB313.5 million during the first half of 2018. The decrease was mainly due to the decrease in revenue and cut down in salary expenditures and other administrative expenditures.

Financial expenses

The Group's financial expenses for the Period were RMB4.3 million, representing a decrease of 86.2% as compared to RMB31.0 million during the first half of 2018, which was mainly because the exchange gains increased by RMB24.9 million.

The interest rates of the bank loans in the Period ranged from 1.20% to 5.70% per annum (as at 30 June 2018: 1.20% to 5.70% per annum).

Other income

The Group's other income for the Period was RMB183.5 million, representing an increase of approximately RMB170.8 million as compared to RMB12.7 million during the first half of 2018, which was mainly because the government grants related to income increased by approximately RMB164.6 million.

Income tax

The Group's income tax for the Period was RMB57.3 million, representing a decrease of 49.9% as compared to RMB114.4 million during the first half of 2018. On the other hand, the effective tax rate decreased from 12.3% in the first half of 2018 to 11.9% in the first half of 2019. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 7 to the financial information contained in this announcement.

Capital expenditures

During the Period, the Group incurred capital expenditures of approximately RMB439.8 million (the first half of 2018: RMB345.3 million) in total, involving the purchase of fixed assets, construction-in-progress, intangible assets, which were mainly related to the production capacity expansion of three major products in China and overseas, as well as the improved production efficiency of existing optical fibre preforms and optical fibre equipment.

Use of proceeds from the initial public offering of A shares

The A shares of the Company were listed on Shanghai Stock Exchange on 20 July 2018. The net proceeds from the issue of the A shares (after deducting the underwriting fees and A share issue expenses) amounted to approximately RMB1,894.3 million. As at 30 June 2019, the proceeds of approximately RMB1,643.2 million were used in the following items: (i) approximately RMB1,148.9 million was used for Phase II and III of capacity expansion for self-made optical fibre preform and optical fibre industrialisation in Yangtze Optical Fibre (Qianjiang) Co., Ltd.; (ii) approximately RMB300.0 million was used for repayment of bank loans; and (iii) approximately RMB194.3 million was used for replenishment of working capital. The remaining proceeds of approximately RMB251.1 million would still be specially used in the II and III Phase of capacity expansion for self-made optical fibre preform and optical fibre industrialisation in Yangtze Optical Fibre (Qianjiang) Co., Ltd.

Gearing ratio

The Group monitors its leverage using gearing ratio, which is calculated by net debts divided by total equity. Net debts include all bank loans less cash and cash equivalents. The Group's gearing ratio as at 30 June 2019 was -2.2% (as at 31 December 2018: -15.7%).

Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the six months ended 30 June 2019.

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Net cash used in operating activities	(645,711,533)	(370,483,569)
Net cash used in investing activities	(379,928,476)	(696,718,594)
Net cash generated from financing activities	<u>370,806,269</u>	<u>425,149,630</u>
Effect of foreign exchange rate changes on cash and the equivalents	<u>(6,818,790)</u>	<u>2,982,631</u>
Net decrease in cash and cash equivalents	<u>(661,652,530)</u>	<u>(639,069,902)</u>

The net cash used in the Group's operating activities increased by approximately RMB275.2 million, which was mainly due to the fact that more optical fibre cables were sold as a percentage of total revenue, and the trade receivables turnover days for optical fibre cables were higher than that for optical fibre preforms and optical fibres.

The net cash used in the Group's investment activities decreased by approximately RMB316.8 million, which was mainly because the Group invested in AVIC Baosheng Ocean Engineering Cable Company Ltd in the same period of last year, while no investment in associates and joint ventures was made for the Period.

Net cash generated from the Group's financing activities decreased by approximately RMB54.3 million, which was mainly due to the use of proceeds from public offering for capital expenditures and decrease in bank loans.

Cash and cash equivalents as at 30 June 2019 were cash at banks and in hand, which were mainly in RMB, US Dollars, South African Rand, Euro, HK Dollars and Indonesian Rupiah.

Net current assets

As at 30 June 2019, the Group's net current assets was RMB3,774.6 million, decreased by RMB375.1 million from RMB4,149.6 million as at 31 December 2018. The decrease in net current assets was mainly due to (i) current bank loans and non-current bank loans due within one year increased, which resulted in a decrease in net current assets by approximately RMB766.8 million; (ii) inventories increased by approximately RMB455.9 million; (iii) cash and cash equivalent decreased by approximately RMB701.7 million; and (iv) trade and bills payable, employee benefits payable, taxes payable and other payables decreased by approximately RMB334.8 million.

Bank loans

As at 30 June 2019, the Group's bank loans were RMB1,793.9 million, representing an increase of RMB422.8 million from approximately RMB1,371.1 million as at 31 December 2018. As at 30 June 2019, 21.8% of the Group's bank loans were floating-rate loans and 78.2% were fixed-rate loans. As at 30 June 2019, Among the Group's bank loans, 7.4% were Hong Kong dollar loans, 23.1% were US dollar loans, 0.4% were THB loans, and 69.1% were RMB loans.

Commitments and contingencies

As at 30 June 2019, the Group's outstanding capital commitments on fixed assets were approximately RMB1,722.3 million (as at 31 December 2018: approximately RMB2,227.3 million) and equity investment of approximately RMB16.6 million (as at 31 December 2018: approximately RMB26.3 million). Out of the total amount of unsettled commitments as at 30 June 2019 of approximately RMB1,738.9 million (as at 31 December 2018: RMB2,253.6 million), a total of approximately RMB578.8 million (as at 31 December 2018: approximately RMB493.4 million) were contracted, and the balance of approximately RMB1,160.0 million (as at 31 December 2018: approximately RMB1,760.2 million) were authorized but not yet contracted by the Board.

As at 30 June 2019, the Group did not have any material contingent liability.

Charge on assets

As at 30 June 2019, Ally First Optical Fibre and Cable Co., Ltd, a subsidiary of the Company, placed properties and buildings with a book value of RMB52.0 million and land use rights with a book value of RMB25.5 million as security to obtain bank credit.

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 economical finance costs as well as minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments and expansion plans as and when needed.

Exposure to fluctuations in exchange rates

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

During the Period, the Group was affected mainly by the fluctuations in exchange rate movements between RMB and US Dollars or Euro, which resulted in net foreign exchange gains of RMB9.3 million.

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

Employees and remuneration policies

As at 30 June 2019, the Group had approximately 4,697 full-time employees (as at 31 December 2018: 4,499 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotions. The salaries and bonuses that the employees received are competitive with market rates. The Company has been in compliance with the relevant national and local labour 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 30 June 2019, the Company endorsed certain bank bills receivable with a carrying amount of approximately RMB89.1 million (as at 31 December 2018: RMB152.4 million) to certain commercial banks in China and its suppliers.

OUTLOOK

In the first half of 2019, the demand and supply relationship was adjusted, resulting in more competition and a price drop of optical fibre and cable products. Facing a challenging market, the Company would focus on its mid to long term strategic development and execute its strategies. The Company would balance the price and volume, consistently solidify its advantages in optical fibre preform, optical fibre and optical cable, maintain its leading position in telecom market, and actively explore international markets and data communication areas.

Facing unfavorable market conditions, the Company would, on the one hand, strengthen its quality management to ensure a high-quality delivery to satisfy customers' requirements, utilize its advantages in brand and quality to minimize negative influence of low price competition, and strive to gain better results from major projects from other telecom customers. On the other hand, the Company will promote multi processes routes. Optical fibre preform is the key segment in the value chain that has the highest profitability and technical barrier. In the first half of 2019, the self-developed OVD and VAD manufacturing processes were further optimized and their scaled capacity was gradually released. Comparing to the traditional PCVD process, OVD and VAD have costs advantage in producing single-mode optical fibre preform that was used in telecom market. The smart manufacturing base in Qianjiang was an investment project utilizing the Company's A share IPO proceeds and the Company will fully utilize its technical advantages, scale effect and smart manufacturing ability to further optimize production efficiency and costs structure.

In the meantime, the Company would actively explore more opportunities in new markets. Focusing on 5G construction requirement, during the Mobile World Congress 2019 in Shanghai, the Company announced its '5G comprehensive connectivity strategy' and 'YOFC industrial internet solutions' to provide customized products and solutions for various 5G scenarios.

Data communication business is a major diversification direction of the Company and would be a driver for future growth. The Company formed a datacom business unit and integrated business team and resources with the focus on applications of datacenter and specialty optical fibre. In the first half of 2019, the Company took opportunities in the trade tension between China and the U.S and gained more market share and better operation results in mid to high end specialty optical fibre products. Moreover, the Company is developing new businesses such as optical transceivers and submarine cables to build strong R&D ability and core competitiveness.

In addition, the Company would continue to implement its internationalization strategy. The regional center will strengthen overseas sales team, and the integrated efforts will help explore more businesses. Apart from selling optical fibre and cable products, the Company expanded into telecom network engineering projects. In July 2019, the Company's subsidiary in Peru signed contracts for broadband network installation projects in Ancash, Arequipa, La Libertad and San Martin with PROGRAMA NACIONAL DE TELECOMUNICACIONES – PRONATEL. The contracts are part of Peru's national broadband construction project. They cover a population of over 1 million and have a total amount of approximately USD400 million.

The domestic optical fibre and cable market would endure continuous pressure in the short run because of the change of supply and demand. In China Telecom's central bidding for outdoor optical cable in August 2019, the total demand volume was in line with that in last year, and the Company's optical cable price in the bidding was approximately 12.5% higher than that in China Mobile. The Company estimated that in the next few months till the end of 2019, the possibility of further price increase is limited. According to the current demand in the industry and price level, the Company would endure relatively high pressure for the annual financial performance in 2019. It is expected that both the revenue and profitability will likely decrease as compared to that in 2018.

From 2020 to 2021, the mass scale construction of 5G network will bring another round of demand for optical fibre and cable. With the initiation of mass scale construction of 5G and datacenters, the industry is still promising. After 5G licenses were issued, the capital expenditure plan of three domestic telecom operators were adjusted from scaled trial and pre-commercial usage to full scale deployment, and the schedule of 5G deployment is accelerating. Multiple provinces and cities such as Guangzhou, Zhejiang, Shanghai, have announced 5G plans. In its report, Nomura estimated that approximately 140,000 5G base stations will be deployed in China in 2019.

5G network has three characteristics: enhanced Mobile Broadband, Massive Machine Type Communications and Ultra-Reliable Low-Latency Communications. It has higher requirement for optical fibre and cable. The indoor dense cabling requires excellent bend insensitive optical fibre, which would promote the demand for new generation multi-mode and bend insensitive optical fibre. In the meantime, facing the transmission demand from 5G backbone network and datacenters, the new ultra low loss G.654.E optical fibre has lower attenuation and larger effective area and can significantly increase the transmission distance without repeaters and lower the latency in the network.

The Company is well prepared for the additional demand and the higher requirement for new products and scenarios after the initiation of 5G mass scale construction. As a leader in the industry, the Company has confidence to achieve better results in the new upward trend.

DIVIDEND

The Board resolved not to declare any interim dividend for the Period.

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

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”). As at the date of this announcement, the audit committee of the Company comprises three members, namely Dr. Ngai Wai Fung, Dr. Ip Sik On Simon and Dr. Li Zhuo, the independent non-executive directors of the Company. Dr. Ngai Wai Fung is the chairman of the audit committee.

The audit committee has reviewed and discussed the unaudited interim results of the Group for the six months ended 30 June 2019.

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 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 six months ended 30 June 2019.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the “**Company’s Code**”) as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. Having made specific enquiries of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code regarding securities transactions throughout the six months ended 30 June 2019.

INTERIM REPORT

The interim report for the Period will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yofc.com) in due course.

FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. The Company does not intend to update these forward-looking statements. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

By order of the Board
Yangtze Optical Fibre and Cable Joint Stock Limited Company*
長飛光纖光纜股份有限公司
Ma Jie
Chairman

Wuhan, PRC, 27 August 2019

As at the date of this announcement, the Board comprises Zhuang Dan and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Pier Francesco Facchini, Xiong Xiangfeng and Zheng Huili, as non-executive directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive directors.

* *For identification purposes only*