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Smart Link Better Life.

長飛光纖光纜股份有限公司

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

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

(Stock Code: 6869)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company*長飛光纖光纜股份有限公司(the “**Company**”) is pleased to announce that the Company’s auditor, KPMG Huazhen LLP, has completed its auditing process of the annual results for the year ended 31 December 2020 of the Company and its subsidiaries (the “**Group**”) (the “**2020 Annual Results**”) in accordance with China Standards on Auditing for Certified Public Accountants.

FINANCIAL HIGHLIGHTS

- Operating income was RMB8,221.5 million (2019: RMB7,769.2 million), increased by approximately 5.8% (2019: decreased by 31.6%).
- Gross profit and gross profit margin were RMB1,787.6 million (2019: RMB1,833.5 million) and 21.7% (2019: 23.6%), respectively.
- Net profit for the year attributable to equity shareholders of the Company was RMB543.7 million (2019: RMB801.2 million), decreased by approximately 32.1% (2019: decreased by 46.2%).
- The Group’s revenue from domestic business increased by approximately 0.2% (2019: decreased by 35.5%), when compared with the prior year. The Group’s overseas revenue increased by approximately 26.6% (2019: decreased by 11.9%), when compared with the prior year.
- The Board recommended the payment of a final dividend of RMB0.216 per share (before tax) for the year ended 31 December 2020 (2019: RMB0.318).

* For identification purposes only

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020 as follows:

Consolidated Income Statement

For the year ended 31 December 2020

(Expressed in Renminbi “RMB”)

	Notes	2020 (Audited)	2019 (Audited)
I. Operating income	4	8,221,542,967	7,769,175,495
II. Less: Operating costs	4	6,433,899,209	5,935,648,889
Taxes and surcharges		22,279,411	26,708,981
Selling and distribution expenses		370,922,594	347,325,663
General and administrative expenses		476,220,543	428,531,381
Research and development expenses		414,571,192	413,538,214
Financial expenses	5	60,876,636	6,223,776
Including: Interest expenses		49,943,119	61,161,985
Interest revenue		15,644,437	43,159,364
Add: Other income	6	127,390,031	203,936,325
Investment income		36,505,003	121,786,023
Including: Income from investment in associates and joint ventures		27,068,532	109,848,127
Gains from changes in fair value		94,152,688	238,970
Credit losses		(76,837,297)	(33,407,343)
Impairment losses		(45,091,143)	(33,325,145)
Gains from asset disposals		1,758,577	7,367,173
III. Operating profit		580,651,241	877,794,594
Add: Non-operating income		4,441,780	6,520,253
Less: Non-operating expenses		5,852,078	805,799
IV. Profit before income tax		579,240,943	883,509,048
Less: Income tax expenses	7	35,040,964	99,224,076
V. Net profit for the year		544,199,979	784,284,972
Net profit for the year attributable to equity shareholders of the Company		543,677,809	801,225,042
Non-controlling interests		522,170	(16,940,070)

	<i>Notes</i>	2020 (Audited)	2019 (Audited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax)			
attributable to shareholders of the Company		(43,692,418)	11,599,640
(1) Items that cannot be reclassified			
subsequently to profit or loss			
Changes in fair value of investments in			
other equity instruments		(13,414,036)	(6,508,537)
(2) Items that may be reclassified			
subsequently to profit or loss			
Translation differences arising from			
translation of foreign currency			
financial statements		(30,278,382)	18,108,177
Other comprehensive income (net of tax)			
attributable to non-controlling interests		(2,293,135)	1,513,031
VII. Total comprehensive income for the year		<u>498,214,426</u>	<u>797,397,643</u>
Total comprehensive income attributable to			
equity shareholders of the Company		499,985,391	812,824,682
Total comprehensive income attributable to			
non-controlling interests		(1,770,965)	(15,427,039)
VIII. Earnings per share:			
(1) Basic earnings per share	8	<u>0.72</u>	<u>1.06</u>
(2) Diluted earnings per share	8	<u>0.72</u>	<u>1.06</u>

Consolidated Balance Sheet
At 31 December 2020
(Expressed in Renminbi “RMB”)

	<i>Notes</i>	31 December 2020 (Audited)	31 December 2019 (Audited)
ASSETS:			
Current assets:			
Cash at bank and on hand		1,444,270,151	2,123,861,315
Financial assets held for trading		891,831,588	9,902,598
Bills receivable	<i>10</i>	274,422,718	232,508,205
Accounts receivable	<i>11</i>	3,776,762,957	3,123,505,778
Receivables under financing	<i>12</i>	138,133,247	95,235,940
Prepayments		199,027,986	120,994,458
Other receivables		143,998,093	109,599,839
Inventories		2,337,549,891	1,779,342,250
Other current assets		244,226,485	256,866,780
Total current assets		9,450,223,116	7,851,817,163
Non-current assets:			
Long-term receivables		–	16,000,000
Long-term equity investments		1,636,031,916	1,495,444,610
Investments in other equity instruments		41,378,280	57,172,099
Other non-current financial assets		45,378,370	–
Fixed assets		3,694,140,835	3,650,781,975
Construction in progress		258,911,145	104,852,760
Right-of-use assets		76,251,881	64,400,158
Intangible assets		342,005,409	307,136,373
Goodwill		20,027,705	–
Long-term deferred expenses		9,129,148	5,046,886
Deferred tax assets		138,033,575	97,148,174
Other non-current assets		144,086,014	126,099,397
Total non-current assets		6,405,374,278	5,924,082,432
Total assets		15,855,597,394	13,775,899,595

	<i>Notes</i>	31 December 2020 (Audited)	31 December 2019 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Short-term loans	13	1,033,657,703	895,576,208
Bills payable	14	659,423,906	574,793,263
Accounts payable	15	1,539,623,899	1,261,607,902
Contract liabilities		360,704,641	262,900,550
Employee benefits payable		252,632,361	219,940,848
Taxes payable		93,383,446	103,566,255
Other payables		372,357,376	410,686,340
Non-current liabilities due within one year		39,960,759	40,179,239
Current liabilities		24,605,476	—
Total current liabilities		4,376,349,567	3,769,250,605
Non-current liabilities:			
Long-term bank loans	16	524,700,000	42,000,000
Debenture payable		487,575,358	—
Lease liabilities		58,456,419	48,585,433
Deferred income		260,265,226	166,769,940
Deferred tax liabilities		11,448,729	—
Other non-current liabilities		751,278,679	807,160,850
Total non-current liabilities		2,093,724,411	1,064,516,223
Total liabilities		6,470,073,978	4,833,766,828
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		3,364,333,115	3,364,035,212
Less: Treasury stock		33,653,461	33,653,461
Other comprehensive income		(5,912,422)	37,779,996
Surplus reserve		636,629,870	612,010,760
Retained earnings		4,328,187,622	4,050,142,747
Total equity attributable to shareholders of the Company		9,047,489,832	8,788,220,362
Non-controlling interests		338,033,584	153,912,405
Total shareholders' equity		9,385,523,416	8,942,132,767
Total liabilities and shareholders' equity		15,855,597,394	13,775,899,595

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

4. Operating income and costs

Item	2020 (Audited)		2019 (Audited)	
	Income	Cost	Income	Cost
Principal activities	8,035,411,039	6,272,506,588	7,490,584,171	5,677,206,635
Other operating activities	186,131,928	161,392,621	278,591,324	258,442,254
Total	<u>8,221,542,967</u>	<u>6,433,899,209</u>	<u>7,769,175,495</u>	<u>5,935,648,889</u>
Including: Operating income generated from contract	8,221,542,967	6,433,899,209	7,769,175,495	5,935,648,889

Details of operating income:

	2020 (Audited)	2019 (Audited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	2,952,996,546	2,508,413,385
– Optical fibre cables	3,287,516,698	4,002,028,543
– Other sales	1,794,897,795	980,142,243
Sub-total	8,035,411,039	7,490,584,171
Revenue from other operating activities		
– Materials	151,413,071	268,790,217
– Others	34,718,857	9,801,107
Total	<u>8,221,542,967</u>	<u>7,769,175,495</u>

5. Financial expenses

Item	2020 (Audited)	2019 (Audited)
Interest expenses on loans and payables	47,415,313	62,148,499
Interest on lease liabilities	4,217,521	3,913,486
Less: Borrowing costs capitalised*	1,689,715	4,900,000
Interest income from deposits	(15,644,437)	(43,159,364)
Net exchange losses/(gains)	19,050,478	(19,649,707)
Other financial expenses	7,527,476	7,870,862
Total	<u>60,876,636</u>	<u>6,223,776</u>

* The interest rate per annum, at which the borrowing costs were capitalized for the 2020 and 2019 by the Group was 0.17% and 4.24% respectively.

6. Other income

Item	2020 (Audited)	2019 (Audited)
Government grants related to assets	27,965,271	18,274,111
Government grants related to income	99,424,760	185,662,214
Total	<u>127,390,031</u>	<u>203,936,325</u>

7. Income tax expenses

	2020 (Audited)	2019 (Audited)
Income tax expenses for the year based on tax laws and regulations	69,418,491	107,021,724
Changes in deferred income tax	(35,368,279)	(11,334,623)
Tax filling differences	990,752	3,536,975
Total	<u>35,040,964</u>	<u>99,224,076</u>

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

Item	2020 (Audited)	2019 (Audited)
Originations and reversals of temporary differences	(35,368,279)	(11,334,623)
Total	<u>(35,368,279)</u>	<u>(11,334,623)</u>

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

Item	2020 (Audited)	2019 (Audited)
Profit before income tax	579,240,943	883,509,048
Income tax expenses calculated at tax rate of 25%	144,810,236	220,877,262
Effect of tax rate differences	(16,774,318)	(67,922,214)
Effect of tax filling difference	990,752	3,536,975
Effect of non-taxable income	(5,131,493)	(14,513,501)
Effect of non-deductible cost, expense and loss	5,368,386	3,215,382
Effect of temporary differences from using the former unrecognised deferred tax assets	(44,903,475)	—
Additional qualified tax deduction relating to research and development costs	(56,775,855)	(63,928,391)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	7,456,731	17,958,563
Income tax expenses for the year	<u>35,040,964</u>	<u>99,224,076</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; According to the newly issued High-tech Enterprise Certificate No. GR202042002069, from 1 December 2020 to 1 December 2023, the Company would continue 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. Therefore, the Company was entitled to a preferential tax rate of 15% in 2020.

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 the High-tech Enterprise Certificate No. GR201862000033 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 23 July 2018 to 23 July 2021.

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, Everpro Connectivity (Shenzhen) Technology Company Limited (Formerly name as “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 newly issued High-tech Enterprise Certificate No. GR202044206282, Everpro Connectivity (Shenzhen) Technology Company Limited (“**Everpro Connectivity**”), a subsidiary of the Company, would continue to be entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments from 11 December 2020 to 11 December 2023.

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 newly issued High-tech Enterprise Certificate No. GR202042000356, Yangtze Optical Fibre (Qianjiang) Co., Ltd., a subsidiary of the Company, would continue to be entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments from 1 December 2020 to 1 December 2023.

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

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

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 (“**Sunstar Communication**”), a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 11 September 2020 to 11 September 2023.

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

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:

	2020 (Audited)	2019 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>543,677,809</u>	<u>801,225,042</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	636,000	500,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	543,041,809	800,725,042
Weighted average number of ordinary shares outstanding	<u>755,905,108</u>	<u>756,250,313</u>
Basic earnings per share (RMB/share)	<u>0.72</u>	<u>1.06</u>

Weighted average number of ordinary shares is calculated as follows:

	2020 (Audited)	2019 (Audited)
Issued ordinary shares at the beginning of the year	757,905,108	757,905,108
Effect from restricted shares in employee share ownership plan (note)	(2,000,000)	(1,654,795)
Weighted average number of ordinary shares at the end of the year	<u>755,905,108</u>	<u>756,250,313</u>

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

(2) Diluted earnings per share

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

		2020 (Audited)	2019 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	<u><u>543,359,809</u></u>	<u><u>800,850,042</u></u>
Weighted average number of ordinary shares outstanding (diluted)	(b)	<u><u>756,704,890</u></u>	<u><u>756,512,990</u></u>
Diluted earnings per share (RMB/share)		<u><u>0.72</u></u>	<u><u>1.06</u></u>

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

		2020 (Audited)	2019 (Audited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)		543,041,809	800,725,042
Diluted adjustments:			
Forfeitable cash dividends declared to restricted H shareholders in employee share ownership plan this year whose shares are expected to unlock in the future (note)		<u><u>318,000</u></u>	<u><u>125,000</u></u>
Consolidated net profit attributable to ordinary shareholders (diluted)		<u><u>543,359,809</u></u>	<u><u>800,850,042</u></u>

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

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

		2020 (Audited)	2019 (Audited)
Weighted average number of ordinary shares at 31 December		<u><u>755,905,108</u></u>	<u><u>756,250,313</u></u>
Diluted adjustments:			
Effect from restricted shares in employee share ownership plan		799,782	262,677
Weighted average number of ordinary shares (diluted) at 31 December		<u><u>756,704,890</u></u>	<u><u>756,512,990</u></u>

9. SEGMENT REPORTING

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

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

(1) Information of profit or loss and assets of reporting segments

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

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

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

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

Item	2020 (Audited)					Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	
Operating income from external transactions	2,952,996,546	3,287,516,698	1,981,029,723	-	-	8,221,542,967
Inter-segment operating income	591,571,742	93,728,011	531,400,544	(1,216,700,297)	-	-
Segment profit	1,090,934,062	488,794,511	354,226,299	(146,311,114)	-	1,787,643,758
Including: Depreciation and amortisation expenses	(243,276,739)	(47,527,857)	(94,363,734)	4,283,686	-	(380,884,644)
Taxes and surcharges	-	-	-	-	(22,279,411)	(22,279,411)
Selling and distribution expenses	-	-	-	-	(370,922,594)	(370,922,594)
General and administration expenses	-	-	-	-	(476,220,543)	(476,220,543)
Research and development expenses	-	-	-	-	(414,571,192)	(414,571,192)
Financial expenses	-	-	-	-	(60,876,636)	(60,876,636)
Other income	-	-	-	-	127,390,031	127,390,031
Investment income	-	-	-	-	36,505,003	36,505,003
Including: income from investment in associates and joint ventures	-	-	-	-	27,068,532	27,068,532
Gains from changes in fair value	-	-	-	-	94,152,688	94,152,688
Credit losses	-	-	-	-	(76,837,297)	(76,837,297)
Impairment losses	-	-	-	-	(45,091,143)	(45,091,143)
Gains from asset disposals	-	-	-	-	1,758,577	1,758,577
Operating profit/(loss)	1,090,934,062	488,794,511	354,226,299	(146,311,114)	(1,206,992,517)	580,651,241
Non-operating income	-	-	-	-	4,441,780	4,441,780
Non-operating expenses	-	-	-	-	(5,852,078)	(5,852,078)
Profit/(loss) before income tax	1,090,934,062	488,794,511	354,226,299	(146,311,114)	(1,208,402,815)	579,240,943
Income tax expenses	-	-	-	-	(35,040,964)	(35,040,964)
Net profit for the year	1,090,934,062	488,794,511	354,226,299	(146,311,114)	(1,243,443,779)	544,199,979
Total assets	4,667,960,329	3,434,967,505	8,125,510,280	(372,840,720)	-	15,855,597,394
Other items						
- Long-term equity investment in associates and joint ventures	-	-	1,636,031,916	-	-	1,636,031,916
- Increase in other non-current assets other than long-term equity investment	118,501,143	57,384,324	522,938,476	7,240,805	-	706,064,748

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

10. Bills receivable

(1) Bills receivable by category

Type	31 December 2020 (Audited)	31 December 2019 (Audited)
Bank acceptance bills	126,397,295	133,952,096
Commercial acceptance bills	148,025,423	98,556,109
Total	<u>274,422,718</u>	<u>232,508,205</u>

The aforementioned bills receivable were due within one year.

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

The Group had no pledged bills receivable.

(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 2020 (Audited)	Amount not yet derecognized at the end of 2020 (Audited)
Bank acceptance bills	<u>—</u>	<u>23,702,123</u>

As at 31 December 2020, the Group continued to recognize discounted bills and endorsed bills of RMB2,614,000 and RMB21,088,123 respectively (31 December 2019: RMB39,358,068 and RMB62,994,234). 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 2020, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB2,614,000 and RMB21,088,123 respectively (31 December 2019: RMB39,358,068 and RMB62,994,234). 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 2020 (Audited)	31 December 2019 (Audited)
Due from related parties	135,247,149	116,060,677
Due from third parties	<u>3,826,462,268</u>	<u>3,120,371,775</u>
Sub-total	3,961,709,417	3,236,432,452
Less: allowance for doubtful debts	<u>184,946,460</u>	<u>112,926,674</u>
Total	<u><u>3,776,762,957</u></u>	<u><u>3,123,505,778</u></u>

(2) Ageing analysis of accounts receivable:

Ageing	31 December 2020 (Audited)	31 December 2019 (Audited)
Within 1 year (1 year inclusive)	3,256,130,969	2,845,452,536
1 to 2 years (2 years inclusive)	534,582,449	309,246,990
2 to 3 years (3 years inclusive)	102,414,018	20,136,083
Over 3 years	<u>68,581,981</u>	<u>61,596,843</u>
Sub-total	3,961,709,417	3,236,432,452
Less: allowance for doubtful debts	<u>184,946,460</u>	<u>112,926,674</u>
Total	<u><u>3,776,762,957</u></u>	<u><u>3,123,505,778</u></u>

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

(3) Analysis of accounts receivable by category:

Category	31 December 2020 (Audited)		31 December 2019 (Audited)		Carrying amount
	Book value	Allowance for doubtful debts	Book value	Allowance for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	<u>18,910,452</u>	<u>0%</u>	<u>18,910,452</u>	<u>100%</u>	<u>—</u>
Collectively assessed for impairment by group					
Group 1	135,247,149	4%	658,313	0%	134,588,836
Group 2	1,821,081,616	46%	72,234,371	4%	1,748,847,245
Group 3	<u>1,986,470,200</u>	<u>50%</u>	<u>93,143,324</u>	<u>5%</u>	<u>1,893,326,876</u>
Total	<u><u>3,961,709,417</u></u>	<u><u>100%</u></u>	<u><u>184,946,460</u></u>	<u><u>5%</u></u>	<u><u>3,776,762,957</u></u>

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

(a) Reasons for making doubtful debts provisions with single accounts receivable in 2020:

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 2020

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

- Group 1: Related parties;
- Group 2: Operators under China Telecom network and other companies with good credit records;
- Group 3: Other customers outside of the above groups.

(c) Expected credit loss assessment for 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.

2020 (Audited)

Group 1	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	0.32%	134,402,215	427,801
1 to 2 years (2 years inclusive)	22.12%	777,938	172,085
2 to 3 years (3 years inclusive)	87.11%	66,464	57,895
Over 3 years	100.00%	532	532
Total		135,247,149	658,313

Group 2	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	0.90 %	1,601,340,170	14,416,502
1 to 2 years (2 years inclusive)	10.88 %	164,333,243	17,881,666
2 to 3 years (3 years inclusive)	43.36 %	27,317,220	11,845,220
Over 3 years	100.00 %	28,090,983	28,090,983
Total		<u>1,821,081,616</u>	<u>72,234,371</u>

Group 3	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	2.44 %	1,828,468,881	44,638,576
1 to 2 years (2 years inclusive)	11.57 %	115,676,448	13,378,853
2 to 3 years (3 years inclusive)	58.88 %	17,506,472	10,307,496
Over 3 years	100.00 %	24,818,399	24,818,399
Total		<u>1,986,470,200</u>	<u>93,143,324</u>

2019 (Audited)

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

Group 2	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	0.44%	1,658,989,063	7,301,821
1 to 2 years (2 years inclusive)	12.04%	57,112,075	6,876,352
2 to 3 years (3 years inclusive)	52.92%	13,367,477	7,074,108
Over 3 years	100.00%	22,871,788	22,871,788
Total		<u>1,752,340,403</u>	<u>44,124,069</u>

Group 3	Expected loss rate	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	2.28%	1,290,901,697	29,389,279
1 to 2 years (2 years inclusive)	11.59%	41,896,921	4,855,614
2 to 3 years (3 years inclusive)	49.14%	11,037,736	5,423,614
Over 3 years	100.00%	12,751,086	12,751,086
Total		<u>1,356,587,440</u>	<u>52,419,593</u>

Expected loss rates are calculated based on the actual credit loss experiences in the past 5 years and is adjusted based on the differences among the economic conditions of the period of historic data collection, the current economic conditions and the Group's view of economic conditions over the expected lives.

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

	31 December 2020 (Audited)	31 December 2019 (Audited)
Balance at the beginning of the year	112,926,674	93,291,698
Addition during the year	79,814,508	35,085,763
Reversal during the year	(2,977,211)	(1,678,420)
Written-off during the year	(7,140,079)	(13,772,367)
Increase by business combination not under common control	2,322,568	—
Balance at the end of the year	<u>184,946,460</u>	<u>112,926,674</u>

During the reporting period, 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 2020 and 31 December 2019, the subtotal of five largest accounts receivable of the Group is RMB1,502,391,507 and RMB1,386,721,108, respectively, representing 38% and 43% of the total balance of accounts receivable respectively. The corresponding allowance for doubtful debts is RMB49,269,723 and RMB32,814,688, respectively.

12. Receivables under financing

Item	31 December 2020 (Audited)	31 December 2019 (Audited)
Bills receivable	<u>138,133,247</u>	<u>95,235,940</u>

There is no change in fair value of receivables under financing of the Group in 2020. The accumulated impairment losses recognized in other comprehensive income is zero.

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

Type	Amount derecognized at the end of 2020 (Audited)	Amount not yet derecognized at the end of 2020 (Audited)
Bank acceptance bills	287,942,545	—

In 2020, 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 2020. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2020 and 31 December 2019 are RMB66,417,852 and RMB138,771,396 respectively. As at 31 December 2020 and 31 December 2019 the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB221,524,693 and RMB180,409,595 respectively. As at 31 December 2020, the remaining period of the derecognized bills was 1 to 7 months.

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

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

13. Short-term loans

Item	31 December 2020 (Audited)	31 December 2019 (Audited)
Unsecured loans	1,033,657,703	895,576,208

As at 31 December 2020, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB112,200,000 (2019: RMB90,690,600).

As at 31 December 2020, the Group did not have any overdue loans not yet repaid.

14. Bills payable

Item	31 December 2020 (Audited)	31 December 2019 (Audited)
Commercial acceptance bills	351,632,323	397,733,603
Bank acceptance bills	307,791,583	177,059,660
Total	659,423,906	574,793,263

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 2020 (Audited)	31 December 2019 (Audited)
Due to related parties	134,266,119	251,202,881
Due to third parties	1,405,357,780	1,010,405,021
Total	<u>1,539,623,899</u>	<u>1,261,607,902</u>

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

	31 December 2020 (Audited)	31 December 2019 (Audited)
Within 1 year (1 year inclusive)	1,510,602,611	1,224,751,780
1 to 2 years (2 years inclusive)	7,169,532	26,180,928
2 to 3 years (3 years inclusive)	17,031,826	3,048,371
Over 3 years	4,819,930	7,626,823
Total	<u>1,539,623,899</u>	<u>1,261,607,902</u>

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

16. Long-term loans

Item	31 December 2020 (Audited)	31 December 2019 (Audited)
Unsecured loans	525,286,302	63,023,100
Less: non-current bank loans due within one year	586,302	21,023,100
Total	<u>524,700,000</u>	<u>42,000,000</u>

As at 31 December 2020, there was no overdue long-term loans. The above bank loans were fixed rate loans of which interest rate was 1.2%-2.7% (2019:1.2%).

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

	2020 (Audited)	2019 (Audited)
Within 1 year (1 year inclusive)	1,034,244,005	916,599,308
1 to 2 years (2 years inclusive)	482,700,000	—
2 to 5 years (5 years inclusive)	42,000,000	21,000,000
Over 5 years	—	21,000,000
Total	<u>1,558,944,005</u>	<u>958,599,308</u>

17. Dividends

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

	2020 (Audited)	2019 (Audited)
Final dividend proposed after the end of the reporting period of RMB0.216 per ordinary share (2019: RMB0.318)	<u>163,707,503</u>	<u>241,013,824</u>

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

	2020 (Audited)	2019 (Audited)
Final dividend paid in respect of the previous financial year	<u>241,013,824</u>	<u>189,496,277</u>

18. Changes of accounting policies

(1) Description and reasons for changes in accounting policies

The relevant accounting standards for business enterprises effective in 2020 related to the Group are as follows:

- Interpretation No. 13 on Accounting Standards for Business Enterprises (Cai Kuai [2019] No. 21) (“**Interpretation No. 13**”)
- Regulations on Accounting Treatment for Rental Concessions in relation to COVID-19 (Cai Kuai [2020] No. 10)

(a) **Interpretation No. 13**

Interpretation No. 13 revised the three elements of business composition and refined the judgment conditions of business. When the acquirer of a business combination not under common control determines whether the acquired business activity or asset combination constitutes a business, the option of “concentration test” is introduced.

In addition, Interpretation No. 13 further clarifies the definition of related party, which include joint ventures or joint ventures of other member units (including parent company and subsidiary company) of the enterprise group to which the enterprise belongs, and other joint ventures or associates of investors who jointly control the enterprise.

Interpretation No. 13 has been implemented since 1 January 2020. The Group adopts the prospective application method to account for the abovementioned accounting policy changes. The adoption of this interpretation does not have a material impact on the Group’s disclosures on financial position, operating results and related parties.

(b) **Cai Kuai [2020] No. 10**

Cai Kuai [2020] No. 10 provides a simplified method for rental concessions directly caused by COVID-19 when certain conditions are met. If enterprises choose to adopt the simplified approach, it is not required to assess whether there is a lease change or reassess the lease classification.

Cai Kuai [2020] No. 10 has been implemented since 24 June 2020, and the Group was not subject to Rental Concessions for Epidemic during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year, the Group's operating income was approximately RMB8,221.5 million, increased by approximately 5.8% as compared to 2019 of approximately RMB7,769.2 million. The Group reported a gross profit of RMB1,787.6 million, decreased by approximately 2.5% as compared to 2019 of approximately RMB1,833.5 million. The Group's net profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB543.7 million, decreased by approximately 32.1% as compared to 2019 of approximately RMB801.2 million.

Basic earnings per share was RMB0.72 per share (2019: RMB1.06 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 2020 was approximately RMB8,221.5 million, representing an increase of 5.8% as compared to 2019 of approximately RMB7,769.2 million.

By product segment, a total revenue of approximately RMB2,953.0 million was contributed from our optical fibres and optical fibre preforms segment, representing an increase of 17.7% as compared to 2019 of approximately RMB2,508.4 million and accounting for 35.9% (2019: 32.3%) of the Group's revenue; while a total revenue of RMB3,287.5 million was contributed by our optical fibre cables segment, representing a decrease of 17.9% as compared to 2019 of approximately RMB4,002.0 million and accounting for 40.0% (2019: 51.5%) of the Group's revenue.

A total revenue of approximately RMB1,981.0 million was contributed by others, representing an increase of 57.4% as compared to 2019 of approximately RMB1,258.7 million and accounting for 24.1% (2019: 16.2%) of the Group's revenue. The increase was mainly due to the newly acquired entity of Sunstar Communication which contributed revenue of approximately RMB499.9 million.

By geographical segment, a total revenue of approximately RMB6,119.0 million was contributed by domestic customers, representing an increase of 0.2% (2019: decreased by 35.5%) as compared to 2019 of approximately RMB6,107.9 million and accounting for 74.4% of the Group's revenue. For overseas market, a total revenue of approximately RMB2,102.5 million was reported in 2020, representing an increase of 26.6% (2019: decreased by 11.9%) as compared to 2019 of approximately RMB1,661.3 million and accounting for approximately 25.6% of the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2020 was approximately RMB6,433.9 million, representing an increase of 8.4% as compared to 2019 of approximately RMB5,935.6 million and accounting for 78.3% of the Group's revenue. The increase in cost of sales was higher than that of operating revenue which was mainly because the decrease in selling price of optical fibre preforms, optical fibres and optical cables which was affected by the market was higher than the decrease in the cost of major raw materials in 2020.

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

In 2020, the Group's total raw material costs was approximately RMB5,276.0 million, representing an increase of 5.4% as compared to approximately RMB5,003.4 million in 2019.

For the year ended 31 December 2020, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB1,150.8 million, representing an increase of 23.8% as compared to RMB929.6 million in 2019.

Gross profit and gross profit margin

For the year ended 31 December 2020, the Group reported a gross profit of RMB1,787.6 million, representing a decrease of 2.5% as compared to RMB1,833.5 million in 2019 and the gross profit margin decreased to 21.7% in 2020 (2019: 23.6%). The decrease in gross profit was mainly because the market prices following the central bidding by China Mobile imposed pressure on the profitability of the industry.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2020 were RMB370.9 million, representing an increase of 6.8% as compared to RMB347.3 million in 2019. The increase was mainly due to the significant increase in overseas revenue which resulted in an increase of selling transportation costs as compared with last year.

General and administrative expenses

The Group's general and administrative expenses for the year ended 31 December 2020 were RMB476.2 million, representing an increase of 11.1% as compared to RMB428.5 million in 2019. The increase was mainly due to the increase in salary expenses and to the consolidation of Sunstar Communication.

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2020 were RMB414.6 million, representing an increase of 0.2% as compared to RMB413.5 million in 2019.

Financial expenses

The Group's financial expenses for the year ended 31 December 2020 were RMB60.9 million, representing an increase of RMB54.7 million as compared to RMB6.2 million in 2019, which was mainly because the unfavourable fluctuations in exchange rate movements between RMB and US Dollars, IDR, MXN and ZAR which resulted the exchange losses, while the rate fluctuations resulted exchange gains in the last year.

The interest rates of the bank loans in 2020 ranged from 0.095% to 5.00% per annum (2019: 1.20% to 5.00% per annum), while the annual effective interest rate for the borrowings in 2020 was 2.37% (2019: 2.86%).

Other income

The Group's other income for the year ended 31 December 2020 was RMB127.4 million, representing a decrease of approximately RMB76.5 million as compared to RMB203.9 million in 2019, which was mainly because the government grants related to income decreased by approximately RMB86.2 million, which was offset by an increase in government grants related to assets of approximately RMB9.7 million.

Gains from changes in fair value

The Group's gains from changes in fair value for the year ended 31 December 2020 was RMB94.2 million, representing an increase of approximately RMB94.0 million as compared to RMB0.2 million in 2019, which was mainly because the Company invested in Hangzhou Semiconductor Wafer Co., Ltd. (杭州中欣晶圓半導體股份有限公司) and the fair value of these shares increased.

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2020 was RMB35.0 million, representing a decrease of 64.7% as compared to RMB99.2 million in 2019, while the effective tax rate decreased from 11.2% in 2019 to 6.0% in 2020. 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 RMB483.1 million (2019: RMB877.8 million) in total, involving the purchase of fixed assets, construction-in-progress, intangible assets, which were mainly related to the enhanced production efficiency of existing optical fibre preforms and optical fibre equipment.

Use of proceeds from the initial public offering of A shares and issuance of corporate bonds

The A shares of the Company were listed on Shanghai Stock Exchange on 20 July 2018. The net proceeds from the issue of the A shares (after deducting the underwriting fees and A share issue expenses) amounted to approximately RMB1,894.3 million. As at 31 December 2020, the proceeds of approximately RMB1,873.3 million were used in the following items: (1) approximately RMB1,379.0 million was used for the II and III Phase of capacity expansion for self-made optical fibre preform and optical fibre industrialisation in Yangtze Optical Fibre (Qianjiang) Limited Company; (2) approximately RMB300.0 million was used for the repayment of bank loans; (3) approximately RMB194.3 million was used for the replenishment of working capital occupied. The Company has permanently replenished the remaining proceeds of approximately RMB21.0 million into working capital for daily production and operation activities. As at 30 June 2020, the net proceeds from the public offering of A shares had been fully utilized.

On 12 August 2020, the Company completed the registration for issuance of corporate bonds to professional investors in the amount of not exceeding RMB3 billion with the China Securities Regulatory Commission. The corporate bonds will be issued in tranches. On 28 August 2020, the Company completed the issuance of corporate bonds (first phase) (“**Corporate Bonds (First Phase)**”) with a principal amount of RMB500 million to professional investors in the PRC. The Corporate Bonds (First Phase) have a maturity of 3 years and the coupon rate of 3.5%. The Corporate Bonds (First Phase) have been listed on the Shanghai Stock Exchange. The relevant issue fees for the Corporate Bonds (First Phase) was approximately RMB1.5 million, and the net proceeds from the issue of the Corporate Bonds (First Phase) amounted to approximately RMB498.5 million. As at 31 December 2020, all of the net proceeds from the issue of the Corporate Bonds (First Phase) was fully utilized as general working capital.

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 2020 was 9.4% (2019: -12.3%).

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 2020.

	2020 (Audited)	2019 (Audited)
Net cash generated from operating activities	140,866,409	842,663,893
Net cash used in investing activities	(1,550,713,839)	(667,072,798)
Net cash generated from/(used in) financing activities	<u>719,479,615</u>	<u>(720,928,044)</u>
Effect of foreign exchange rate changes on cash and the equivalents	<u>(31,584,664)</u>	<u>5,826,828</u>
Net decrease in cash and cash equivalents	<u><u>(721,952,479)</u></u>	<u><u>(539,510,121)</u></u>

The net cash generated from the Group's operating activities decreased by approximately RMB701.8 million, which was mainly due to the increase of approximately RMB822.4 million in operating receivables, while the increase in operating receivables in 2019 was approximately RMB246.4 million.

The net cash used by the Group's investment activities increased by approximately RMB883.6 million, which was mainly due to the increase of approximately RMB567.3 million in debts instrument investments and RMB275.7 million in equity instruments investments.

Net cash generated from the Group's financing activities increased by approximately RMB1,440.4 million, which was mainly due to the increase of approximately RMB600.3 million in bank loans during the year, while the bank loans decreased approximately RMB412.5 million as at 31 December 2019 as compared with 2018 and the Company issued corporate bonds to professional investors, the net proceeds of which amounted to approximately RMB498.5 million.

Cash and cash equivalents as at 31 December 2020 were cash at banks and in hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 31 December 2020, the Group's net current assets was RMB5,073.9 million, representing an increase of approximately RMB991.3 million as compared to RMB4,082.6 million as at 31 December 2019. The increase in net current assets was mainly due to (1) cash at bank and on hand and financial assets held for trading increased by approximately RMB202.3 million; (2) accounts receivable increased by approximately RMB653.3 million; (3) inventories increased by approximately RMB558.2 million; (4) short-term loans increased by approximately RMB138.1 million; and (5) accounts and bills payable increased by approximately RMB362.6 million.

Bank loans

As at 31 December 2020, the Group's bank loans were RMB1,558.9 million, representing an increase of RMB600.3 million from approximately RMB958.6 million as at 31 December 2019. As at 31 December 2020, 6.7% of the Group's bank loans were floating-rate loans and 93.3% were fixed-rate loans. Among the Group's bank loans, 2.3% were EUR dollar loans, 29.3% were US dollar loans, and the remaining 68.4% were mainly RMB loans.

Commitments and contingencies

As at 31 December 2020, the Group's outstanding capital commitments on fixed assets were approximately RMB1,472.5 million (2019: approximately RMB1,529.3 million), and equity investment was nil (2019: approximately RMB122.7 million). Out of the total amount of unsettled commitments as at 31 December 2020 of approximately RMB1,472.5 million (2019: RMB1,652.0 million), a total amount of approximately RMB789.9 million (2019: approximately RMB886.3 million) were contracted, and the balance of approximately RMB682.6 million (2019: approximately RMB765.7 million) were authorized but not yet contracted by the Board.

As at 31 December 2020, the Group did not have any material contingent liability.

Charge on assets

As at 31 December 2020, Ally First Optical Fibre and Cable Co., Ltd, a subsidiary of the Company, secures properties and buildings with a book value of RMB51.3 million and land use rights with a book value of RMB27.1 million 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 economic finance costs as well as minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments and expansion plans as and when needed.

Exposure to fluctuations in exchange rates

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

During the year, the Group mainly suffered from the unfavourable fluctuations in exchange rate movements between RMB and US Dollars, IDR, MXN and ZAR. The amount of net foreign exchange losses were RMB19.1 million.

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

Employees and remuneration policies

As at 31 December 2020, the Group had approximately 6,769 full-time employees (2019: 4,687 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotions. The salaries and bonuses that the employees received are competitive with market rates. The Company has been in compliance with the relevant national and local labor and social welfare laws and regulations in China.

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

Off-balance sheet arrangements

As at 31 December 2020, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB287.9 million (2019: RMB319.2 million) to certain commercial banks in China and its suppliers.

NEW DOMESTIC ACQUISITION AND FORMATION OF NEW DOMESTIC PRESENCES

Sunstar Communication Technology Company Limited

In January 2020, The Company purchased 51% of the equity of Sunstar Communication at the price of RMB151.2 million. The financial results of Sunstar Communication as non-wholly owned subsidiary has been comprised in the consolidated financial statements of the Group since January 2020.

Sunstar Communication was established in 2001. Its scope of business includes development, production, sales of optical fibre equipments and relevant electrical products (radio transmitter not included); development and sales of software and technical consulting services for engineering; import and export of products and technologies (projects that must be approved according to laws shall be approved by the relevant departments before operation).

Yangtze (Hubei) Electrical Power Cable Company Limited

On 21 May 2020, the Company, together with Hubei Chutian Cable Industrial Co., Ltd. (the “**Hubei Chutian**”), established Yangtze (Hubei) Electrical Power Cable Company Limited (the “**YEPC**”) in Hubei, China. Its scope of business includes development, production and sales of optical cables, power cables and its accessories; development, production and sales of the aluminium conductor steel-reinforced cable, aluminium strand, aluminium wire, steel strand, cable tray, electronic components and communications equipments, etc. The Company holds 51% of the total shares of YEPC and Hubei Chutian holds the remaining 49% of the total shares. Its paid-up share capital is RMB100 million. In 2020, the Company has contributed RMB40.8 million.

Yangtze Optical Fibre and Cable Shenzhen Company Limited

The Company established Yangtze Optical Fibre and Cable Shenzhen Company Limited (the “**YOFC Shenzhen**”) on 25 May 2020. Its scope of business includes development and sales of optical fibres, optical cables, special wire cables, devices, accessories, components and materials, special equipments and communication products; and provide technical services for design and construction of engineering relating to above products. The Company holds 100% of the total shares of YOFC Shenzhen. Its paid-up share capital is RMB30 million. The Company has contributed RMB30 million in July 2020.

The establishment of all the above subsidiaries did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

OUTLOOK

In early 2020, the production and operation of the Company suffered from a relatively huge impact of the novel coronavirus (COVID-19) outbreak and the optical fibre and cable industry remained challenging in 2020. In response to the challenges of the pandemic, the Company implemented strict prevention and control measures and rapidly resumed work and production. Facing the industrial pressure, the Company consolidated its leading advantages in, among others, research and development, technology, costs and market in principal activities as well as making greater efforts in the exploration of diversification and internationalization. With the recovery of industrial demand and the optimization of supply structure, the Company is expected to achieve long-term sustainable development.

1. Successful Pandemic Prevention and Control and Rapid Resumption of Work and Production

The production and operation of the headquarter and the principal production capacity of preforms of the Company which are located in Hubei Province suffered from a relatively huge impact of the novel coronavirus (COVID-19) outbreak in the first quarter of 2020. The net profit attributable to shareholders of the Company amounted to approximately RMB-7.17 million, representing a loss for a single quarter. In response to the challenges of the pandemic, the Company proactively assumed its social responsibility by implementing strict prevention and control measures. In mid-March 2020, the Company commenced the resumption of work and operation and by early April, major manufacturing facilities in Hubei Province has achieved near full production capacity utilization. However, the pandemic situation overseas remains severe, which has affected the Company’s product sales to overseas markets, the normal operation of overseas production capacity and the implementation of communication network projects. The Company will pay close attention to the health and safety of overseas staff and the operation risks of overseas business to ensure smooth implementation of the internationalization strategy.

2. Stabilized Demand on Recovery and Prices under Pressure Continuously

In 2020, the 5G construction in China progressed steadily with the principle of moderate advancement. According to the data from Ministry of Industry and Information Technology (“MIIT”) published in January 2021, over 600,000 5G base stations were newly constructed and over 718,000 5G base stations have been opened in China in 2020. Currently, 5G network has covered cities of prefecture level or above as well as key counties and county level cities across China with the number of 5G terminal connections exceeding 200 million. At the same time, the communication network traffic continued to rise as the pandemic has led to the acceleration of shifting the mode of work, consumption, entertainment etc. from offline to online. In 2020, the data flow consumption of the mobile network amounted to 165.6 billion GB, up by 35.7% as compared to last year; the annual average dataflow of usage (DOU) of mobile network amounted to 10.35GB/user/month, up by 32% as compared to last year. The accelerated construction of 5G network and the continuous increase in dataflow have imposed new requirements on the construction of communication network and facilitated the development of the optical fibre and cable industry. In 2020, the length of newly-constructed optical cable throughout China amounted to 4.28 million kilometers, up by approximately 9.0% year-on-year, and the optical cable length in aggregate reached 51.69 million kilometers. In July 2020, China Mobile announced that among its central bidding for the targeted common optical cable products, its total bidding volume was 119 million fibre kilometers, up by approximately 13% as compared with the previous central bidding. The market demand for optical fibre and cable has recovered from the previous low. The Company was the first ranked bidder in the central bidding who was allocated a share percentage of approximately 19.4%, further consolidating its leading position in the industry.

With regard to the industrial supply side, although the near -50% reduction of optical fibre and cable prices in 2019 has exerted a relatively huge profit pressure on enterprises in the industry with no advantages in core technologies or scale, based on the expectation on the future growth cycle, the industrial capacity structure is not able to make substantial adjustment. In the second half of 2020, among the central biddings for the targeted common optical cable products by key domestic operators, the average unit price further decreased by approximately 30%. Such price limit has been applicable in general since the fourth quarter of 2020. Industrial supply is expected to be optimized after taking full consideration of manufacturing technologies and cost control capability of optical fibre and cable companies. With the demand recovery and supply improvement, the pressure on prices may be gradually alleviated in future central biddings by operators.

3. Continuous Development of Diversified Business

2020 witnessed accelerated deployment for construction of new infrastructures and thriving growth of industries such as 5G network, industrial internet, artificial intelligence, big data centers and autonomous driving. According to the mobile communication report issued by Ericsson in November 2020, the average monthly traffic of global mobile and fixed network will record an average growth rate of 28% and 19% per annum from 2020 to 2026, respectively, and the total traffic is expected to increase from 221EB/month in 2020 to 716EB/month in 2026. The rapid growth of data traffic will promote the construction of big data centers, and hence boost the demand for relevant products and services. Currently, internal data transmissions of data centers are mainly conducted through multi-mode optical fibre and cable products. As such, the Company's multi-mode products with global leading edges grew rapidly in 2020 in terms of sales volume and revenue. In respect of optical transceiver and optical sub-assembly, the Company acquired Sunstar Communication in early 2020, and won the bid for the central procurement projects for optical transceiver of major domestic telecommunication operators. The Company strenuously developed the data center market for optical transceiver and optical subassembly. Currently, the production and delivery is underway smoothly.

Regarding the demand for 5G network, the Company leveraged its technological advantages to conduct research and development of the relevant ancillary products and services. Based on the actual circumstances of the construction projects of the operators, the Company integrated a series of new optical fibre products applicable for the construction of 5G network, such as G.654.E optical fibres with ultra-low loss and large effective area, dispersion flattened new optical fibres, bending insensitive single-mode optical fibres with ultra-small outer diameter, with its self-developed products such as optical transceiver and pre-transmission hybrids, so as to provide 5G pre-transmission WDM solutions. These solutions have been used in the trial deployment of major domestic telecommunication operators such as China Mobile and China Telecommunications. Meanwhile, the Company's "5G Pre-transmission Semiactive WDM Solution" received the "2021 Communication Product Technology Industry Leader Award (2021年度通信產品技術產業引領獎)" from China Communications Weekly in February 2021.

The self-developed and produced active optical cable products of Everpro Connectivity, a subsidiary of the Company, have been extensively applied to various aspects, including ultrahigh definition videos, virtual reality, high-end medical devices, in 2020. In early 2020, these products have been successfully applied to high-end CT medical devices for brands such as Siemens and General Electric to facilitate the inspection of COVID-19. During the period of epidemic prevention and control in Wuhan, these products have been granted special approval for continuous production to satisfy the needs for epidemic prevention and control. On the other hand, our AOC cables applied to virtual reality scenarios have also received bulk procurement orders from international mainstream VR equipment manufacturers.

4. Further Implementation of Internationalization Strategy

The pandemic continued to spread across the globe in 2020. According to the report issued by Commodity Research Unit (the “CRU”) in November 2020, due to the outbreak of a new round of pandemic in the third and fourth quarter in 2020 and the implementation of stringent prevention and control measures, overseas operators were unable to provide the required manpower and resources for network construction, and hence unable to turn around the downward trend of pandemic stricken demand for optical cables in the second quarter. As a result, the global demand for optical cables recorded negative growth for the first time since 2010. On the other hand, the pandemic has expedited the progress of digitalization with growing importance of fast and stable connection to fixed and mobile communication networks and increasing network data traffic. According to the report issued by CRU in February 2021, it is expected that the average growth rate of global demand for optical cables will reach 6.2% and 7% per annum in 2021 and 2022, respectively. With the gradual recovery from the pandemic and the proactive investment in 5G and optical fibres broadband network in major regions such as North America, Europe and Southeast Asia, it is anticipated that the global market demand for optical fibres and cables will be able to maintain sustainable development in the long run, among which, it is expected that the demand for optical cables in the European market will record a growth rate of over 10% in 2021.

Under the pressure in the overseas market, in 2020, while ensuring the health and safety of its employees, the Company stepped up its efforts in developing the overseas market and realised a trend-bucking growth for its overseas businesses. In 2020, the revenue from the Group’s overseas businesses amounted to RMB2,102.5 million, representing a growth of approximately 26.6% as compared with that of RMB1,661.3 million in 2019 and accounted for 25.6% of the Group’s total revenue. Despite the impact of the pandemic on project progress, the Company’s telecom network engineering projects in markets such as Philippines, Peru and Thailand further advanced. In particular, the Company continued to push forward the network construction in collaboration with local operators in Philippines, and successfully won the bid for network construction project of China Telecommunications in the locality. Our local teams managed to overcome challenges brought by the pandemic, earthquakes and flooding and successfully completed the delivery of the project by stages within the timeframe specified by the client, which laid a solid foundation for the development of the Company’s communication network engineering business overseas. In 2020, the revenue from overseas communication network engineering projects amounted to RMB242.9 million, representing a growth of approximately 304.9% over the prior year.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2020 of RMB0.216 (2019: RMB0.318) per share totaling RMB163,707,503 (2019: RMB241,013,824). The expected payment date is on or before 31 August 2021. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2020 annual general meeting (“AGM”). Should the proposal be approved, the dividend for holders of A shares, including holders of A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the “**Northbound Shareholders**”) and holders of H shares through the Southbound Trading Link (including Shanghai and Shenzhen markets, hereinafter referred to as the “**Southbound Shareholders**”) will be declared and paid in RMB.

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

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

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 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 2020 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

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

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

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

ANNUAL GENERAL MEETING

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

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

In 2020, 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 18 February 2021, the Company and its shareholder, Wuhan Yangtze Communications Industry Group Co.,Ltd.*武漢長江通信產業集團股份有限公司(“**Yangtze Communications**”) entered into an equity transfer agreement, pursuant to which the Company agreed to purchase 28.42% equity interest in Yangtze (Wuhan) Optical System Co.,Ltd.*長江(武漢)光系統股份有限公司(“**YOSC**”) held by Yangtze Communications, at a cash consideration of RMB20,553,300 (the “**Acquisition**”). Upon completion of the Acquisition, YOSC will be held as to 74.74% by the Company and becomes a holding subsidiary to be consolidated into the consolidated statements of the Group. The transaction is completed by the Company through public tender and sale by the Beijing Equity Exchange. Completion for the Acquisition shall take place on the date of the issue of equity rights transfer certificate by the Beijing Equity Exchange. From then on, the rights and risks corresponding to the acquired equity of YOSC shall be transferred to the Company. On 24 February 2021, the Beijing Equity Exchange issued the certificate of equity rights transfer. As at the date of this announcement, the Company has paid the consideration of RMB20,553,300.

AUDIT COMMITTEE

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

The audit committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2020. 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 2020.

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 2020 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 2020 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 2020.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the “**Company’s Code**”) as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries in writing of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code regarding securities transactions throughout the year ended 31 December 2020.

ANNUAL REPORT

The auditing process of the 2020 Annual Results has been completed and the annual report of the Company for the year ended 31 December 2020 will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yofc.com) before the end of April 2021.

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, 26 March 2021

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

* For identification purposes only