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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Total operating income was approximately RMB4,351.7 million, increased by approximately RMB944.9 million, representing an approximately 27.7% increase as compared to the same period of last year.
- Gross profit was approximately RMB1,011.3 million, increased by approximately RMB160.9 million, representing an approximately 18.9% increase as compared to the same period of last year.
- Profit attributable to equity shareholders of the Company was approximately RMB479.2 million, increased by approximately RMB216.6 million, representing an approximately 82.5% increase as compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 16.4%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 59.4%, as compared with the same period of last year.
- The board of directors of the Company did not recommend any interim dividend for the Period.

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**” or “**YOFC**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the relevant comparative figures of the same period of last year as follows:

* For identification purpose only

Consolidated Income Statement

For the six months ended 30 June 2021

(Expressed in Renminbi (“RMB”))

		For the six months ended 30 June	
	Note	2021 (Unaudited)	2020 (Unaudited)
I. Revenue	4	4,351,690,651	3,406,755,726
II. Less: Cost of sales	4	3,340,399,609	2,556,346,023
Taxes and surcharges		17,773,575	8,014,500
Selling expenses		248,060,625	133,292,005
Administrative expenses		285,055,594	184,154,129
R&D expenses		200,781,198	159,151,581
Financial expenses	5	47,046,024	46,236,153
Including: Interest expenses		35,256,353	27,588,116
Interest revenue		5,507,915	15,357,957
Add: Other income	6	28,975,501	21,340,810
Investment income		32,877,085	(173,439)
Including: Income from investment in associates and joint ventures		29,648,129	(173,439)
Gains from changes in fair value		321,061,300	50,721
Credit losses		(48,212,120)	(52,024,181)
Impairment losses		(57,712,778)	(14,415,741)
(Loss)/gains from asset disposals		(526,373)	132,368
III. Operating profit		489,036,641	274,471,873
Add: Non-operating income		30,112,302	1,123,222
Less: Non-operating expenses		2,632,862	1,216,699
IV. Profit before taxation		516,516,081	274,378,396
Less: Income tax	7	30,764,127	11,641,463
V. Profit for the period		485,751,954	262,736,933
Profit for the period attributable to equity shareholders of the Company		479,155,217	262,579,869
Non-controlling interests		6,596,737	157,064

		For the six months ended 30 June	
	Note	2021 (Unaudited)	2020 (Unaudited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to equity shareholders of the Company		(5,611,499)	(10,621,303)
(1) Items that cannot be reclassified subsequently to profit or loss			
1. Changes in fair value of investments in other equity instruments		320,843	(3,116,764)
(2) Items that may be reclassified subsequently to profit or loss			
1. Translation differences arising from translation of foreign currency financial statements		(5,932,342)	(7,504,539)
Other comprehensive income (net of tax) attributable to non-controlling interests		<u>(778,350)</u>	<u>(2,248,813)</u>
VII. Total comprehensive income for the period		<u>479,362,105</u>	<u>249,866,817</u>
Total comprehensive income attributable to equity shareholders of the Company		473,543,718	251,958,566
Total comprehensive income attributable to non-controlling interests		5,818,387	(2,091,749)
VIII. Earnings per share:			
(1) Basic earnings per share	8	<u>0.63</u>	<u>0.35</u>
(2) Diluted earnings per share	8	<u>0.63</u>	<u>0.35</u>

Consolidated Balance Sheet
At 30 June 2021
(Expressed in RMB)

	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Current assets:			
Cash at bank and on hand		2,427,114,947	1,444,270,151
Financial assets held for trading		1,536,419,737	891,831,588
Bills receivable	10	300,933,919	274,422,718
Accounts receivable	11	4,770,328,597	3,776,762,957
Receivables under financing	12	179,999,207	138,133,247
Prepayments		165,267,312	199,027,986
Other receivables		141,321,118	143,998,093
Inventories		2,496,849,769	2,337,549,891
Other current assets		251,124,219	244,226,485
Total current assets		12,269,358,825	9,450,223,116
Non-current assets:			
Long-term equity investments		1,461,902,823	1,636,031,916
Investments in other equity instruments		41,755,742	41,378,280
Other non-current financial assets		46,416,021	45,378,370
Fixed assets		3,775,112,890	3,694,140,835
Construction in progress		387,771,361	258,911,145
Right-of-use assets		74,830,946	76,251,881
Intangible assets		322,520,720	342,005,409
Good will		27,145,122	20,027,705
Long-term deferred expenses		23,971,585	9,129,148
Deferred tax assets		141,697,556	138,033,575
Other non-current assets		267,283,334	144,086,014
Total non-current assets		6,570,408,100	6,405,374,278
Total assets		18,839,766,925	15,855,597,394

	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	13	1,455,554,072	1,033,657,703
Bills payable	14	1,090,185,792	659,423,906
Accounts payable	15	1,688,486,079	1,539,623,899
Contract liabilities		410,147,131	360,704,641
Employee benefits payable		221,259,656	252,632,361
Taxes payable		105,972,965	93,383,446
Other payables		537,735,471	372,357,376
Non-current liabilities due within one year		359,041,992	39,960,759
Other current liabilities		30,808,471	24,605,476
Total current liabilities		5,899,191,629	4,376,349,567
Non-current liabilities:			
Long-term loans	16	1,434,700,000	524,700,000
Debenture payable		496,195,292	487,575,358
Lease Liabilities		50,586,357	58,456,419
Deferred income		281,717,391	260,265,226
Deferred tax liabilities		11,645,362	11,448,729
Other non-current liabilities		764,521,091	751,278,679
Total non-current liabilities		3,039,365,493	2,093,724,411
Total liabilities		8,938,557,122	6,470,073,978
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		3,363,531,231	3,364,333,115
Less: treasury stock		33,653,461	33,653,461
Other comprehensive income		(11,523,921)	(5,912,422)
Surplus reserve		647,934,100	636,629,870
Retained earnings		4,632,331,106	4,328,187,622
Total equity attributable to shareholders of the Company		9,356,524,163	9,047,489,832
Non-controlling interests		544,685,640	338,033,584
Total equity		9,901,209,803	9,385,523,416
Total liabilities and shareholders' equity		18,839,766,925	15,855,597,394

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			
	2021 (Unaudited)		2020 (Unaudited)	
	Revenue	Costs	Revenue	Costs
Principal activities	4,312,202,032	3,310,013,930	3,325,390,003	2,479,908,269
Other operating activities	39,488,619	30,385,679	81,365,723	76,437,754
Total	<u>4,351,690,651</u>	<u>3,340,399,609</u>	<u>3,406,755,726</u>	<u>2,556,346,023</u>

Details of revenue:

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	1,347,463,451	1,235,413,472
– Optical fibre cable	1,868,069,543	1,435,241,111
– Other sales	1,096,669,038	654,735,420
Sub-total	4,312,202,032	3,325,390,003
Revenue from other operating activities		
– Materials	23,989,832	73,637,327
– Others	15,498,787	7,728,396
Total	<u>4,351,690,651</u>	<u>3,406,755,726</u>

5. FINANCIAL EXPENSES

Item	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Interest expenses on loans and payables	35,002,192	26,989,047
Interest expenses on lease liabilities	1,916,324	1,418,976
Less: Borrowing costs capitalised*	(1,662,163)	(819,907)
Interest income on deposits and receivables	(5,507,915)	(15,357,957)
Net exchange loss	12,514,216	31,681,577
Other financial expenses	4,783,370	2,324,417
Total	<u>47,046,024</u>	<u>46,236,153</u>

* The capitalisation rate of the Group's capitalised amounts of borrowing costs in the first half of 2021 was 0.11 % (the first half year of 2020: 0.09%)

6. OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Government grants related to assets	15,946,832	13,417,692
Government grants related to income	13,028,669	7,923,118
Total	<u>28,975,501</u>	<u>21,340,810</u>

7. INCOME TAX

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Income tax for the period based on tax law and regulations	28,492,482	27,528,535
Changes in deferred income tax	6,754,536	(17,783,442)
Tax filling differences	(4,482,891)	1,896,370
Total	<u>30,764,127</u>	<u>11,641,463</u>

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Origination and reversal of temporary differences	<u>6,754,536</u>	<u>(17,783,442)</u>

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

	For the six months ended 30 June	
Item	2021	2020
	(Unaudited)	(Unaudited)
Profit before taxation	516,516,081	274,378,396
Expected income tax calculated at tax rate of 25%	129,129,020	68,594,599
Tax rate differences	(44,524,464)	(5,710,086)
Adjustment to income tax of previous years	(4,482,891)	1,896,370
Effect of non-taxable income	(12,795,385)	(45,662,877)
Effect of non-deductible cost, expense and loss	2,514,124	1,535,024
Effect attributable to the additional qualified tax deduction relating to research and development costs	(42,646,310)	(17,730,568)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this period	<u>3,570,033</u>	<u>8,719,001</u>
Income tax for the period	<u>30,764,127</u>	<u>11,641,463</u>

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

According to the High-tech Enterprise Certificate No. GR202042002069 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, 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 2021.

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. GR202044206282 issued by Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Committee, Shenzhen Tax Service, State Taxation Administration, 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. GR202042000356 issued by Hubei Provincial Department of Science and Technology, 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, 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. GR 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 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	
	2021 (Unaudited)	2020 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	479,155,217	262,579,869
Less: Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future	432,000	477,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	478,723,217	262,102,869
Weighted average number of ordinary shares outstanding	755,905,108	756,050,712
Basic earnings per share (RMB/share)	0.63	0.35

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

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Number of issued ordinary shares at the beginning of the period	757,905,108	757,905,108
Redeemed shares for employee stock ownership scheme (<i>note</i>)	(2,000,000)	(1,854,396)
Weighted average number of ordinary shares at the end of the period	755,905,108	756,050,712

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):

Item		For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	<u>479,155,217</u>	<u>262,102,869</u>
Weighted average number of ordinary shares outstanding (diluted)	(b)	<u>757,279,574</u>	<u>756,405,108</u>
Diluted earnings per share (RMB/share)		<u>0.63</u>	<u>0.35</u>

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

Item		For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)		<u>478,723,217</u>	<u>262,102,869</u>
Diluted adjustments:			
Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future (<i>note</i>)		<u>432,000</u>	<u>–</u>
Consolidated net profit attributable to ordinary shareholders (diluted)		<u>479,155,217</u>	<u>262,102,869</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:

Item		For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Number of issued ordinary shares at the beginning of the period		<u>755,905,108</u>	<u>756,050,712</u>
Diluted adjustments:			
Redeemed shares for employee stock ownership scheme		<u>1,374,466</u>	<u>354,396</u>
Weighted average number of ordinary shares at the end of the period (diluted)		<u>757,279,574</u>	<u>756,405,108</u>

9. SEGMENT REPORTING

The Group has identified a total of two reporting divisions, namely, optical fibre and optical fibre preform and optical fibre cable, based on 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 decide on the allocation of resources and performance evaluation.

- Optical fibre and optical fibre preform segment – It is primarily engaged in the production and sales of optical fibre and optical preform.
- Optical fibre cable segment – It is primarily engaged in the production and sales of optical fibre cable.

(1) Information on profit or loss and asset of the segment

In order to evaluate the performance of each segment and allocate resources to them, the management of the Group will periodically review the assets, income, expenses and operating results attributable to each segment. The basis for the preparation of such information is as follows:

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

Segment operating results refer to external transaction revenue generated by each segment, deducted by the costs of sales incurred by each segment. The Group did not allocate other expenses such as sales and administrative expenses, financial expenses and other expenses to each segment.

The information disclosed in each of the reporting segments of the Group below is generated by the management of the Group, which used the following information to measure profit/(loss), assets of the reporting segments, or without providing the following information, which is regularly provided to the management of the Group:

For the six months ended 30 June 2021 (Unaudited)						
Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	1,347,463,451	1,868,069,543	1,136,157,657	—	—	4,351,690,651
Inter-segment revenue	329,261,292	9,102,241	261,623,568	(599,987,101)	—	—
Segment profit	617,567,192	262,868,438	208,113,448	(77,258,036)	—	1,011,291,042
Including: depreciation and amortisation	(116,301,908)	(17,951,314)	(68,762,998)	1,771,936	—	(201,244,284)
Taxes and surcharges	—	—	—	—	(17,773,575)	(17,773,575)
Selling expenses	—	—	—	—	(248,060,625)	(248,060,625)
Administration expenses	—	—	—	—	(285,055,594)	(285,055,594)
R&D expenses	—	—	—	—	(200,781,198)	(200,781,198)
Financial expenses	—	—	—	—	(47,046,024)	(47,046,024)
Other income	—	—	—	—	28,975,501	28,975,501
Investment income	—	—	—	—	32,877,085	32,877,085
Including:						
Income from investment in associates and joint ventures	—	—	—	—	29,648,129	29,648,129
Gains from changes in fair value	—	—	—	—	321,061,300	321,061,300
Impairment losses	—	—	—	—	(57,712,778)	(57,712,778)
Credit losses	—	—	—	—	(48,212,120)	(48,212,120)
Losses from asset disposals	—	—	—	—	(526,373)	(526,373)
Operating profit/(loss)	617,567,192	262,868,438	208,113,448	(77,258,036)	(522,254,401)	489,036,641
Non-operating income	—	—	—	—	30,112,302	30,112,302
Non-operating expenses	—	—	—	—	(2,632,862)	(2,632,862)
Profit/(loss) before taxation	617,567,192	262,868,438	208,113,448	(77,258,036)	(494,774,961)	516,516,081
Income tax	—	—	—	—	(30,764,127)	(30,764,127)
Profit for the Period	617,567,192	262,868,438	208,113,448	(77,258,036)	(525,539,088)	485,751,954

For the six months ended 30 June 2020 (Unaudited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	1,235,413,472	1,435,241,111	736,101,143	—	—	3,406,755,726
Inter-segment revenue	300,074,932	10,845,619	241,206,704	(552,127,255)	—	—
Segment profit	534,257,257	244,233,192	125,811,390	(53,892,136)	—	850,409,703
Including: depreciation and amortisation	(137,600,162)	(20,047,511)	(41,569,838)	5,248,896	—	(193,968,615)
Taxes and surcharges	—	—	—	—	(8,014,500)	(8,014,500)
Selling expenses	—	—	—	—	(133,292,005)	(133,292,005)
Administration expenses	—	—	—	—	(184,154,129)	(184,154,129)
R&D expenses	—	—	—	—	(159,151,581)	(159,151,581)
Financial expenses	—	—	—	—	(46,236,153)	(46,236,153)
Other income	—	—	—	—	21,340,810	21,340,810
Investment income	—	—	—	—	(173,439)	(173,439)
Including:						
Income from						
investment in associates						
and joint ventures	—	—	—	—	(173,439)	(173,439)
Gains from changes in fair value	—	—	—	—	50,721	50,721
Impairment losses	—	—	—	—	(14,415,741)	(14,415,741)
Credit losses	—	—	—	—	(52,024,181)	(52,024,181)
Gains from asset disposals	—	—	—	—	132,368	132,368
Operating profit/(loss)	534,257,257	244,233,192	125,811,390	(53,892,136)	(575,937,830)	274,471,873
Non-operating income	—	—	—	—	1,123,222	1,123,222
Non-operating expenses	—	—	—	—	(1,216,699)	(1,216,699)
Profit/(loss) before taxation	534,257,257	244,233,192	125,811,390	(53,892,136)	(567,031,307)	274,378,396
Income tax	—	—	—	—	(11,641,463)	(11,641,463)
Profit for the Period	534,257,257	244,233,192	125,811,390	(53,892,136)	(587,672,770)	262,736,933

As at 30 June 2021 (Unaudited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Total assets	4,642,872,594	4,252,040,583	10,476,433,041	(531,579,293)	—	18,839,766,925
Other items:						
– Long-term equity investment						
in associates and joint ventures	—	—	1,461,902,823	—	—	1,461,902,823
– The amounts of additions to						
non-current assets other than long-term						
equity investment	221,394,078	1,381,256	396,910,279	(4,657,397)	—	615,028,217

As at 31 December 2020 (Audited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
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
– The amounts of additions to						
non-current assets other than long-term						
equity investment	118,501,143	57,384,324	522,938,476	7,240,805	—	706,064,748

10. BILLS RECEIVABLE

(1) Bills receivable by category

Type	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank acceptance bills	176,012,744	126,397,295
Commercial acceptance bills	124,921,175	148,025,423
Total	<u>300,933,919</u>	<u>274,422,718</u>

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

Type	Amount derecognized at 30 June 2021 (Unaudited)	Amount not yet derecognized at 30 June 2021 (Unaudited)
Bank acceptance bills	–	17,432,564
Commercial acceptance bills	–	5,964,628

As at 30 June 2021, the Group continued to recognize discounted bills and endorsed bills of RMB4,615,555 and RMB18,781,637 respectively (31 December 2020: RMB2,614,000 and RMB21,088,123). With respect to this portion of discounted bills or endorsed bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on discounted and endorsed bills. Therefore, the Group continued to fully recognised this portion of the discounted and endorsed instruments. The bills, at the same time, confirmed the related payment due to the bank borrowings generated by discounting and the settlement of the the endorsed bills. After discounts and endorsements were transferred, the Group no longer retained any right to use discounted and endorsed bills, including the sale, transfer or pledge of discounted and endorsed bills to the third party. As at 30 June 2021, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB4,615,555 and RMB18,781,637 respectively (31 December 2020: RMB2,614,000 and RMB21,088,123). 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 type are as follows:

Type	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Due from related parties	178,390,374	135,247,149
Due from third parties	<u>4,823,802,705</u>	<u>3,826,462,268</u>
Sub-total	<u>5,002,193,079</u>	<u>3,961,709,417</u>
Less: allowance for doubtful debts	<u>231,864,482</u>	<u>184,946,460</u>
Total	<u>4,770,328,597</u>	<u>3,776,762,957</u>

- (2) The ageing analysis of accounts receivable is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Ageing		
Within 1 year (1 year inclusive)	4,158,454,825	3,256,130,969
1 to 2 years (2 years inclusive)	639,981,965	534,582,449
2 to 3 years (3 years inclusive)	114,723,685	102,414,018
Over 3 years	89,032,604	68,581,981
Sub-total	5,002,193,079	3,961,709,417
Less: allowance for doubtful debts	231,864,482	184,946,460
Total	<u>4,770,328,597</u>	<u>3,776,762,957</u>

The ageing analysis is counted starting from the date when accounts receivable are recognized.

- (3) Analysis of accounts receivable by category:

Category	30 June 2021 (Unaudited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	17,766,602	0.36	17,766,602	100.00	—
Collectively assessed for impairment by group					
Group 1	178,390,474	3.57	964,112	0.54	177,426,362
Group 2	2,162,445,638	43.23	104,921,241	4.85	2,057,524,397
Group 3	2,643,590,365	52.84	108,212,527	4.09	2,535,377,838
Total	5,002,193,079	/	231,864,482	/	4,770,328,597

Category	31 December 2020 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	18,910,452	0.48	18,910,452	100.00	—
Collectively assessed for impairment by group					
Group 1	135,247,149	3.41	658,313	0.49	134,588,836
Group 2	1,821,081,616	45.97	72,234,371	3.97	1,748,847,245
Group 3	1,986,470,200	50.14	93,143,324	4.69	1,893,326,876
Total	3,961,709,417	/	184,946,460	/	3,776,762,957

- (a) Reasons for making doubtful debts provisions with single accounts receivable in 2021:

In the event of default 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 2021

According to the historical experience of the Company, 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.

30 June 2021 (Unaudited)

Group 1	Expected loss rate (%)	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	0.25	177,470,930	446,621
1 to 2 years (2 years inclusive)	22.58	454,410	102,618
2 to 3 years (3 years inclusive)	89.06	459,320	409,059
Over 3 years	100.00	5,814	5,814
Total		<u>178,390,474</u>	<u>964,112</u>

Group 2	Expected loss rate (%)	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	0.93	1,871,811,018	17,379,138
1 to 2 years (2 years inclusive)	12.28	217,989,792	26,774,555
2 to 3 years (3 years inclusive)	56.97	27,603,829	15,726,549
Over 3 years	100.00	45,040,999	45,040,999
Total		<u>2,162,445,638</u>	<u>104,921,241</u>

Group 3	Expected loss rate (%)	Book value	Allowance for doubtful debts
Within 1 year (1 year inclusive)	2.29	2,453,206,266	56,124,501
1 to 2 years (2 years inclusive)	8.78	131,582,362	11,546,509
2 to 3 years (3 years inclusive)	52.52	38,458,119	20,197,899
Over 3 years	100.00	20,343,618	20,343,618

Total		2,643,590,365	108,212,527
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31 December 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
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Group 2	Expected loss rate (%)	Book value	Allowance for doubtful debt
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		1,821,081,616	72,234,371
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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		1,986,470,200	93,143,324
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- (4) Additions, recoveries or reversals of allowance for doubtful debts during the reporting period/year:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period	184,946,460	112,926,674
Addition during the reporting period	52,325,693	79,814,508
Recoveries during the reporting period	(4,113,573)	(2,977,211)
Written-off during the reporting period	(3,839,913)	(7,140,079)
Other changes during the reporting period	2,545,815	2,322,568
Balance at the end of the reporting period	<u>231,864,482</u>	<u>184,946,460</u>

- (a) At the end of each reporting period/year, the Group assesses and calculates the balance of allowance for doubtful debt according to the accounting policies and accounting estimates of the Group's allowance for doubtful debts for accounts receivable. 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 accounts receivable 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 accounts receivable with significant individual amount.

- (5) Five largest accounts receivable, by debtors at the end of the period/year

As at 30 June 2021 and 31 December 2020, the subtotal of five largest accounts receivable of the Group is RMB1,722,856,975 and RMB1,502,391,507 respectively, representing 34% and 38% of the total balance of accounts receivable, respectively. The corresponding allowance for doubtful debt is RMB58,738,933 and RMB49,269,723, respectively.

12. RECEIVABLES UNDER FINANCING

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bills receivable measured at fair value through other comprehensive income	<u>179,999,207</u>	<u>138,133,247</u>
Total	<u>179,999,207</u>	<u>138,133,247</u>

There is no change in fair value of receivables under financing of the Group in 2021. The accumulated impairment losses recognized in other comprehensive income is nil.

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

Item	Amount derecognized at 30 June 2021 (Unaudited)	Amount not yet derecognized at 30 June 2021 (Unaudited)
Bank acceptance bills	<u>46,066,699</u>	<u>—</u>

During the reporting period, the Group discounted certain bank bills receivable from certain banks in China or endorsed them to the Group's suppliers ("**Derecognized Bills**") and derecognized them on 30 June 2021. The carrying amounts of undue bills receivable that have been discounted and derecognized on 30 June 2021 are nil (31 December 2020: RMB66,417,852). As at 30 June 2021, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB46,066,699 (31 December 2020: RMB221,524,693). As at 30 June 2021, the remaining period of the derecognized bills was 1 to 6 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	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Unsecured loans	<u>1,455,554,072</u>	<u>1,033,657,703</u>

As at 30 June 2021, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB213,183,300 (31 December 2020: RMB112,200,000).

As at 30 June 2021, the Group did not have any overdue loans not yet repaid.

14. BILLS PAYABLE

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Commercial acceptance bills	339,021,338	351,632,323
Bank acceptance bills	<u>751,164,454</u>	<u>307,791,583</u>
Total	<u>1,090,185,792</u>	<u>659,423,906</u>

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

The above amounts were bills payable due within one year.

15. ACCOUNTS PAYABLE

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Due to related parties	94,771,991	134,266,119
Due to third parties	<u>1,593,714,088</u>	<u>1,405,357,780</u>
Total	<u>1,688,486,079</u>	<u>1,539,623,899</u>

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year (1 year inclusive)	1,629,159,233	1,510,602,611
Over 1 year but within 2 years (2 years inclusive)	28,706,519	7,169,532
Over 2 years but within 3 years (3 years inclusive)	18,355,510	17,031,826
Over 3 years	12,264,817	4,819,930
	<u>1,688,486,079</u>	<u>1,539,623,899</u>

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

16. LONG-TERM LOANS

Classification of long-term loans

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Unsecured loans	1,756,128,672	525,286,302
Less: long-term loans due within one year	<u>(321,428,672)</u>	<u>(586,302)</u>
Total	<u>1,434,700,000</u>	<u>524,700,000</u>

As at 30 June 2021, there were no overdue long-term loans. The above bank loans were fixed rate loans. The interest rates ranged from 1.20%-3.60% in 2021 (2020: 1.20%-2.70%).

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year (1 year inclusive)	1,776,982,744	1,034,244,005
Over 1 year but within 2 years (2 years inclusive)	332,700,000	482,700,000
Over 2 years but within 5 years (5 years inclusive)	<u>1,102,000,000</u>	<u>42,000,000</u>
	<u>3,211,682,744</u>	<u>1,558,944,005</u>

17. 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 2021 (Unaudited)	2020 (Unaudited)
The dividend was declared for the previous fiscal year during the reporting period was RMB0.216 per share (For the six months ended 30 June 2020: RMB0.318 per share)	<u>163,707,503</u>	<u>241,013,824</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2021, the Group's operating revenue reached approximately RMB4,351.7 million, increased by approximately 27.7% as compared to the same period of 2020 of approximately RMB3,406.8 million. The Group reported a gross profit of approximately RMB1,011.3 million, increased by approximately 18.9% as compared to the same period of 2020 of approximately RMB850.4 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB479.2 million, increased by approximately 82.5% as compared to the same period of 2020 of approximately RMB262.6 million. The Group's profit for the Period (exclusive of non-operating profit) attributable to the equity shareholders of the Company amounted to approximately RMB160.8 million, decreased by approximately 34.2% as compared to the same period of 2020 of approximately RMB244.4 million.

Basic earnings per share was RMB0.63 per share (for the six months ended 30 June 2020: RMB0.35 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 RMB4,351.7 million, representing an increase of approximately 27.7% as compared to the same period of 2020 of approximately RMB3,406.8 million.

By product segment, a total revenue of approximately RMB1,347.5 million was contributed from our optical fibre preform and optical fibre segment, representing an increase of 9.1% as compared to the same period of 2020 of approximately RM1,235.4 million and accounting for 31.0% of the Group's revenue; while a total revenue of RMB1,868.1 million was contributed by our optical fibre cable segment, representing an increase of 30.2% as compared to the same period of 2020 of approximately RMB1,435.3 million and accounting for 42.9% of the Group's revenue.

A total revenue of approximately RMB1,136.2 million was contributed by other products and services, representing an increase of 54.3% as compared to the same period of 2020 of approximately RMB736.1 million and accounting for 26.1% of the Group's revenue. The increase was mainly due to the substantial increase in revenue of approximately RMB358.2 million in optical modules, domestic and foreign communication network engineering projects, and integrated wiring business as compared to the same period last year.

By geographical segment, a total revenue of approximately RMB2,924.1 million was contributed by domestic customers, representing an increase of 16.4% as compared to the same period of 2020 of approximately RMB2,511.4 million and accounting for 67.2% of the Group's revenue. For overseas market, a total revenue of approximately RMB1,427.6 million was reported in the first half of 2021, representing an increase of 59.4% as compared to the same period of 2020 of approximately RMB895.4 million and accounting for approximately 32.8% of the Group's revenue.

Cost of sales

The Group's cost of sales for the Period was approximately RMB3,340.4 million, representing an increase of 30.7% as compared to the same period of 2020 of approximately RMB2,556.3 million and accounting for 76.8% of the Group's revenue. The increase in cost of sales was generally consistent with the increase of the Group's revenue.

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

For the Period, the Group's total raw material costs was approximately RMB2,798.0 million, representing an increase of 37.1% as compared to approximately RMB2,040.4 million during the first half of 2020.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB538.3 million, representing an increase of 5.8% as compared to RMB509.0 million during the first half of 2020.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of approximately RMB1,011.3 million, representing an increase of 18.9% as compared to approximately RMB850.4 million during the first half of 2020 and the gross profit margin was 23.2% in the first half of 2021 (the first half of 2020: 25.0%). The decrease in gross profit margin was mainly because the market prices following the central bidding by China Mobile imposed pressure on the profitability of the industry.

Selling expenses

The Group's selling expenses for the Period were approximately RMB248.1 million, representing an increase of 86.1% as compared to approximately RMB133.3 million during the first half of 2020. The increase was mainly due to the substantial increase of 59.4% in overseas operating income, which resulted in a significant increase in sales freight compared to the same period last year, and the impact of the COVID-19 epidemic and travel restriction caused travel expenses and hospitality expenses in the same period of last year to be lower than normal.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB285.1 million, representing an increase of 54.8% as compared to approximately RMB184.2 million during the first half of 2020. The increase was mainly due to the increase in salary expenditures in this period compared to the previous period, as well as the lower than normal levels of professional service expenses, travel and entertainment expenses in the same period last year due to the impact of the COVID-19 epidemic and travel restriction.

Research and development ("R&D") expenses

The Group's R&D expenses for the Period were approximately RMB200.8 million, representing an increase of 26.2% as compared to approximately RMB159.2 million during the first half of 2020. The increase was mainly due to the impact of the COVID-19 epidemic, which led to lower than normal R&D investment in the same period last year.

Financial expenses

The Group's financial expenses for the Period were approximately RMB47.0 million, basically the same as approximately RMB46.2 million during the first half of 2020.

The interest rates of the bank loans for the Period ranged from 0.55% to 4.10% per annum (For the six months ended 30 June 2020: 0.86% to 5.22% per annum).

Other income

The Group's other income for the Period was approximately RMB29.0 million, representing an increase of approximately RMB7.7 million as compared to the same period of 2020 of approximately RMB21.3 million in 2020, which was mainly because the government grants related to income increased by approximately RMB5.1 million, and government grants related to assets increased by approximately RMB2.6 million.

Gains from changes in fair value

The Group's gains from changes in fair value for the Period was approximately RMB321.1 million, representing an increase of approximately RMB0.1 million as compared to the same period of 2020 of approximately RMB321.0 million, 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

The Group's income tax for the Period was approximately RMB30.8 million, representing an increase of 164.3% as compared to approximately RMB11.6 million during the first half of 2020. On the other hand, the effective tax rate increased from 4.2% in the first half of 2020 to 6.0% in the first half of 2021. 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 RMB393.3 million (the first half of 2020: RMB144.4 million) in total, involving the purchase of fixed assets, construction-in-progress, intangible assets, which were mainly related to the production capacity expansion in China and overseas, as well as the improved production efficiency of existing optical fibre preforms and optical fibre equipment.

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 30 June 2021 was 13.8% (31 December 2020: 9.4%)

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 2021.

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(98,638,684)	(272,284,923)
Net cash used in investing activities	(678,870,019)	(381,499,408)
Net cash generated from financing activities	<u>1,775,251,237</u>	<u>941,070,945</u>
Effect of foreign exchange rate changes on cash and the equivalents	<u>(13,970,637)</u>	<u>(14,800,166)</u>
Net increase in cash and cash equivalents	<u><u>983,771,897</u></u>	<u><u>272,486,448</u></u>

The net cash used in the Group's operating activities decreased by approximately RMB173.6 million, which was mainly due to the increase of approximately RMB552.4 million in operating receivables, operating payables and inventories, while the increase in same period last year was approximately RMB776.1 million.

The net cash used in the Group's investing activities increased by approximately RMB297.4 million, which was mainly due to the Group's new equity instrument investment of approximately RMB99.6 million during the Period, and the delay of fixed assets and construction projects under construction in the same period of last year due to the impact of COVID-19.

The net cash generated from the Group's financing activities increased by approximately RMB834.2 million, which was mainly due to the Group's bank loans balance for the Period increased by approximately RMB1,652.7 million compared to the end of the previous year.

Cash and cash equivalents as at 30 June 2021 were cash at banks and on hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 30 June 2021, the Group's net current assets was approximately RMB6,370.2 million, increased by approximately RMB1,296.3 million from approximately RMB5,073.9 million as at 31 December 2020. The increase in net current assets was mainly due to (1) short-term borrowings and long-term borrowings due within one year increased, which resulted in a decrease in net current assets by approximately RMB742.7 million; (2) inventories increased by approximately RMB159.3 million; (3) cash at banks and on hand increased by approximately RMB982.8 million; (4) accounts receivable increased by approximately RMB993.6 million.

Bank loans

As at 30 June 2021, the Group's bank loans were approximately RMB3,211.7 million, representing an increase of approximately RMB1,652.8 million from approximately RMB1,558.9 million as at 31 December 2020. As at 30 June 2021, among the Group's bank loans, 3.1% were Euro loans, 17.7% were US Dollar loans, and 79.2% were RMB loans.

Commitments and contingencies

As at 30 June 2021, the Group's outstanding capital commitments on fixed assets were approximately RMB1,268.0 million (31 December 2020: approximately RMB1,472.5 million) and equity investment was nil (31 December 2020: nil). Out of the total amount of unsettled commitments as at 30 June 2021 of approximately RMB1,268.0 million (31 December 2020: approximately RMB1,472.5 million), a total of approximately RMB573.8 million (as at 31 December 2020: approximately RMB789.9 million) were contracted, and the balance of approximately RMB694.2 million (31 December 2020: approximately RMB682.6 million) were authorized by the Board but not yet contracted.

As at 30 June 2021, the Group did not have any material contingent liability.

Charge on assets

As at 30 June 2021, Ally First Optical Fibre and Cable Co.,Ltd., a subsidiary of the Company, secures properties and buildings with a book value of approximately RMB51.3 million and land use rights with a book value of approximately 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 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 and USD while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars, Euro, AUD, IDR, MXN, NZD, PEN, PHP, SGD, THB and ZAR. Most of the bank deposits are in RMB, US Dollars and Euro.

During the Period, due to the unfavourable fluctuations in exchange rate movements of RMB to IDR, US Dollar to IDR, and RMB to PHP. The amount of net foreign exchange loss of the Group were RMB12.5 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 on exchange rates and will consider entering into other hedging arrangements.

Employees and remuneration policies

As at 30 June 2021, the Group had approximately 6,595 full-time employees (31 December 2020: approximately 6,769 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 2021, the Company endorsed certain bank bills receivable with a carrying amount of approximately RMB46.1 million (31 December 2020: RMB287.9 million) to certain commercial banks in China and its suppliers.

Acquisition or Formation of New Presence

Yangtze (Wuhan) Optical System Corporation

In February 2021, the Company purchased 28.42% equity interest in Yangtze (Wuhan) Optical System Corporation (“**YOSC**”) held by Wuhan Yangtze Communications Industry Group Co., Ltd. (“**Yangtze Communications**”), the shareholder of the Company, at a cash consideration of RMB20,553,300 through public tender and sale by the Beijing Equity Exchange. After the completion of the acquisition, the Company holds 74.74% equity interest in YOSC. Further details of this acquisition are set out in the Company’s announcement dated 18 February 2021. The financial results of YOSC as a non-wholly owned subsidiary has been consolidated in the consolidated financial statements of the Group since February 2021.

Yangtze Communications holds approximately 15.82% of the total issued share capital of the Company and is therefore a substantial shareholder and hence a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). Accordingly, the acquisition constitutes a connected transaction under the Hong Kong Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

YOSC was established on 29 July 2004 in the PRC and is principally engaged in the development, manufacturing, processing and sales of specialty optical fibre, optical components, optical sensing and other optical system related product series.

Belden Poliron Indústria e Comércio de Cabos Especiais Ltda

In June 2021, YOFC International (Singapore) Pte. Ltd. (“**YOFC Singapore**”), a subsidiary of the Company, purchased 100% equity interests in Belden Poliron Indústria e Comércio de Cabos Especiais Ltda (“**YOFC Poliron**”) at the price of USD12,529,750. The financial results of YOFC Poliron as a wholly-owned subsidiary has been comprised in the consolidated financial statements of the Group since June 2021.

YOFC Poliron was established in April 1996 in Brazil, its businesses and services cover special cables used in petrochemical and chemical industries, offshore oil facilities and other industrial and building automation systems, and their cabling solutions.

Yangtze Optical Fibre and Cable (Poland) sp. z o.o.

On 14 April 2021, YOFC Singapore, a subsidiary of the Company, established Yangtze Optical Fibre and Cable (Poland) sp. z o.o. (“**YOFC Poland**”) in Poland. Its general business scope is the production and sales of optical fibers, optical cables and related products. YOFC Poland is 100% owned by YOFC Singapore and its paid-up share capital is PLN450,000. During the Period, YOFC Singapore had contributed PLN450,000 in cash.

The acquisition of YOFC Poliron and the establishment of YOFC Poland mentioned above did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

OUTLOOK

Since the second half of 2018, the optical fibre and cable industry has entered into a period of adjustment. Declining demand from telecommunication operators and increasing production capacity from previous expansion had an adverse impact on the demand and supply relationship of the industry, which resulted in the gradual drop of the average unit price of optical fibres and cables at home and abroad. At the same time, the rapid decrease in unit price put significant pressure on the profitability of the sector as the manufacturing cost was relatively constant. In response to the adjustment in the industry, the Company consolidated the international leading position of its principal businesses in terms of technology development and costs efficiency. It also made breakthroughs in diversification and internationalisation. Currently, China is accelerating the construction of the “double gigabit” telecommunication networks led by the 5G and gigabit optical networks. Regarding the overseas market, telecommunication infrastructure is becoming more important and the demand for optical fibre network construction is rising more quickly. Given that the domestic and overseas demand for the industry holds up well and rebounds, the Company is expected to achieve sustainable growth in the long run.

1. Demand Recovery and extreme price pressure

In the first half of 2021, the construction of mobile and fixed networks in China progressed steadily. According to the statistics published by the Ministry of Industry and Information Technology in August 2021, the number of 5G phone terminal connections in China reached 365 million as of the end of June 2021, representing a net increase of 166 million from the end of last year. The increase in 5G penetration led to the continuous growth in telecommunication network traffic. In the first half of the year, mobile internet traffic amounted to 98.9 billion GB, up by 37.4% as compared to the same period last year. In June, the monthly average data traffic per user (DOU) of mobile internet reached 13.52GB/user/month, representing an increase of 33.4% year-on-year and up by 1.6GB/user from the end of the last year. For the fixed network, a total of 510 million users connected to the fixed internet broadband services provided by the three basic telecommunication enterprises as of the end of June, representing a net increase of 26.06 million from the end of last year. Of which, 466 million users connected to fixed internet broadband with an access speed of 100Mbps or above, accounting for 91.5% of the total number of users and representing an increase of 1.6 percentage points from the end of last year. Meanwhile, 14.23 million users connected to fixed internet broadband with an access speed of 1,000 Mbps or above, representing a net increase of 7.83 million from the end of last year and accounting for 30.1% of the net growth of users connected to fixed internet broadband during the year.

The continuous rise of network traffic supported the construction of telecommunication networks. As of the end of June, the total length of optical cables throughout China amounted to 53.52 million kilometers, representing a net increase of 1.828 million kilometers from the end of last year. This facilitated further optimisation and upgrading of the optical fibre network. In the first half of 2021, the average price remained low for the industry and corporate profitability was under immense pressure. The prevailing price limit has led to the decrease in effective production capacity and the lack of supply incentives in the industry. With the resumption of growth in demand, the industry is experiencing a shortage of supply for optical fibres and the demand and supply structure is improving.

2. Improvement of production efficiency and optimisation of product structure

The Company improved the manufacturing process of fibre preforms, optical fibres and optical fibre cables on an ongoing basis, which boosted the efficiency of the supply chain and greatly reduced the manufacturing costs of common products. The Company completed the automation of the entire production process in the intelligent factories. It integrated and connected discrete process equipment and the separate workshop system with robotics and automatic logistics lines, thereby becoming the first in the industry to achieve automatic loading, unloading, transportation and logistics for the entire manufacturing process of fibre preforms. As a result, the automatic logistics system covered 100% of its main production process. The establishment of the digital supply chain for the entire process not only supported the full-cycle management of customers, products, orders and suppliers, but also created synergy in the planning of production, procurement, logistics and warehousing. This helped improve the response speed and delivery capability of the supply chain significantly. The fully digital supply chain of the Company was selected by the Ministry of Commerce to enter the list of the first batch of national demonstration cities and enterprises for supply chain innovation and applications, which highlighted the industry-leading response rate and stability of the supply chain system of the Company.

Meanwhile, the Company increased the share of high-end and customised products in its sales to strengthen its leading position in the niche markets. For the operator market, the Company enhanced the marketing efforts for its G.657.A2 and G.654.E products. As for the non-operator market, the optical fibre products, intelligent industrial control solutions and relevant products and services of the Company were applied by State Grid in its projects. In particular, the Shaanbei-Hubei $\pm 800\text{kV}$ ultra-high voltage direct current project of State Grid adopted the FarBand[®] ultra-strong and ultra-low loss G.654.E optical fibre, which achieved a breakthrough in long-distance transmission without repeaters by reaching a single-span transmission length of 467 kilometers. The high-end multi-mode optical fibres of the Company were widely used in large data centers in China and overseas. Its specialty optical fibre products for aviation, mining, healthcare and industrial lasers also made encouraging progress in the respective niche markets.

Despite the extreme price pressure, the above measures boosted the competitiveness and profitability of the principal businesses of the Company. In the first half of 2021, the average unit price of common optical fibre and cable products in the national central bidding decreased by approximately 30% as compared to the same period last year. Nonetheless, the gross profit margin of the Company reached 23.2% during the reporting period and remained stable as compared to 25.0% for the same period last year. Given the steady operating results of the Company, China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限公司) issued a long-term corporate credit rating of AAA and a stable outlook for the Company in May 2021, respectively.

3. Continuous business diversification

The year 2021 marks the beginning of the “14th Five-Year Plan”. Apart from the 5G network, the industrial internet, artificial intelligence and big data center sectors are also developing rapidly. According to the “Three-Year Action Plan for the Development of the New Type of Data Centers (2021-2023)” (新型數據中心發展三年行動計劃(2021-2023年)) issued by the Ministry of Industry and Information Technology in July 2021, China will establish a preliminary development pattern for the new type of data centers with reasonable planning, advanced technology, green and low carbon design and a computational capacity that is commensurate with the growth of the digital economy in three years’ time. Its target is to maintain the annual average growth rate of the number of racks for China’s data centers at around 20% and increase the average utilisation rate to above 60% by the end of 2023.

While strengthening the leading edge of traditional products, the Company put in substantial efforts to business diversification. For the optical module and transceiver business, Sunstar Communication Technology Company Limited (四川光恒通信技術有限公司), which was acquired by the Company in early 2020, continued to explore the data center market and seized opportunities in the procurement of optical modules by telecommunication operators. In the first half of 2021, it recorded an operating revenue of RMB333.3 million, representing an increase of approximately 42.9% as compared to the same period last year. Besides, Everpro Connectivity (Shenzhen) Technology Company Limited, which is a subsidiary of the Company, offered products and solutions that were widely applied in various fields, including data center, ultrahigh definition video, virtual reality, healthcare system and machine vision, thereby entering into the supply chain of large and well-known overseas customers.

4. Thorough implementation of internationalisation strategy

In the first half of 2021, the easing of certain pandemic prevention and control measures overseas and the increasing investment in telecommunication network infrastructure in various countries fuelled the growing demand for optical fibres and optical cables abroad. In a report published by CRU in July 2021, it was estimated that the global demand for optical fibres increased by 11.1% for the first half of 2021, as compared to the same period last year. By 2025, the global demand for optical fibres will exceed 600 million fibre kilometers.

Based on the demand level and profitability of the targeted overseas markets, the Company made reasonable plans for production capacity to ensure the thorough implementation of the internationalisation strategy. In the first half of 2021, revenue from the Company's overseas business reached RMB1,427.6 million, representing a rapid growth of approximately 59.4% from the same period last year and accounting for 32.8% of the total operating revenue. The Company's telecom network engineering project in Peru completed the construction of targeted base stations, despite the severe pandemic in the country. Besides, the Company set up project teams in Indonesia and Thailand. During the reporting period, the revenue of the Company's overseas telecom network engineering projects amounted to RMB144.9 million, representing an increase of approximately 107.9% from the same period last year. In June 2021, the Company completed the acquisition of 100% equity interests in YOFC Poliron, which marked a milestone for its business development in Brazil and Latin America. The Company will further optimise the overseas planning of sales and production capacity and support industry development on a global scale.

5. Synergetic growth with the capital market

Leveraging the leading core technologies in self-developed photoelectric chips and specialty optical fibres for consumers, as well as the complete industry chain and mass delivery capability for AOC products, Everpro Connectivity (Shenzhen) Technology Company Limited completed the A round financing with institutional investors including KQ Capital (昆橋基金) in the first quarter of 2021. In the first half of 2021, the fair value of shares invested by the Company in Hangzhou Semiconductor Wafer Co., Ltd. increased by approximately RMB320.0 million. The Company will capitalise on the investment and financing channels in the capital market in a reasonable manner, so as to promote its sustainable growth in the long run.

DIVIDEND

The board of directors of the Company did not recommend any interim dividend for the Period.

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

During the six months ended 30 June 2021, there were no purchase, sales or redemption of the Company's listed securities by the Company and its subsidiaries.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group which occurred after the Period and up to the date of 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 Hong Kong Listing Rules (the “**CG Code**”). 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 unaudited interim results of the Group for the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of 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 six months ended 30 June 2021.

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 Relevant 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 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 2021.

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 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