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Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

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

(Stock Code: 6869)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 of the Company and its subsidiaries (the “**Group**”) (the “**2021 Annual Results**”) in accordance with China Standards on Auditing for Certified Public Accountants.

FINANCIAL HIGHLIGHTS

- Operating income was RMB9,536.1 million (2020: RMB8,221.5 million), increased by approximately 16.0% (2020: increased by 5.8%).
- Gross profit and gross profit margin were RMB1,871.8 million (2020: RMB1,648.0 million) and 19.6% (2020: 20.0%), respectively.
- Net profit for the year attributable to equity shareholders of the Company was RMB708.5 million (2020: RMB543.7 million), increased by approximately 30.3% (2020: decreased by 32.1%).
- The Group’s revenue from domestic business increased by approximately 5.4% (2020: increased by 0.2%), when compared with the prior year. The Group’s overseas revenue increased by approximately 46.8% (2020: increased by 26.6%), when compared with the prior year.
- The Board recommended the payment of a final dividend of RMB0.281 per share (before tax) for the year ended 31 December 2021 (2020: RMB0.216).

* For identification purposes only

The Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 as follows:

Consolidated Income Statement

For the year ended 31 December 2021

(Expressed in Renminbi “RMB”)

	<i>Notes</i>	2021 (Audited)	2020 (Audited)
I. Operating income	4	9,536,075,578	8,221,542,967
II. Less: Operating costs	4	7,664,228,341	6,573,517,771
Taxes and surcharges		33,008,372	22,279,411
Selling and distribution expenses		269,827,126	231,304,032
General and administrative expenses		621,056,032	476,220,543
Research and development expenses		473,161,843	414,571,192
Financial expenses	5	122,793,614	60,876,636
Including: Interest expenses		94,362,560	49,943,119
Interest revenue		19,639,960	15,644,437
Add: Other income	6	76,787,615	127,390,031
Investment income		107,418,970	36,505,003
Including: Income from investment in associates and joint ventures		76,825,395	27,068,532
Gains from changes in fair value		339,084,437	94,152,688
Credit losses		(72,945,356)	(76,837,297)
Impairment losses		(83,675,970)	(45,091,143)
(Losses)/gains from asset disposals		(343,632)	1,758,577
III. Operating profit		718,326,314	580,651,241
Add: Non-operating income		32,993,001	4,441,780
Less: Non-operating expenses		3,318,146	5,852,078
IV. Profit before income tax		748,001,169	579,240,943
Less: Income tax expenses	7	27,325,435	35,040,964
V. Net profit for the year		720,675,734	544,199,979
Net profit for the year attributable to equity shareholders of the Company		708,506,406	543,677,809
Non-controlling interests		12,169,328	522,170

	<i>Notes</i>	2021 (Audited)	2020 (Audited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company		(7,088,727)	(43,692,418)
(1) Items that cannot be reclassified subsequently to profit or loss			
Changes in fair value of investments in other equity instruments		7,608,570	(13,414,036)
(2) Items that may be reclassified subsequently to profit or loss			
Translation differences arising from translation of foreign currency financial statements		(14,697,297)	(30,278,382)
Other comprehensive income (net of tax) attributable to non-controlling interests		(2,571,812)	(2,293,135)
VII. Total comprehensive income for the year		<u>711,015,195</u>	<u>498,214,426</u>
Total comprehensive income attributable to equity shareholders of the Company		701,417,679	499,985,391
Total comprehensive income attributable to non-controlling interests		9,597,516	(1,770,965)
VIII. Earnings per share:			
(1) Basic earnings per share	<i>8</i>	<u>0.94</u>	<u>0.72</u>
(2) Diluted earnings per share	<i>8</i>	<u>0.94</u>	<u>0.72</u>

Consolidated Balance Sheet
At 31 December 2021
(Expressed in Renminbi “RMB”)

	<i>Notes</i>	31 December 2021 (Audited)	31 December 2020 (Audited)
ASSETS:			
Current assets:			
Cash at bank and on hand		2,771,270,979	1,444,270,151
Financial assets held for trading		1,530,491,700	891,831,588
Bills receivable	<i>10</i>	418,221,770	274,422,718
Accounts receivable	<i>11</i>	4,160,711,743	3,776,762,957
Receivables under financing	<i>12</i>	84,479,696	138,133,247
Prepayments		146,270,862	199,027,986
Other receivables		134,828,819	143,998,093
Inventories		2,763,022,541	2,337,549,891
Other current assets		304,514,823	244,226,485
Total current assets		12,313,812,933	9,450,223,116
Non-current assets:			
Long-term equity investments		1,684,470,508	1,636,031,916
Investments in other equity instruments		50,329,539	41,378,280
Other non-current financial assets		47,470,870	45,378,370
Fixed assets		3,763,663,869	3,694,140,835
Construction in progress		608,357,734	258,911,145
Right-of-use assets		46,693,199	76,251,881
Intangible assets		314,484,005	342,005,409
Goodwill		27,145,122	20,027,705
Long-term deferred expenses		18,829,365	9,129,148
Deferred tax assets		144,414,651	138,033,575
Other non-current assets		458,977,298	144,086,014
Total non-current assets		7,164,836,160	6,405,374,278
Total assets		19,478,649,093	15,855,597,394

	<i>Notes</i>	31 December 2021 (Audited)	31 December 2020 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	<i>13</i>	1,717,697,001	1,033,657,703
Financial liabilities held for trading		2,144,400	–
Bills payable	<i>14</i>	940,550,221	659,423,906
Accounts payable	<i>15</i>	1,773,023,142	1,539,623,899
Contract liabilities		762,017,133	360,704,641
Employee benefits payable		260,469,853	252,632,361
Taxes payable		90,519,103	93,383,446
Other payables		452,225,764	372,357,376
Non-current liabilities due within one year		533,393,055	39,960,759
Other current liabilities		<u>30,891,253</u>	<u>24,605,476</u>
Total current liabilities		<u><u>6,562,930,925</u></u>	<u><u>4,376,349,567</u></u>
Non-current liabilities:			
Long-term bank loans	<i>16</i>	1,289,500,000	524,700,000
Debenture payable		488,075,933	487,575,358
Lease liabilities		37,516,751	58,456,419
Deferred income		281,246,701	260,265,226
Deferred tax liabilities		10,583,862	11,448,729
Other non-current liabilities		<u>223,767,404</u>	<u>751,278,679</u>
Total non-current liabilities		<u><u>2,330,690,651</u></u>	<u><u>2,093,724,411</u></u>
Total liabilities		<u><u>8,893,621,576</u></u>	<u><u>6,470,073,978</u></u>
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		3,561,131,050	3,364,333,115
Less: Treasury stock		33,653,461	33,653,461
Other comprehensive income		(13,001,149)	(5,912,422)
Surplus reserve		647,934,100	636,629,870
Retained earnings		<u>4,861,682,295</u>	<u>4,328,187,622</u>
Total equity attributable to shareholders of the Company		<u>9,781,997,943</u>	9,047,489,832
Non-controlling interests		<u>803,029,574</u>	<u>338,033,584</u>
Total shareholders' equity		<u><u>10,585,027,517</u></u>	<u><u>9,385,523,416</u></u>
Total liabilities and shareholders' equity		<u><u>19,478,649,093</u></u>	<u><u>15,855,597,394</u></u>

Notes:

1. CORPORATE INFORMATION

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

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

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

The China Securities Regulatory Commission 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	2021 (Audited)		2020 (Audited)	
	Income	Cost	Income	Cost
Principal activities	9,410,612,490	7,568,264,708	8,035,411,039	6,410,189,869
Other operating activities	125,463,088	95,963,633	186,131,928	163,327,902
Total	<u>9,536,075,578</u>	<u>7,664,228,341</u>	<u>8,221,542,967</u>	<u>6,573,517,771</u>
Including: Operating income generated from contract	9,536,075,578	7,664,228,341	8,221,542,967	6,573,517,771

Details of operating income:

	2021 (Audited)	2020 (Audited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	2,918,504,246	2,952,996,546
– Optical fibre cables	3,920,795,824	3,287,516,698
– Other sales	2,571,312,420	1,794,897,795
Sub-total	9,410,612,490	8,035,411,039
Revenue from other operating activities		
– Materials	79,140,613	151,413,071
– Others	46,322,475	34,718,857
Total	<u>9,536,075,578</u>	<u>8,221,542,967</u>

5. Financial expenses

Item	2021 (Audited)	2020 (Audited)
Interest expenses on loans and payables	96,589,570	47,415,313
Interest on lease liabilities	2,493,685	4,217,521
Less: Borrowing costs capitalised*	4,720,695	1,689,715
Interest income from deposits	(19,639,960)	(15,644,437)
Net exchange losses	36,842,862	19,050,478
Other financial expenses	11,228,152	7,527,476
Total	<u>122,793,614</u>	<u>60,876,636</u>

* The interest rate per annum, at which the borrowing costs were capitalized for the 2021 and 2020 by the Group was 0.23% and 0.17% respectively.

6. Other income

Item	2021 (Audited)	2020 (Audited)
Government grants related to assets	29,444,334	27,965,271
Government grants related to income	47,343,281	99,424,760
Total	<u>76,787,615</u>	<u>127,390,031</u>

7. Income tax expenses

Item	2021 (Audited)	2020 (Audited)
Income tax expenses for the year based on tax laws and regulations	38,156,837	69,418,491
Changes in deferred income tax	(5,575,531)	(35,368,279)
Tax filling differences	(5,255,871)	990,752
Total	<u>27,325,435</u>	<u>35,040,964</u>

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

Item	2021 (Audited)	2020 (Audited)
Originations and reversals of temporary differences	(5,575,531)	(35,368,279)
Total	<u>(5,575,531)</u>	<u>(35,368,279)</u>

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

Item	2021 (Audited)	2020 (Audited)
Profit before income tax	748,001,169	579,240,943
Income tax expenses calculated at tax rate of 25%	187,000,292	144,810,236
Effect of tax rate differences	(24,077,660)	(16,774,318)
Effect of tax filling difference	(5,255,871)	990,752
Effect of non-taxable income	(31,074,082)	(5,131,493)
Effect of non-deductible cost, expense and loss	5,475,515	5,368,386
Effect of temporary differences from using the former unrecognised deferred tax assets	(17,792,422)	(44,903,475)
Additional qualified tax deduction relating to research and development costs	(106,100,921)	(56,775,855)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	19,150,584	7,456,731
Income tax expenses for the year	<u>27,325,435</u>	<u>35,040,964</u>

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

According to the High-tech Enterprise Certificate No. GR202042002069 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, from 1 December 2020 to 1 December 2023, the Company would be entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments in deductions from research and development costs.

According to the High-tech Enterprise Certificate No. 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 newly issued High-tech Enterprise Certificate No. GR202142001875 EverPro Technologies Company Limited, 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 15 November 2021 to 15 November 2024.

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 newly issued High-tech Enterprise Certificate No. GR202162000094 Yangtze Optical Fibre and Cable Lanzhou 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 16 September 2021 to 16 September 2024.

According to the High-tech Enterprise Certificate No. GR202042000356 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, Yangtze Optical Fibre (Qianjiang) Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 1 December 2020 to 1 December 2023.

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

According to the High-tech Enterprise Certificate No. 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 newly issued High-tech Enterprise Certificate No. GR GR202133007123 Ally First Optical Fibre and Cable 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 16 December 2021 to 16 December 2024.

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

According to the High-tech Enterprise Certificate No. GR202051000140 issued by Sichuan Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan Provincial Tax Service, State Taxation Administration, Finetop Science & Technology Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 14 October 2019 to 14 October 2022.

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

According to the High-tech Enterprise Certificate No. 202121000452 issued by the Department of Science and Technology of Liaoning Province, the Department of Finance of Liaoning Province and the Liaoning Provincial Taxation Bureau of the State Administration of Taxation, from 24 September 2021 to 24 September 2024, the Company's subsidiary, Yangtze Optical Fibre and Cable Shenyang Co., Ltd., enjoys the qualification of high-tech enterprise and enjoys a preferential tax rate of 15%.

According to the High-tech Enterprise Certificate No. 202112002942 issued by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau and the Tianjin Municipal Tax Service, State Taxation Administration from 3 December 2021 to 3 December 2024, Yangtze Optical Fibre and Cable (Tianjin) Company Limited., a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

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:

	2021 (Audited)	2020 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>708,506,406</u>	<u>543,677,809</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	432,000	636,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<u>708,074,406</u>	543,041,809
Weighted average number of ordinary shares outstanding	<u>755,905,108</u>	<u>755,905,108</u>
Basic earnings per share (RMB/share)	<u>0.94</u>	<u>0.72</u>

Weighted average number of ordinary shares is calculated as follows:

	2021 (Audited)	2020 (Audited)
Issued ordinary shares at the beginning of the year	757,905,108	757,905,108
Effect from restricted shares in employee share ownership plan (note)	(2,000,000)	(2,000,000)
Weighted average number of ordinary shares at the end of the year	<u>755,905,108</u>	<u>755,905,108</u>

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

(2) Diluted earnings per share

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

		2021 (Audited)	2020 (Audited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	<i>(a)</i>	<u>708,506,406</u>	<u>543,359,809</u>
Weighted average number of ordinary shares outstanding (diluted)	<i>(b)</i>	<u>757,500,900</u>	<u>756,704,890</u>
Diluted earnings per share (RMB/share)		<u>0.94</u>	<u>0.72</u>

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

	2021 (Audited)	2020 (Audited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	708,074,406	543,041,809
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>432,000</u>	<u>318,000</u>
Consolidated net profit attributable to ordinary shareholders (diluted)	<u>708,506,406</u>	<u>543,359,809</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:

	2021 (Audited)	2020 (Audited)
Weighted average number of ordinary shares at 31 December	<u>755,905,108</u>	<u>755,905,108</u>
Diluted adjustments:		
Effect from restricted shares in employee share ownership plan	1,595,792	799,782
Weighted average number of ordinary shares (diluted) at 31 December	<u>757,500,900</u>	<u>756,704,890</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	2021 (Audited)						Total
	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount		
Operating income from external transactions	2,918,504,246	3,920,795,824	2,696,775,508	-	-	9,536,075,578	
Inter-segment operating income	481,010,154	92,376,742	465,452,551	(1,038,839,447)	-	-	
Segment profit	1,293,606,435	343,283,304	390,500,377	(155,542,879)	-	1,871,847,237	
Including: Depreciation and amortisation expenses	(221,712,113)	(37,417,193)	(138,825,151)	754,717	-	(397,199,740)	
Taxes and surcharges	-	-	-	-	(33,008,372)	(33,008,372)	
Selling and distribution expenses	-	-	-	-	(269,827,126)	(269,827,126)	
General and administration expenses	-	-	-	-	(621,056,032)	(621,056,032)	
Research and development expenses	-	-	-	-	(473,161,843)	(473,161,843)	
Financial expenses	-	-	-	-	(122,793,614)	(122,793,614)	
Other income	-	-	-	-	76,787,615	76,787,615	
Investment income	-	-	-	-	107,418,970	107,418,970	

10. Bills receivable

(1) Bills receivable by category

Type	31 December 2021 (Audited)	31 December 2020 (Audited)
Bank acceptance bills	269,332,609	126,397,295
Commercial acceptance bills	148,889,161	148,025,423
Total	<u>418,221,770</u>	<u>274,422,718</u>

As at 31 December 2021, the aforementioned bills receivable were due within one year.

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

As at 31 December 2021, the Group's bills receivable pledged was approximately RMB0.9 million.

(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 2021 (Audited)	Amount not yet derecognized at the end of 2021 (Audited)
Bank acceptance bills	<u>–</u>	<u>68,984,145</u>

As at 31 December 2021, the Group continued to recognize discounted bills and endorsed bills of RMB31,603,159 and RMB37,380,986 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 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 2021, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB31,603,159 and RMB37,380,986 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 are as follows:

Type	31 December 2021 (Audited)	31 December 2020 (Audited)
Due from related parties	167,979,202	135,247,149
Due from third parties	4,247,810,257	3,826,462,268
Sub-total	4,415,789,459	3,961,709,417
Less: allowance for doubtful debts	255,077,716	184,946,460
Total	<u>4,160,711,743</u>	<u>3,776,762,957</u>

(2) Ageing analysis of accounts receivable:

Ageing	31 December 2021 (Audited)	31 December 2020 (Audited)
Within 1 year (1 year inclusive)	3,578,756,146	3,256,130,969
1 to 2 years (2 years inclusive)	505,001,422	534,582,449
2 to 3 years (3 years inclusive)	220,359,869	102,414,018
Over 3 years	111,672,022	68,581,981
Sub-total	4,415,789,459	3,961,709,417
Less: allowance for doubtful debts	255,077,716	184,946,460
Total	<u>4,160,711,743</u>	<u>3,776,762,957</u>

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

(3) Analysis of accounts receivable by category:

Category	31 December 2021 (Audited)				Carrying amount
	Book value	Proportion	Allowance for doubtful debts	Provision proportion	
	Amount	(%)	Amount	(%)	
Individually assessed for impairment customers which credit losses incurred	17,433,058	0%	17,433,058	100%	-
Collectively assessed for impairment by group					
Group 1	167,979,202	4%	2,817,417	2%	165,161,785
Group 2	1,973,452,421	45%	118,344,521	6%	1,855,107,900
Group 3	2,256,924,778	51%	116,482,720	5%	2,140,442,058
Total	<u>4,415,789,459</u>	<u>100%</u>	<u>255,077,716</u>	<u>6%</u>	<u>4,160,711,743</u>

Category	31 December 2020 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Individually assessed for impairment customers which credit losses incurred	18,910,452	0%	18,910,452	100%	–
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	1,986,470,200	50%	93,143,324	5%	1,893,326,876
Total	<u>3,961,709,417</u>	<u>100%</u>	<u>184,946,460</u>	<u>5%</u>	<u>3,776,762,957</u>

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

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 2021

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.

2021 (Audited)

Group 1	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.32%	157,913,190	505,322
Overdue 1 to 2 years (2 years inclusive)	22.69%	10,023,016	2,274,222
Overdue 2 to 3 years (3 years inclusive)	86.25%	37,258	32,135
Overdue Over 3 years	100.00%	5,738	5,738
Total		<u>167,979,202</u>	<u>2,817,417</u>

Group 2	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.95%	1,694,413,054	16,096,923
Overdue 1 to 2 years (2 years inclusive)	11.89%	148,610,579	17,669,798
Overdue 2 to 3 years (3 years inclusive)	44.14%	82,081,970	36,230,982
Overdue Over 3 years	100.00%	48,346,818	48,346,818
Total		<u>1,973,452,421</u>	<u>118,344,521</u>

Group 3	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.46%	2,065,490,985	50,810,660
Overdue 1 to 2 years (2 years inclusive)	11.64%	121,464,699	14,138,491
Overdue 2 to 3 years (3 years inclusive)	59.03%	44,997,621	26,562,096
Overdue Over 3 years	100.00%	24,971,473	24,971,473
Total		<u>2,256,924,778</u>	<u>116,482,720</u>

2020 (Audited)

Group 1	Expected credit loss rate	Book value	Allowance for doubtful debts\
No overdue and overdue within 1 year (1 year inclusive)	0.32%	134,402,215	427,801
Overdue 1 to 2 years (2 years inclusive)	22.12%	777,938	172,085
Overdue 2 to 3 years (3 years inclusive)	87.11%	66,464	57,895
Overdue Over 3 years	100.00%	532	532
Total		<u>135,247,149</u>	<u>658,313</u>

Group 2	Expected credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.90%	1,601,340,170	14,416,502
Overdue 1 to 2 years (2 years inclusive)	10.88%	164,333,243	17,881,666
Overdue 2 to 3 years (3 years inclusive)	43.36%	27,317,220	11,845,220
Overdue 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 credit loss rate	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.44%	1,828,468,881	44,638,576
Overdue 1 to 2 years (2 years inclusive)	11.57%	115,676,448	13,378,853
Overdue 2 to 3 years (3 years inclusive)	58.88%	17,506,472	10,307,496
Overdue Over 3 years	100.00%	24,818,399	24,818,399
Total		<u>1,986,470,200</u>	<u>93,143,324</u>

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

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

	31 December 2021 (Audited)	31 December 2020 (Audited)
Balance at the beginning of the year	184,946,460	112,926,674
Addition during the year	74,143,226	79,814,508
Reversal during the year	(1,197,870)	(2,977,211)
Written-off during the year	(5,359,915)	(7,140,079)
Increase by business combination not under common control	2,545,815	2,322,568
Balance at the end of the year	<u>255,077,716</u>	<u>184,946,460</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 2021 and 31 December 2020, the subtotal of five largest accounts receivable of the Group is RMB1,608,355,032 and RMB1,502,391,507, respectively, representing 36% and 38% of the total balance of accounts receivable respectively. The corresponding allowance for doubtful debts is RMB66,215,242 and RMB49,269,723, respectively.

12. **Receivables under financing**

Item	31 December 2021 (Audited)	31 December 2020 (Audited)
Bills receivable	<u>84,479,696</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 zero.

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

Type	Amount derecognized at the end of 2021 (Audited)	Amount not yet derecognized at the end of 2021 (Audited)
Bank acceptance bills	<u>242,499,693</u>	<u>—</u>

In 2021, 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 2021. The carrying amounts of undue bills receivable that have been discounted and derecognized on 31 December 2021 and 31 December 2020 are RMB181,064,533 and RMB66,417,852 respectively. As at 31 December 2021 and 31 December 2020 the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB61,435,160 and RMB221,524,693 respectively. As at 31 December 2021, the remaining period of the derecognized bills was 1 to 11 months.

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

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

13. Short-term loans

Item	31 December 2021 (Audited)	31 December 2020 (Audited)
Unsecured loans	1,716,812,562	1,033,657,703
Pledged loans	884,439	–
Total	<u>1,717,697,001</u>	<u>1,033,657,703</u>

As at 31 December 2021, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB210,398,100 (2020: RMB112,200,000).

As at 31 December 2021, the Group did not have any overdue loans not yet repaid.

14. Bills payable

Item	31 December 2021 (Audited)	31 December 2020 (Audited)
Commercial acceptance bills	456,527,048	351,632,323
Bank acceptance bills	484,023,173	307,791,583
Total	<u>940,550,221</u>	<u>659,423,906</u>

The Group did not have any bills payable due and unpaid. The above amounts are bills payable due within one year.

15. Accounts payable

Item	31 December 2021 (Audited)	31 December 2020 (Audited)
Due to related parties	153,544,874	134,266,119
Due to third parties	1,619,478,268	1,405,357,780
Total	<u>1,773,023,142</u>	<u>1,539,623,899</u>

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

Item	31 December 2021 (Audited)	31 December 2020 (Audited)
Within 1 year (1 year inclusive)	1,715,099,396	1,510,602,611
1 to 2 years (2 years inclusive)	36,281,617	7,169,532
2 to 3 years (3 years inclusive)	6,157,435	17,031,826
Over 3 years	15,484,694	4,819,930
Total	<u>1,773,023,142</u>	<u>1,539,623,899</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 2021 (Audited)	31 December 2020 (Audited)
Unsecured loans	1,794,743,174	525,286,302
Less: non-current bank loans due within one year	505,243,174	586,302
Total	<u>1,289,500,000</u>	<u>524,700,000</u>

As at 31 December 2021, there was no overdue long-term loans. The above bank loans were fixed rate loans of which interest rate was 1.2%-3.6% (2020: 1.2%-2.7%), the interest rate of floating rate loan is the quoted interest rate of one-year loan market minus 0.61% to the quoted interest rate of one-year loan market minus 0.11%.

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

	2021 (Audited)	2020 (Audited)
Within 1 year (1 year inclusive)	2,222,940,175	1,034,244,005
1 to 2 years (2 years inclusive)	92,000,000	482,700,000
2 to 5 years (5 years inclusive)	1,197,500,000	42,000,000
Total	<u>3,512,440,175</u>	<u>1,558,944,005</u>

17. Dividends

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

	2021 (Audited)	2020 (Audited)
Final dividend proposed after the end of the reporting period of RMB0.281 per ordinary share (2020: RMB0.216)	212,971,335	163,707,503

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

	2021 (Audited)	2020 (Audited)
Final dividend paid in respect of the previous financial year	163,707,503	241,013,824

18. Changes of accounting policies

(1) Description and reasons of changes in accounting policies

The following accounting standards take effect for annual periods beginning on or after 1 January 2021 and are relevant to the Company:

- CAS Bulletin No.14 (Caikuai [2021] No.1) (“**Bulletin No. 14**”)
- Notice of Extending the Applicable Period of ‘Accounting Treatment of COVID-19 Related Rent Concessions’ (Caikuai [2021] No.9)

(a) **Bulletin No.14**

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

(i) “Public-private partnership” (PPP) arrangements

Bulletin No.14 clarifies the features and conditions of PPP arrangements, sets out the accounting and disclosure requirements of a private entity in PPP arrangements. Item 5 of CAS Bulletin No.2 (Caikuai [2008] No.11) on “How to account for entities participating in public infrastructure construction businesses under build-operate-transfer arrangement” is repealed accordingly.

PPP arrangements which are commenced before 31 December 2020 and not completed on the implementation date and new PPP arrangements occurred during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings and other relevant line items in the financial statements for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(ii) *Benchmark interest rate reform*

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(b) **Caikuai [2021] No.9**

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic, and combining the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022. Cumulative effects of adopting [2021] No.9 are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

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

(c) **Presentation transportation costs**

(i) *Presentation of transportation costs*

According to the implementation question and answer on transportation costs issued by the MOF, the transportation costs incurred to fulfill a contract before control of the goods is transferred, the Group has recognised such costs as contract fulfillment costs and presented as “operating costs” in the income statement. Previously, such costs were presented as “selling expenses”. The Group has applied the above changes in accounting policies retrospectively.

(ii) *Effects on financial reports*

The effects on each of the line items in the consolidated income statement and company income statement as at 31 December 2021 are analysed as follows:

	Increase/(decrease) in the line items as a result of applying new accounting policies	
	The Group (Audited)	The Company (Audited)
Operating costs	333,560,114	279,180,304
Selling and distribution expenses	<u>(333,560,114)</u>	<u>(279,180,304)</u>

Effects of the above changes in accounting policies on the consolidated income statement and company income statement, opening and closing balances of owners’ equity for 2020 are summarised as follows:

	2020 Net profit	The Group 2020 Closing balance of owners’ equity	2020 Opening balance of owners’ equity
Net profit and owners’ equity before adjustments	544,199,979	9,385,523,416	8,942,132,767
Operating costs	139,618,562	–	–
Selling and distribution expenses	(139,618,562)	–	–
Net profit and owners’ equity after adjustments	<u>544,199,979</u>	<u>9,385,523,416</u>	<u>8,942,132,767</u>

	2020 Net profit	The Company 2020 Closing balance of owners’ equity	2020 Opening balance of owners’ equity
Net profit and owners’ equity before adjustments	226,084,604	7,747,296,379	7,764,415,076
Operating costs	102,029,175	–	–
Selling and distribution expenses	(102,029,175)	–	–
Net profit and owners’ equity after adjustments	<u>226,084,604</u>	<u>7,747,296,379</u>	<u>7,764,415,076</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year, the Group's operating income was approximately RMB9,536.1 million, increased by approximately 16.0% as compared to 2020 of approximately RMB8,221.5 million. The Group reported a gross profit of RMB1,871.8 million, increased by approximately 13.6% as compared to 2020 of approximately RMB1,648.0 million. The Group's net profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB708.5 million, increased by approximately 30.3% as compared to 2020 of approximately RMB543.7 million.

Basic earnings per share was RMB0.94 per share (2020: RMB0.72 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 2021 was approximately RMB9,536.1 million, representing an increase of 16.0% as compared to 2020 of approximately RMB8,221.5 million.

By product segment, a total revenue of approximately RMB2,918.5 million was contributed from our optical fibres and optical fibre preforms segment, representing a decrease of 1.2% as compared to 2020 of approximately RMB2,953.0 million and accounting for 30.6% (2020: 35.9%) of the Group's revenue; while a total revenue of approximately RMB3,920.8 million was contributed by our optical fibre cables segment, representing an increase of 19.3% as compared to 2020 of approximately RMB3,287.5 million and accounting for 41.1% (2020: 40.0%) of the Group's revenue.

A total revenue of approximately RMB2,696.8 million was contributed by others, representing an increase of 36.1% as compared to 2020 of approximately RMB1,981.0 million and accounting for 28.3% (2020: 24.1%) of the Group's revenue. The increase was mainly due to the substantial increase in revenue 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 RMB6,449.8 million was contributed by domestic customers, representing an increase of 5.4% (2020: increase of 0.2%) as compared to 2020 of approximately RMB6,119.0 million and accounting for 67.6% of the Group's revenue. For overseas market, a total revenue of approximately RMB3,086.3 million was reported in 2021, representing an increase of 46.8% (2020: increase of 26.6%) as compared to 2020 of approximately RMB2,102.5 million and accounting for approximately 32.4% of the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2021 was approximately RMB7,664.2 million, representing an increase of 16.6% as compared to 2020 of approximately RMB6,573.5 million and accounting for 80.4% of the Group's revenue. The increase in cost of sales was in line with the increase in operating revenue.

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

In 2021, the Group's total raw material costs was approximately RMB6,070.8 million, representing an increase of 15.1% as compared to approximately RMB5,276.0 million in 2020.

For the year ended 31 December 2021, the Group's manufacturing overheads and direct labour cost amounted to approximately RMB1,590.5 million, representing an increase of 23.3% as compared to RMB1,290.4 million in 2020.

Gross profit and gross profit margin

For the year ended 31 December 2021, the Group reported a gross profit of RMB1,871.8 million, representing an increase of 13.6% as compared to RMB1,648.0 million in 2020 and the gross profit margin decreased to 19.6% in 2021 (2020: 20.0%).

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2021 were RMB269.8 million, representing an increase of 16.7% as compared to RMB231.3 million in 2020. The increase was mainly due to the expansion in overseas market which resulted in an increase of salary and sales commissions.

General and administrative expenses

The Group's general and administrative expenses for the year ended 31 December 2021 were RMB621.1 million, representing an increase of 30.4% as compared to RMB476.2 million in 2020. The increase was mainly due to the increase of remuneration and the progress of diversification businesses.

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2021 were RMB473.2 million, representing an increase of 14.1% as compared to RMB414.6 million in 2020, which was mainly due to the increase in salary expenses of R&D personnel.

Financial expenses

The Group's financial expenses for the year ended 31 December 2021 were RMB122.8 million, representing an increase of RMB61.9 million as compared to RMB60.9 million in 2020, which was due to the increase of bank loans which resulted increase in interest expenses.

The interest rates of the bank loans in 2021 ranged from 0.054% to 4.10% per annum (2020: 0.095% to 5.00% per annum), while the annual effective interest rate for the borrowings in 2021 was 2.89% (2020: 2.37%).

Other income

The Group's other income for the year ended 31 December 2021 was RMB76.8 million, representing a decrease of approximately RMB50.6 million as compared to RMB127.4 million in 2020, which was mainly because the government grants related to income decreased by approximately RMB52.1 million, which was offset by an increase in government grants related to assets of approximately RMB1.5 million.

Gains from changes in fair value

The Group's gains from changes in fair value for the year ended 31 December 2021 was RMB339.1 million, representing an increase of approximately RMB244.9 million as compared to RMB94.2 million in 2020, 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 2021 was RMB27.3 million, representing a decrease of 22.0% as compared to RMB35.0 million in 2020, while the effective tax rate decreased from 6.0% in 2020 to 3.7% in 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 year, the Group incurred capital expenditures of approximately RMB794.6 million (2020: RMB483.1 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 and expenditure on purchasing and building ships to build the submarine cable engineering capacity of Baosheng YOFC Marine Engineering Company Limited, a subsidiary of the Company.

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 2021 was 14.5% (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 year ended 31 December 2021.

	2021 (Audited)	2020 (Audited)
Net cash generated from operating activities	526,744,742	140,866,409
Net cash used in investing activities	(1,389,534,490)	(1,550,713,839)
Net cash generated from financing activities	2,288,942,733	719,479,615
Effect of foreign exchange rate changes on cash and the equivalents	(42,587,264)	(31,584,664)
Net increase/(decrease) in cash and cash equivalents	<u>1,383,565,721</u>	<u>(721,952,479)</u>

The net cash generated from the Group's operating activities increased by approximately RMB385.9 million, which was mainly due to the increase of approximately RMB496.2 million in operating receivables, while the increase in same period of last year was approximately RMB822.4 million.

Net cash used in the Group's investing activities decreased by approximately RMB161.2 million, which was mainly due to the increased investment of approximately RMB464.5 million in acquisition and construction of fixed assets and intangible assets, while the net cash paid by investment decreased by approximately RMB606.7 million compared to the end of the 2020.

Net cash generated from the Group's financing activities increased by approximately RMB1,569.5 million, which was mainly due to the Group's bank loans balance for the year increased by approximately RMB1,953.5 million compared to the end of the 2020, while the bank loans at the end of 2020 increased by approximately RMB600.3 million compared to the end of the 2019.

Cash and cash equivalents as at 31 December 2021 were cash at banks and in hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 31 December 2021, the Group's net current assets was RMB5,750.9 million, representing an increase of approximately RMB677.0 million as compared to RMB5,073.9 million as at 31 December 2020. 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 RMB1,965.7 million; (2) inventories increased by approximately RMB425.5 million; (3) short-term loans and non-current liabilities due within one year increased by approximately RMB1,177.5 million; and (4) contract liabilities increased by approximately RMB401.3 million.

Bank loans

As at 31 December 2021, the Group's bank loans were RMB3,512.4 million, representing an increase of RMB1,953.5 million from approximately RMB1,558.9 million as at 31 December 2020. As at 31 December 2021, 47.3% of the Group's bank loans were floating-rate loans and 52.7% were fixed-rate loans. Among the Group's bank loans, 3.8% were EUR dollar loans, 16.9% were US dollar loans, and the remaining 79.3% were mainly RMB loans.

Commitments and contingencies

As at 31 December 2021, the Group's outstanding capital commitments on fixed assets were approximately RMB1,831.8 million (2020: approximately RMB1,472.5 million), and equity investment was nil (2020: nil). Out of the total amount of unsettled commitments as at 31 December 2021 of approximately RMB1,831.8 million (2020: RMB1,472.5 million), a total amount of approximately RMB1,311.2 million (2020: approximately RMB789.9 million) were contracted, and the balance of approximately RMB520.6 million (2020: approximately RMB682.6 million) were authorized but not yet contracted by the Board.

As at 31 December 2021, the Group did not have any material contingent liability.

Charge on assets

As at 31 December 2021, the Group's bills receivable with a cost of RMB0.9 million were pledged as collaterals to secure loans of RMB0.9 million.

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 was impacted by the unfavourable fluctuations in exchange rate movements between RMB and US Dollars, IDR, PHP and PEN. The amount of net foreign exchange losses were approximately RMB36.8 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 2021, the Group had approximately 7,889 full-time employees (2020: 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 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 2021, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB242.5 million (2020: RMB287.9 million) to certain commercial banks in China and its suppliers.

ACQUISITION AND FORMATION OF NEW PRESENCES

Yangtze (Wuhan) Optical System Co., Ltd.

In February 2021, the Company purchased 28.42% equity interest in Yangtze (Wuhan) Optical System Co., Ltd. ("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 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.

YOFC 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 YOFC Poliron Indústria e Comércio de Cabos Especiais Ltda (Formerly name as “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 fibres, 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.

EverPro (Shanghai) Technologies Company Limited

On 27 July 2021, EverPro Technologies Company Limited (“**Everpro**”), a subsidiary of the Company, established EverPro (Shanghai) Technologies Company Limited (“**Everpro Shanghai**”) in Shanghai. Its general business scope is intelligent control system integration; development of artificial intelligence application software; generic cabling products (cables, connectors, cable components, wiring products for access network, communication series products). Everpro Shanghai is 100% owned by Everpro and its paid-up share capital is RMB10,000,000. During the period, Everpro has contributed RMB300,000 in cash.

EverPro (Hanchuan) Technologies Company Limited

On 20 October 2021, EverPro Technologies Company Limited (“**Everpro**”), a subsidiary of the Company, established EverPro (Hanchuan) Technologies Company Limited (“**Everpro Hanchuan**”) in Hanchuan, Hubei province. Its general business scope is sales and production of optical communication equipment, optical cable and network equipment; sales of intelligent power transmission and distribution and control equipment; production of Internet of things equipment. Everpro Hanchuan is 100% owned by Everpro and its paid-up share capital is RMB50,000,000. During the period, Everpro has contributed RMB20,000,000 in cash.

Yangtze Optical Fibre and Cable Hanchuan Company Limited

On 17 September 2021, the Company established Yangtze Optical Fibre and Cable Hanchuan Company Limited (“**YOFC Hanchuan**”) in Hanchuan, Hubei province. Its general business scope is production and sales of optical fibre and optical cable; wire and cable business; production and sales of Optoelectronic device. YOFC Hanchuan is 100% owned by the Company and its paid-up share capital is RMB100,000,000. During the period, the Company has contributed RMB70,000,000 in cash.

Save as disclosed above, 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.

OUTLOOK

In 2021, the Company was under operating pressure brought by the extreme price level of the optical fibre and cable industry, yet still, the Company managed to achieve an operating revenue of about RMB9,536.1 million, an increase of about 16.0% over 2020, and realized net profit attributable to shareholders of the parent company of about RMB708.5, an increase of about 30.3% over 2020. At the same time, the Company has made phased progress in all major strategic directions. In the main business of optical fibre and cable, the Company has successfully consolidated its global leading market position, expanded the application scenarios of new products, and continued to improve its production efficiency. In terms of diversification, the Company has further improved its layout in the fields of optical modules and optical devices, communication network engineering, data center cabling, AOC consumer electronics and so on. In terms of internationalization, the Company generated overseas business revenue of RMB3,086.3 million, accounting for more than 30% of the operating income for the first time. Everpro (Wuhan) Technologies Joint Stock Limited Company (“**EverPro**”), a subsidiary of the Company, completed round A and round B financing in 2021, setting the highest financing record in the field of AOC optical interconnection.

In 2022, the global macro-economy is still at risk, the impact of the epidemic is still continuing, and the international situation remains intricate and complex. Faced with both opportunities and challenges, the Company will make full use of the opportunity of improving supply and demand in the industry to consolidate its global leading position in main business and continue to implement major strategic initiatives. In terms of internationalization, the Company will further improve the overseas production capacity layout and build localized supply and service capacity. In terms of diversification, the Company has entered the third generation semiconductor material industry through acquisition and accelerated the building of submarine cable engineering capability to optimized diversification layout.

1. Bottom out under the pressure of extreme price level

The optical fibre and cable industry experienced an upward cycle from 2015 to 2018 because of the large-scale laying of 4G and fibre to the home (FTTH). Since then, the industry’s demand continued to be under pressure from 2019 to the first half of 2021 as the construction targets of major communication infrastructure in the early stage were basically completed, while 5G was not yet launched in large scale, and the epidemic also had a negative impact. At the same time, the capacity expanded by industry manufacturers in the early stage was also released to the market in the second half of 2018, resulting in a significant imbalance between supply and demand, and brought a step down in the unit price of optical fibre and cable products, with an extreme price level in 2021. The rapid rise in the prices of some optical fibre and cable raw materials in the same period has further exacerbated the pressure on the profitability of industrial enterprises. Continuous pressure on the industry has led to the decline of effective production capacity and insufficient supply willingness of manufacturers.

With the steady progress of mobile and fixed network construction at home and abroad, the demand for optical fibre and cable began to show a stabilizing and rising trend. In 2021, the development of China's communication industry showed a good trend. The construction coverage and application popularization of 5G, gigabit optical network and other new information infrastructure accelerated in an all-round way. Among them, the mobile data traffic still achieved rapid growth despite of a large base. According to the data released by the Ministry of Industry and Information Technology in January 2022, China's mobile Internet access traffic reached 221.6 billion GB in 2021, an increase of 33.9% over 2020. The average Internet data traffic per user per month (DOU) reached 13.36GB/user/month in 2021, an increase of 29.2% over 2020. At the same time, China's 5G construction is steadily advancing in a moderately advanced mode. In 2021, more than 650,000 new 5G base stations were built in China, and the total number of 5G base stations reach 1,425,000, accounting for more than 60% of the world. In terms of fixed network, by the end of 2021, the total number of fixed Internet broadband access users of the three domestic telecom operators was 536 million. Among them, 498 million users, accounting for 93% of the total number of users, had access rates of 100Mbps or above, while 34.56 million users, accounting for 6.4% of the total number of users, had access rates above Gigabit. Fixed network infrastructure still has great room for growth.

Looking forward, applications such as telecommuting, online entertainment and virtual reality are expanding, and people's demand for mobile and fixed network bandwidth is increasing, promoting operators to strengthen construction. The report released by CRU in January 2022 showed that after the downward pressure since the second half of 2018, the global total demand for optical fibre and cable again exceeded 500 million fibre km in 2021. In 2022, the demand for optical fibre and cable in all regions of the world is expected to grow. Specifically, the growth rate in key regions such as China, the United States, India and Europe will be at least 6%, and the global growth rate is expected to exceed 8%, the highest growth rate since 2017. In Southeast Asia, Latin America and other regions with low penetration rate of optical fibre, the demand for FTTH is also expected to grow rapidly and promote the demand for the construction of optical fibre and cable and telecom engineering projects.

In the centralized procurement of ordinary optical cable products completed by China Mobile in October 2021, the announced demand size is about 143 million fibre km, an increase of approximately 20% over 119.2 million fibre km in 2020. The improvement of supply and demand structure and the rise of raw material prices led to the average unit price of optical cables set in this centralized procurement exceeding RMB60/fibre km, which is significantly higher than about RMB40/fibre km in 2020.

2. Consolidate the leading edge of main business and improve the level of production and R & D

After the above-mentioned increase in the volume and price of China Mobile's centralized procurement, China Telecom also completed the centralized procurement of outdoor optical cables in January 2022. While the total demand is basically the same as the previous procurement, the price has increased compared with China Mobile's centralized procurement, reflecting the continuous improvement of the supply and demand structure in the industry. The Company earning the highest volume in the two centralized procurements in the industry, which has laid a solid foundation for production and operation in 2022.

In order to optimize the production efficiency and cost structure, the Company continues to improve the production process of preform, optical fibre and cable, and improve the level of smart manufacturing. The company was selected into the 2020 Pilot Demonstration List of Integrated Development of Manufacturing Industry and Internet of the Ministry of Industry and Information Technology in January 2021, and was rated as one of the Top Ten Benchmark Smart Factories in Wuhan City in November 2021. In May 2021, the whole process digital supply chain of the Company was selected into the List of the First Batch of National Supply Chain Innovation and Application Demonstration Cities and Demonstration Enterprises released by the Ministry of Commerce, which fully demonstrated that the response speed and stability of the Company's supply chain system were at the leading level in the industry. In July 2021, the Company won the Nominee Award of the Fourth China Quality Award after winning the Nominee Award of the Second China Quality Award in 2015, highlighting the Company's advantages in quality control.

In terms of new product R & D and application, the Company's G.654.E optical fibre assisted China Mobile Research Institute to complete the research on 800G long-distance transmission technology with a length of 1,100 km and system scheme test. The test results showed that the new optical fibre can effectively improve the 800G long-distance transmission capacity, which laid a foundation for subsequent large-scale commercial use. The company's high-end multimode optical fibre has been widely used by customers at home and abroad. In the field of special optical fibre, the Company's active triple cladding Ytterbium-doped optical fibre has also made a technological breakthrough and been widely used. It has been rated as the most competitive product of optical communication in the 2021 INFOSTONE Awards.

Thanks to the optimization of the Company's production efficiency and the expansion of differentiated products in niche markets, the Company still achieved a gross profit margin of 19.6% during the reporting period in the face of a unit price decline of about 30% in the domestic operator market and a continuous rise in raw material prices.

In the future, for telecom single-mode products, the Company will continue to improve the OVD and VAD process level, improve production efficiency and consolidate the industry-leading cost control advantage. For multi-mode optical fibre, special optical fibre and other market segments and customized products, the Company will make full use of R & D and technical advantages of PCVD process to continuously realize product innovation and application expansion. Through technological innovation and digital transformation, the Company will build unique competitive advantages and achieve the growth of its main business.

3. Further implement the internationalization strategy

In 2021, the global digitization process accelerates, and countries continued to strengthen investment in communication network infrastructure. The company has improved its international competitiveness through four differentiation strategies of breakthrough, deep cultivation, integration and cultivation, and made full use of the opportunity of market growth. According to the demand and profit level of major overseas target market such as Southeast Asia, Africa and Latin America, the Company has reasonably planned its production capacity, realizing the rapid growth of overseas business income. In 2021, the Company's overseas business revenue was RMB3,086.3 million, with an annual increase of about 46.8%, accounting for more than 30% of its annual operating income for the first time, realizing a phased breakthrough. Under the impact of the epidemic, the Company's overseas communication network engineering projects in Peru and the Philippines still completed the milestones on schedule, received great recognition from local operators and customers, and obtained follow-up business orders.

In 2021, the Company acquired YOFC Poliron in Brazil. Its main production facility is located in Sao Paulo. YOFC Poliron is a famous brand in Brazil and Latin America with a history of more than 80 years and is widely praised by customers. Brazil and Latin America are among major overseas target markets of the Company. This acquisition is the Company's first capacity layout in this region, which is conducive to the further improvement of its internationalization strategy.

In 2022, the overseas telecom market is facing development opportunities. CRU predicts that the global optical fibre and cable industry will maintain steady growth in the next five years. The total demand for optical fibre in 2024 is expected to exceed 600 million fibre km, and the demand for telecom engineering services such as FTTH will continue to grow. However, at the same time, the overseas market also faces many challenges, such as the rapid rise of transportation costs, the shortage of transport capacity, the increase of trade protective measures and so on.

The company will continue to expand target market customers and optimize production capacity layout. In view of the actual demand in Southeast Asia, Africa, Latin America and other regions, the Company is expanding the production capacity of optical fibre and cable in Indonesia, and is promoting the construction of optical cable production facility in Poland as scheduled. With the above actions, the Company will further improve the localized capacity layout covering international target markets and regions to cope with logistics and policy risks. Thanks to the smooth implementation and delivery of telecom engineering projects in the Philippines, Peru and other regions in the early stage, the Company's business team has grown rapidly, which will help the Company to build overseas comprehensive service capacity.

4. Continuously improve the diversified layout

While ensuring the core advantages of main business, the Company has continuously accelerated the pace of diversification in recent years and achieved the breakthrough in many fields.

The company's multimode fibre products, optical modules and optical device business and comprehensive wiring services have been widely used in the data center industry, and the ever-increasing data traffic demand has also promoted the optical fibre and cable demands. In 2021, the capital expenditure of main domestic and overseas Internet companies for data center and cloud computing continued to rise. The report issued by CAICT in January, 2022 has indicated that in 2021 Q1, the annual growth of China's cloud infrastructure services market expenditure was 55%, and the expenditure of Ali, Hicloud, Tencent Cloud and Baidu Intelligent Cloud accounted for more than 80% of the total expenditure. In February 2022, the National Development and Reform Commission, the Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology of the People's Republic of China and the Bureau of Energy have jointly printed and distributed the notice to agree the construction of computing power hub nodes in Beijing, Tianjin and Hebei, the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu and Chongqing, Inner Mongolia, Guizhou, Gansu and Ningxia, and planned 10 national data center clusters, which marks that the national integrated big data center system has finished the overall layout design, and the engineering of "Eastern data computed in the West" was officially launched. Through this layout, the direct data connection channel between the east and the west is expected to be opened, so as to improve the network transmission quality, and the construction layout of the data center is optimized to realize the long-term development of the industrial chain.

In the optical module and optical device field, the Company seized the development opportunities of data center market and communication market, and realized continuous revenue growth of relevant business. EverPro, a subsidiary of the Company occupied in opto chips, modules, AOC, comprehensive wiring and other related businesses, has made continuous breakthroughs in application fields such as ultra-high definition video, virtual reality, medical system, machine vision and data center, and its products have entered the supply chain of many famous large overseas customers.

Moreover, the Company's relevant products and services such as optical fibre and intelligent industrial control solutions have been used in the projects of State Grid Corporation of China, and among these projects, State Grid Northern Shaanxi – Hubei ±800kVA HVDC Project adopted the Company's G.654.E fibre, and realized the 467 kilometres of long-distance transmission without repeater. During the 14th Five-Year Plan period, China's offshore wind power construction is expected to maintain a high intensity, and the trend of offshore wind power starts to appear. Baosheng YOFC Marine Engineering Company Ltd., a subsidiary jointly ventured by the Company and Baosheng Scientific and Technological Innovation Co., Ltd., increased the capital successfully in 2021, and will preliminarily form the submarine cable engineering and deployment capacity through relevant equipment, facilities and professional teams construction.

In March, 2022, the Company contributed the amount of about RMB779.7 million to acquire Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd., and entered the third generation of semiconductor industry. The company is mainly occupied in the process research and development and subcontract manufacturing of the third generation of semiconductor products represented by silicon carbide (SiC) and gallium nitride (GaN), with the professional subcontract manufacturing ability and technical research and development ability from semiconductor material epitaxy production, chip and device manufacturing to module packaging test, and its products will be mainly used in new energy vehicles and other fields. This acquisition will facilitate the Company's core competitiveness.

5. Capital market stimulates the development

Benefiting from the Company's sound operation status, China Lianhe Credit Rating Co., Ltd. and China Chengxin International Credit Rating Co., Ltd. issued the rating report of AAA long-term subject credit rating and stable rating prospect to the Company respectively in May, 2021. Meanwhile, the Company has reasonably utilized the investment and financing channels in the capital market to promote the long-term sustainable development. In 2021, the fair value of shares held by the Company in Hangzhou Semiconductor Wafer Co., Ltd. increased by about RMB320.0 million.

EverPro, a subsidiary of the Company which is one of leading industrial digital communication solution providers, has been mainly occupied in the research and development, production and sales of optical communication solution products such as active optical cable and network cabling in consumer category, with strong competitiveness in technology research and development, marketing, production and manufacturing. Currently, the Company is developing rapidly. In 2021, EverPro finished round A and round B financing, and had a cumulative financing amount of about RMB600 million, and famous investment organizations such as Kunqiao Fund, Yunfeng Fund and Meituan Longzhu participated in the financing. The financing amount is expected to be used for AOC independent chip research and development, production line automation and other projects in VR and AR hardware platforms, 8K HD video and audio, next generation of precision medicine and other fields.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2021 of RMB0.281 (2020: RMB0.216) per share totaling RMB212,971,335 (2020: RMB163,707,503). The expected payment date is on or before 31 August 2022. The proposed dividend is subject to approval by shareholders of the Company at the forthcoming 2021 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 2021 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 2021, 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

The Company and Wuhan Ruixin Investment Management Co., Ltd. (“**Wuhan Ruixin**”) (an indirect wholly-owned subsidiary of the Company) entered into the Joint Investment Agreement with YOFC Science & Innovation Industry Fund Partnership (LP), Hangzhou Dahe Thermo-Magnetic Co., Ltd., Shanghai Shenhe Investment Co., Ltd., Wuhu Haiwo Hard Technology Venture Capital Fund Partnership (Limited Partnership), Wuhu Zewan No. 2 Investment Management Partnership (Limited Partnership), Wuhan Optics Valley New Technology Industry Investment Co., Ltd. and Shanghai Linjun Electronic Technology Co., Ltd on 8 March 2022 to form the Consortium and to jointly bid in the Overall Transaction Plan listed on the Anhui Changjiang Equity Exchange. Upon Completion, Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd. will become subsidiaries of the Company. On 10 March 2022, the Company has received confirmation letters from the Anhui Changjiang Equity Exchange dated 10 March 2022, which confirmed that the Consortium has been selected as the successful bidder for the Equity Transfer Transactions. The aggregate amount payable by the Company and Wuhan Ruixin under the Equity Transfer Transactions will be RMB779,672,862. Further details of this transaction are set out in the Company’s announcements dated on 9 March 2022 and 11 March 2022.

In January 2022, the Company, based on the assets appraisal report (Su Zhong Tian Ping Bao zi (2021)1101) issued by Jiangsu Zhongqi Huatian assets appraisal Co.,Ltd., in which the base date of valuation was 30 June 2021 and the fair value of identifiable net assets was RMB374.00 million, acquired 49% of equity of Yangtze Optical Cable (Suzhou) Company Limited (“**YOFC Jiangsu**”) with a consideration of RMB183.26 million. Prior to the acquisition, the Company held 48% of YOFC Jiangsu. The transaction was completed in January 2022, and the Company now holds 97% of equity of YOFC Jiangsu, and YOFC Jiangsu has become a subsidiary of the Company.

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 2021. 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 2021.

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 2021 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 2021 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 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 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 2021.

ANNUAL REPORT

The auditing process of the 2021 Annual Results has been completed and the annual report of the Company for the year ended 31 December 2021 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 2022.

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, 25 March 2022

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*