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**Smart Link Better Life.**

長飛光纖光纜股份有限公司

**Yangtze Optical Fibre and Cable Joint Stock Limited Company\***

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

**(Stock Code: 6869)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **FINANCIAL HIGHLIGHTS**

- Total operating revenue was approximately RMB6,391.4 million, increased by approximately RMB2,039.7 million, representing an approximately 46.9% increase as compared to the same period of last year.
- Gross profit was approximately RMB1,435.6 million, increased by approximately RMB549.8 million, representing an approximately 62.1% increase as compared to the same period of last year.
- Profit attributable to equity shareholders of the Company was approximately RMB525.4 million, increased by approximately RMB46.2 million, representing an approximately 9.6% increase as compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 43.8%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 53.1%, as compared with the same period of last year.
- The board of directors of the Company did not recommend any interim dividend for the Period.

The board of directors (the “**Board**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company\* 長飛光纖光纜股份有限公司 (the “**Company**” or “**YOFC**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the relevant comparative figures of the same period of last year as follows:

\* For identification purposes only

**Consolidated Income Statement**  
For the six months ended 30 June 2022  
(Expressed in Renminbi (“RMB”))

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2022 (Unaudited)</b>	2021 (Unaudited)
<b>I. Operating Revenue</b>	4	<b>6,391,374,976</b>	4,351,690,651
<b>II. Less: Cost of sales</b>	4	<b>4,955,772,616</b>	3,465,838,505
Taxes and surcharges		<b>35,070,712</b>	17,773,575
Selling expenses		<b>172,213,510</b>	122,621,729
Administrative expenses		<b>307,350,393</b>	285,055,594
R&D expenses		<b>319,975,203</b>	200,781,198
Financial expenses	5	<b>36,027,573</b>	47,046,024
Including: Interest expenses		<b>75,807,163</b>	35,256,353
Interest revenue		<b>24,819,677</b>	5,507,915
Add: Other income	6	<b>36,997,528</b>	28,975,501
Investment income		<b>32,701,015</b>	32,877,085
Including: (Losses)/income from investment in associates and joint ventures		<b>(5,838,433)</b>	26,836,813
(Losses)/gains from changes in fair value		<b>(1,742,057)</b>	321,061,300
Credit losses		<b>(47,315,988)</b>	(48,212,120)
Impairment losses		<b>(26,459,656)</b>	(57,712,778)
Losses from asset disposals		<b>(1,328,039)</b>	(526,373)
<b>III. Operating profit</b>		<b>557,817,772</b>	489,036,641
Add: Non-operating income		<b>2,838,498</b>	30,112,302
Less: Non-operating expenses		<b>1,562,860</b>	2,632,862
<b>IV. Profit before taxation</b>		<b>559,093,410</b>	516,516,081
Less: Income tax	7	<b>41,695,743</b>	30,764,127
<b>V. Profit for the period</b>		<b>517,397,667</b>	485,751,954
Profit for the period attributable to equity shareholders of the Company		<b>525,393,238</b>	479,155,217
Non-controlling interests		<b>(7,995,571)</b>	6,596,737

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
<b>VI. Other comprehensive income, net of tax</b>			
Other comprehensive income (net of tax) attributable to equity shareholders of the Company		<b>19,544,853</b>	(5,611,499)
<b>(1) Items that cannot be reclassified subsequently to profit or loss</b>			
1. Changes in fair value of investments in other equity instruments		<b>(3,162,598)</b>	320,843
<b>(2) Items that may be reclassified subsequently to profit or loss</b>			
1. Translation differences arising from translation of foreign currency financial statements		<b>22,707,451</b>	(5,932,342)
Other comprehensive income (net of tax) attributable to non-controlling interests		<u><b>847,175</b></u>	<u>(778,350)</u>
<b>VII. Total comprehensive income for the period</b>		<u><b>537,789,695</b></u>	<u>479,362,105</u>
Total comprehensive income attributable to equity shareholders of the Company		<b>544,938,091</b>	473,543,718
Total comprehensive income attributable to non-controlling interests		<b>(7,148,396)</b>	5,818,387
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share	<i>8</i>	<u><b>0.69</b></u>	<u>0.63</u>
(2) Diluted earnings per share	<i>8</i>	<u><b>0.69</b></u>	<u>0.63</u>

## Consolidated Balance Sheet

As at 30 June 2022

(Expressed in RMB)

	<i>Notes</i>	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash at bank and on hand		4,216,200,585	2,771,270,979
Financial assets held for trading		1,033,367,244	1,530,491,700
Bills receivable	10	428,961,807	418,221,770
Accounts receivable	11	5,253,402,551	4,160,711,743
Receivables under financing	12	65,692,391	84,479,696
Prepayments		278,126,166	146,270,862
Other receivables		161,875,229	134,828,819
Inventories		2,690,483,680	2,763,022,541
Other current assets		358,677,329	304,514,823
<b>Total current assets</b>		<b>14,486,786,982</b>	<b>12,313,812,933</b>
<b>Non-current assets:</b>			
Long-term equity investments		1,748,491,015	1,684,470,508
Investments in other equity instruments		46,608,835	50,329,539
Other non-current financial assets		48,508,521	47,470,870
Fixed assets		5,031,715,880	3,763,663,869
Construction in progress		1,248,274,415	608,357,734
Right-of-use assets		45,414,857	46,693,199
Intangible assets		525,057,419	314,484,005
Goodwill		171,555,874	27,145,122
Long-term deferred expenses		23,113,600	18,829,365
Deferred tax assets		168,219,004	144,414,651
Other non-current assets		1,111,880,819	458,977,298
<b>Total non-current assets</b>		<b>10,168,840,239</b>	<b>7,164,836,160</b>
<b>Total assets</b>		<b>24,655,627,221</b>	<b>19,478,649,093</b>

	<i>Notes</i>	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term loans	<i>13</i>	<b>2,574,002,297</b>	1,717,697,001
Financial liabilities held for trading		<b>3,200,900</b>	2,144,400
Bills payable	<i>14</i>	<b>1,331,644,063</b>	940,550,221
Accounts payable	<i>15</i>	<b>2,041,158,756</b>	1,773,023,142
Contract liabilities		<b>752,181,614</b>	762,017,133
Employee benefits payable		<b>250,775,748</b>	260,469,853
Taxes payable		<b>160,631,877</b>	90,519,103
Other payables		<b>806,405,751</b>	452,225,764
Non-current liabilities due within one year		<b>362,528,953</b>	533,393,055
Other current liabilities		<b>22,723,747</b>	30,891,253
<b>Total current liabilities</b>		<b><u>8,305,253,706</u></b>	<b><u>6,562,930,925</u></b>
<b>Non-current liabilities:</b>			
Long-term loans	<i>16</i>	<b>2,996,310,000</b>	1,289,500,000
Debenture payable		<b>496,714,153</b>	488,075,933
Lease Liabilities		<b>32,454,798</b>	37,516,751
Long-term payables		<b>646,873,365</b>	–
Deferred income		<b>303,824,994</b>	281,246,701
Deferred tax liabilities		<b>90,814,271</b>	10,583,862
Other non-current liabilities		<b>265,455,974</b>	223,767,404
<b>Total non-current liabilities</b>		<b><u>4,832,447,555</u></b>	<b><u>2,330,690,651</u></b>
<b>Total liabilities</b>		<b><u>13,137,701,261</u></b>	<b><u>8,893,621,576</u></b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		<b>757,905,108</b>	757,905,108
Capital reserve		<b>2,912,876,214</b>	3,561,131,050
Less: treasury stock		<b>33,653,461</b>	33,653,461
Other comprehensive income		<b>6,543,704</b>	(13,001,149)
Surplus reserve		<b>674,929,332</b>	647,934,100
Retained earnings		<b>5,147,108,966</b>	4,861,682,295
<b>Total equity attributable to shareholders of the Company</b>		<b>9,465,709,863</b>	9,781,997,943
<b>Non-controlling interests</b>		<b>2,052,216,097</b>	803,029,574
<b>Total equity</b>		<b><u>11,517,925,960</u></b>	<b><u>10,585,027,517</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>24,655,627,221</u></b>	<b><u>19,478,649,093</u></b>

## NOTES:

### 1. CORPORATE INFORMATION

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

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

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

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

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

### 2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

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

### 3. REVENUE

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

#### 4. REVENUE AND COST OF SALES

Item	For the six months ended 30 June			
	2022 (Unaudited)		2021 (Unaudited)	
	Revenue	Costs	Revenue	Costs
Principal activities	<b>6,344,623,317</b>	<b>4,913,717,174</b>	4,312,202,032	3,435,452,826
Other operating activities	<b>46,751,659</b>	<b>42,055,442</b>	39,488,619	30,385,679
Total	<b><u>6,391,374,976</u></b>	<b><u>4,955,772,616</u></b>	<b><u>4,351,690,651</u></b>	<b><u>3,465,838,505</u></b>

Details of revenue:

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	<b>1,881,082,950</b>	1,347,463,451
– Optical fibre cables	<b>2,918,348,383</b>	1,868,069,543
– Other sales	<b>1,545,191,984</b>	1,096,669,038
Sub-total	<b>6,344,623,317</b>	4,312,202,032
Revenue from other operating activities		
– Materials	<b>26,028,360</b>	23,989,832
– Others	<b>20,723,299</b>	15,498,787
Total	<b><u>6,391,374,976</u></b>	<b><u>4,351,690,651</u></b>

#### 5. FINANCIAL EXPENSES

Item	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest expenses on loans and payables	<b>79,648,329</b>	35,002,192
Interest expenses on lease liabilities	<b>1,006,568</b>	1,916,324
Less: Borrowing costs capitalised*	<b>(4,847,734)</b>	(1,662,163)
Interest income on deposits and receivables	<b>(24,819,677)</b>	(5,507,915)
Net exchange (gains)/losses	<b>(19,409,344)</b>	12,514,216
Other financial expenses	<b>4,449,431</b>	4,783,370
Total	<b><u>36,027,573</u></b>	<b><u>47,046,024</u></b>

\* The capitalisation rate of the Group's capitalised amounts of borrowing costs in the first half of 2022 was 0.16% (the first half year of 2021: 0.11%)

## 6. OTHER INCOME

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Government grants related to assets	<b>16,112,087</b>	15,946,832
Government grants related to income	<b>20,885,441</b>	13,028,669
Total	<b><u>36,997,528</u></b>	<b><u>28,975,501</u></b>

## 7. INCOME TAX

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income tax for the period based on tax law and regulations	<b>59,818,891</b>	28,492,482
Changes in deferred income tax	<b>(18,338,039)</b>	6,754,536
Tax filling differences	<b>214,891</b>	(4,482,891)
Total	<b><u>41,695,743</u></b>	<b><u>30,764,127</u></b>

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Origination and reversal of temporary differences	<b><u>(18,338,039)</u></b>	<b><u>6,754,536</u></b>

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

<b>Item</b>	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before taxation	<b>559,093,410</b>	516,516,081
Expected income tax calculated at tax rate of 25%	<b>140,060,883</b>	129,129,020
Effect of tax rate differences	<b>(29,518,371)</b>	(44,524,464)
Effect of adjustment to income tax of previous years	<b>214,891</b>	(4,482,891)
Effect of non-taxable income	<b>(7,813,706)</b>	(12,795,385)
Effect of non-deductible cost, expense and loss	<b>1,560,743</b>	2,514,124
Effect attributable to the additional qualified tax deduction relating to research and development costs	<b>(73,167,845)</b>	(42,646,310)
Effect of deductible losses unrecognized deferred income tax assets in the prior period	<b>(9,269,073)</b>	–
Effect of temporary differences or deductible losses for which no deferred tax asset was recognized this period	<b>19,628,221</b>	3,570,033
Income tax for the period	<b><u>41,695,743</u></b>	<b><u>30,764,127</u></b>

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. GR202142001875 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, EverPro Technologies Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 15 November 2021 to 15 November 2024.

According to the High-tech Enterprise Certificate No. GR202162000094 issued by Gansu Provincial Department of Science and Technology, Gansu Provincial Department of Finance, and Gansu Provincial Tax Service, State Taxation Administration, Yangtze Optical Fibre and Cable Lanzhou Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 16 September 2021 to 16 September 2024.

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

According to the 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. GR202133007123 issued by Zhejiang Science and Technology Department, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service and State Taxation Administration, Ally First Optical Fibre and Cable Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 16 December 2021 to 16 December 2024.

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

According to the 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%.

According to the High-tech Enterprise Certificate No. GR202032002730 issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, Jiangsu Provincial Tax Service, State Taxation Administration, Yangtze Optical Cable (Suzhou) Company Limited (formerly named as "Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd"), a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments from 2 December 2020 to 2 December 2023.

According to the High-tech Enterprise Certificate No. GR202134003925 issued by Anhui Provincial Department of Science and Technology, Department of Finance of Anhui Province, Anhui Provincial Tax Service, State Taxation Administration, Anhui YOFC Advanced Semiconductor Company Limited (formerly named as "Wuhu Tus Semiconductor Co., Ltd."), a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed a preferential tax rate of 15% with preferential tax treatments from 18 November 2021 to 18 November 2024.

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

## 8. EARNINGS PER SHARE

### (1) Basic earnings per share

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

Item	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<b>525,393,238</b>	479,155,217
Less: Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future	<b>562,000</b>	432,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<b>524,831,238</b>	478,723,217
Weighted average number of ordinary shares outstanding	<b>755,905,108</b>	755,905,108
Basic earnings per share (RMB/share)	<b>0.69</b>	0.63

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Number of issued ordinary shares at the beginning of the period	<b>757,905,108</b>	757,905,108
Redeemed shares for employee stock ownership scheme ( <i>note</i> )	<b>(2,000,000)</b>	(2,000,000)
Weighted average number of ordinary shares at the end of the period	<b><u>755,905,108</u></b>	<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 through the Shanghai-Hong Kong Stock Connect 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):

<b>Item</b>		<b>For the six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	<b><u>525,393,238</u></b>	<u>479,155,217</u>
Weighted average number of ordinary shares outstanding (diluted)	(b)	<b><u>757,729,777</u></b>	<u>757,279,574</u>
Diluted earnings per share (RMB/share)		<b><u>0.69</u></b>	<u>0.63</u>

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

<b>Item</b>	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	<b><u>524,831,238</u></b>	<u>478,723,217</u>
Diluted adjustments:		
Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future ( <i>note</i> )	<b><u>562,000</u></b>	<u>432,000</u>
Consolidated net profit attributable to ordinary shareholders (diluted)	<b><u>525,393,238</u></b>	<u>479,155,217</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:

<b>Item</b>	<b>For the six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b>	<b>2021</b> <b>(Unaudited)</b>
Number of issued ordinary shares at the beginning of the period	<b><u>755,905,108</u></b>	<u>755,905,108</u>
Diluted adjustments:		
Redeemed shares for employee stock ownership scheme	<b>1,824,669</b>	1,374,466
Weighted average number of ordinary shares at the end of the period (diluted)	<b><u>757,729,777</u></b>	<u>757,279,574</u>

## 9. SEGMENT REPORTING

The Group has identified a total of two reporting divisions, namely, optical fibre and optical fibre preform and optical fibre cable, based on internal organizational structure, management requirements and internal reporting system. Each reporting segment is a separate business segment that provides different products. The management of the Group will regularly review the financial information of different segments to decide on the allocation of resources and performance evaluation.

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

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

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

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

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

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

Item	For the six months ended 30 June 2022 (Unaudited)					
	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	1,881,082,950	2,918,348,383	1,591,943,643	-	-	6,391,374,976
Inter-segment revenue	522,478,357	9,263,663	357,692,073	(889,434,093)	-	-
Segment profit	971,506,700	369,291,275	193,212,769	(98,408,384)	-	1,435,602,360
Including: depreciation and amortisation	(109,302,843)	(24,562,582)	(107,050,800)	377,358	-	(240,538,867)
Taxes and surcharges	-	-	-	-	(35,070,712)	(35,070,712)
Selling expenses	-	-	-	-	(172,213,510)	(172,213,510)
Administration expenses	-	-	-	-	(307,350,393)	(307,350,393)
R&D expenses	-	-	-	-	(319,975,203)	(319,975,203)
Financial expenses	-	-	-	-	(36,027,573)	(36,027,573)
Other income	-	-	-	-	36,997,528	36,997,528
Investment income	-	-	-	-	32,701,015	32,701,015
Including:						
Income from investment in associates and joint ventures	-	-	-	-	(5,838,433)	(5,838,433)
Losses from changes in fair value	-	-	-	-	(1,742,057)	(1,742,057)
Impairment losses	-	-	-	-	(26,459,656)	(26,459,656)
Credit losses	-	-	-	-	(47,315,988)	(47,315,988)
Losses from asset disposals	-	-	-	-	(1,328,039)	(1,328,039)
Operating profit/(losses)	971,506,700	369,291,275	193,212,769	(98,408,384)	(877,784,588)	557,817,772
Non-operating income	-	-	-	-	2,838,498	2,838,498
Non-operating expenses	-	-	-	-	(1,562,860)	(1,562,860)
Profit/(losses) before taxation	971,506,700	369,291,275	193,212,769	(98,408,384)	(876,508,950)	559,093,410
Income tax	-	-	-	-	(41,695,743)	(41,695,743)
profit/(losses) for the period	971,506,700	369,291,275	193,212,769	(98,408,384)	(918,204,693)	517,397,667

For the six months ended 30 June 2021 (Unaudited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Revenue from external transactions	1,347,463,451	1,868,069,543	1,136,157,657	—	—	4,351,690,651
Inter-segment revenue	329,261,292	9,102,241	261,623,568	(599,987,101)	—	—
Segment profit	597,154,444	179,586,353	186,369,385	(77,258,036)	—	885,852,146
Including: depreciation and amortisation	(116,301,908)	(17,951,314)	(68,762,998)	1,771,936	—	(201,244,284)
Taxes and surcharges	—	—	—	—	(17,773,575)	(17,773,575)
Selling expenses	—	—	—	—	(122,621,729)	(122,621,729)
Administration expenses	—	—	—	—	(285,055,594)	(285,055,594)
R&D expenses	—	—	—	—	(200,781,198)	(200,781,198)
Financial expenses	—	—	—	—	(47,046,024)	(47,046,024)
Other income	—	—	—	—	28,975,501	28,975,501
Investment income	—	—	—	—	32,877,085	32,877,085
Including:						
Income from investment in associates and joint ventures	—	—	—	—	29,648,129	29,648,129
Gains from changes in fair value	—	—	—	—	321,061,300	321,061,300
Impairment losses	—	—	—	—	(57,712,778)	(57,712,778)
Credit losses	—	—	—	—	(48,212,120)	(48,212,120)
Gains from asset disposals	—	—	—	—	(526,373)	(526,373)
Operating profit/(loss)	617,567,192	262,868,438	208,113,448	(77,258,036)	(522,254,401)	489,036,641
Non-operating income	—	—	—	—	30,112,302	30,112,302
Non-operating expenses	—	—	—	—	(2,632,862)	(2,632,862)
Profit/(loss) before taxation	617,567,192	262,868,438	208,113,448	(77,258,036)	(494,774,961)	516,516,081
Income tax	—	—	—	—	(30,764,127)	(30,764,127)
Profit for the Period	617,567,192	262,868,438	208,113,448	(77,258,036)	(525,539,088)	485,751,954

As at 30 June 2022 (Unaudited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Total assets	4,450,442,122	4,037,436,874	16,954,289,160	(786,540,935)	—	24,655,627,221
Other items:						
– Long-term equity investment in associates and joint ventures	—	—	1,748,491,015	—	—	1,748,491,015
– The amounts of additions to non-current assets other than long-term equity investment	187,912,528	122,891,080	2,933,239,307	—	—	3,244,042,915

As at 31 December 2021 (Audited)

Item	Optical fibre and optical fibre preform segment	Optical fibre cable segment	Others	Elimination among segments	Unallocated amount	Total
Total assets	4,433,689,043	3,788,481,210	11,842,690,159	(698,036,935)	-	19,478,649,093
Other items:						
- Long-term equity investment in associates and joint ventures	-	-	1,684,470,508	-	-	1,684,470,508
- The amounts of additions to non-current assets other than long-term equity investment	286,233,078	115,084,985	756,091,014	43,056,096	-	1,200,465,173

## 10. BILLS RECEIVABLE

### (1) Bills receivable by category

Type	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Bank acceptance bills	294,077,843	269,332,609
Commercial acceptance bills	134,883,964	148,889,161
Total	<b>428,961,807</b>	<b>418,221,770</b>

The aforementioned bills receivable are due within one year.

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

Type	Amount derecognized at 30 June 2022 (Unaudited)	Amount not yet derecognized at 30 June 2022 (Unaudited)
Bank acceptance bills	-	88,512,685
Commercial acceptance bills	-	6,280,149
Total	-	<b>94,792,834</b>

As at 30 June 2022, the Group continued to recognize discounted bills and endorsed bills of RMB46,508,258 and RMB48,284,576 respectively (31 December 2021: RMB31,603,159 and RMB37,380,986). With respect to this portion of discounted bills or endorsed bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on discounted and endorsed bills. Therefore, the Group continued to fully recognised this portion of the discounted and endorsed instruments. The bills, at the same time, confirmed the related payment due to the bank borrowings generated by discounting and the settlement of the the endorsed bills. After discounts and endorsements were transferred, the Group no longer retained any right to use discounted and endorsed bills, including the sale, transfer or pledge of discounted and endorsed bills to the third party. As at 30 June 2022, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB46,508,258 and RMB48,284,576 respectively (31 December 2021: RMB31,603,159 and RMB37,380,986). The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

## 11. ACCOUNTS RECEIVABLE

(1) Accounts receivable by customer type are as follows:

Type	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Due from related parties	266,813,460	167,979,202
Due from third parties	5,306,151,207	4,247,810,257
Sub-total	5,572,964,667	4,415,789,459
Less: allowance for doubtful debts	319,562,116	255,077,716
Total	<u>5,253,402,551</u>	<u>4,160,711,743</u>

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

Ageing	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year (1 year inclusive)	4,565,633,672	3,578,756,146
1 to 2 years (2 years inclusive)	604,192,812	505,001,422
2 to 3 years (3 years inclusive)	260,750,001	220,359,869
Over 3 years	142,388,182	111,672,022
Sub-total	5,572,964,667	4,415,789,459
Less: allowance for doubtful debts	319,562,116	255,077,716
Total	<u>5,253,402,551</u>	<u>4,160,711,743</u>

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

(3) Analysis of accounts receivable by category:

Category	30 June 2022 (Unaudited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	16,614,278	0.30	16,614,278	100.00	-
Collectively assessed for impairment by group					
Group 1	266,813,460	4.79	3,036,854	1.14	263,776,606
Group 2	2,386,380,322	42.82	142,377,162	5.97	2,244,003,160
Group 3	2,903,156,607	52.09	157,533,822	5.43	2,745,622,785
Total	<u>5,572,964,667</u>	/	<u>319,562,116</u>	/	<u>5,253,402,551</u>



Category	31 December 2021 (Audited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	17,433,058	0.39	17,433,058	100.00	–
Collectively assessed for impairment by group					
Group 1	167,979,202	3.81	2,817,417	1.68	165,161,785
Group 2	1,973,452,421	44.69	118,344,521	6.00	1,855,107,900
Group 3	2,256,924,778	51.11	116,482,720	5.16	2,140,442,058
Total	<u>4,415,789,459</u>	<u>/</u>	<u>255,077,716</u>	<u>/</u>	<u>4,160,711,743</u>

(a) Reasons for making doubtful debts provisions with single accounts receivable in 2022:

In the event of default by a customer, the Group makes doubtful debts provisions with single accounts receivable in respect of that customer group.

(b) Standard and explanation of making doubtful debts provisions by group in 2022:

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.

### 30 June 2022 (Unaudited)

Group 1	Expected loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.25	251,845,914	629,614
Overdue 1 to 2 years (2 years inclusive)	15.86	14,922,286	2,366,675
Overdue 2 to 3 years (3 years inclusive)	88.03	39,220	34,525
Overdue over 3 years	100.00	6,040	6,040
Total		<u>266,813,460</u>	<u>3,036,854</u>

<b>Group 2</b>	<b>Expected loss rate (%)</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
No overdue and overdue			
within 1 year (1 year inclusive)	<b>1.06</b>	<b>2,067,509,297</b>	<b>21,915,599</b>
Overdue 1 to 2 years (2 years inclusive)	<b>12.70</b>	<b>160,486,675</b>	<b>20,381,808</b>
Overdue 2 to 3 years (3 years inclusive)	<b>40.36</b>	<b>97,760,889</b>	<b>39,456,294</b>
Overdue over 3 years	<b>100.00</b>	<b>60,623,461</b>	<b>60,623,461</b>
		<hr/>	<hr/>
Total		<b>2,386,380,322</b>	<b>142,377,162</b>
		<hr/> <hr/>	<hr/> <hr/>

<b>Group 3</b>	<b>Expected loss rate (%)</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
No overdue and overdue			
within 1 year (1 year inclusive)	<b>2.46</b>	<b>2,635,968,967</b>	<b>64,844,836</b>
Overdue 1 to 2 years (2 years inclusive)	<b>13.57</b>	<b>175,682,830</b>	<b>23,840,161</b>
Overdue 2 to 3 years (3 years inclusive)	<b>51.26</b>	<b>46,483,351</b>	<b>23,827,366</b>
Overdue over 3 years	<b>100.00</b>	<b>45,021,459</b>	<b>45,021,459</b>
		<hr/>	<hr/>
Total		<b>2,903,156,607</b>	<b>157,533,822</b>
		<hr/> <hr/>	<hr/> <hr/>

31 December 2021 (Audited)

<b>Group 1</b>	<b>Expected loss rate (%)</b>	<b>Book value</b>	<b>Allowance for doubtful debts</b>
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
		<hr/>	<hr/>
Total		<b>167,979,202</b>	<b>2,817,417</b>
		<hr/> <hr/>	<hr/> <hr/>

<b>Group 2</b>	<b>Expected loss rate (%)</b>	<b>Book value</b>	<b>Allowance for doubtful debt</b>
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
		<hr/>	<hr/>
Total		<b>1,973,452,421</b>	<b>118,344,521</b>
		<hr/> <hr/>	<hr/> <hr/>

Group 3	Expected 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>

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

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Balance at the beginning of the period	<b>255,077,716</b>	184,946,460
Addition during the reporting period	<b>54,762,512</b>	74,143,226
Recoveries during the reporting period	<b>(7,446,524)</b>	(1,197,870)
Written-off during the reporting period	<b>(3,209,545)</b>	(5,359,915)
Other changes during the reporting period	<u><b>20,377,957</b></u>	<u>2,545,815</u>
Balance at the end of the reporting period	<u><b>319,562,116</b></u>	<u>255,077,716</u>

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

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

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

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

As at 30 June 2022 and 31 December 2021, the subtotal of five largest accounts receivable of the Group is RMB2,068,588,577 and RMB1,608,355,032 respectively, representing 37.1% and 36.4% of the total balance of accounts receivable respectively. The corresponding allowance for doubtful debt is RMB87,053,713 and RMB66,215,242 respectively.

## 12. RECEIVABLES UNDER FINANCING

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Bills receivable measured at fair value through other comprehensive income	<u>65,692,391</u>	<u>84,479,696</u>
Total	<u><u>65,692,391</u></u>	<u><u>84,479,696</u></u>

There is no change in fair value of receivables under financing of the Group in 2022. The accumulated impairment losses recognized in other comprehensive income is nil.

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

Item	Amount derecognized at 30 June 2022 (Unaudited)	Amount not yet derecognized at 30 June 2022 (Unaudited)
Bank acceptance bills	<u><u>261,000,923</u></u>	<u><u>–</u></u>

During the reporting period, the Group discounted certain bank bills receivable from certain banks in China or endorsed them to the Group's suppliers ("Derecognized Bills") and derecognized them on 30 June 2022. The carrying amounts of undue bills receivable that have been discounted and derecognized on 30 June 2022 are RMB183,375,104 (31 December 2021: RMB181,064,533). As at 30 June 2022, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB77,625,819 (31 December 2021: RMB61,435,160). As at 30 June 2022, 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	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Unsecured loans	<u>2,574,002,297</u>	<u>1,716,812,562</u>
Pledged loans	<u>–</u>	<u>884,439</u>
Total	<u><u>2,574,002,297</u></u>	<u><u>1,717,697,001</u></u>

As at 30 June 2022, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB205,411,414 (31 December 2021: RMB210,398,100).

As at 30 June 2022, the Group did not have any overdue loans not yet repaid.

#### 14. BILLS PAYABLE

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Commercial acceptance bills	498,036,204	456,527,048
Bank acceptance bills	833,607,859	484,023,173
Total	<u>1,331,644,063</u>	<u>940,550,221</u>

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

The above amounts were bills payable due within one year.

#### 15. ACCOUNTS PAYABLE

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Due to related parties	163,021,993	153,544,874
Due to third parties	1,878,136,763	1,619,478,268
Total	<u>2,041,158,756</u>	<u>1,773,023,142</u>

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year (1 year inclusive)	1,952,963,631	1,715,099,396
Over 1 year but within 2 years (2 years inclusive)	58,350,945	36,281,617
Over 2 years but within 3 years (3 years inclusive)	10,001,076	6,157,435
Over 3 years	19,843,104	15,484,694
Total	<u>2,041,158,756</u>	<u>1,773,023,142</u>

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

#### 16. LONG-TERM LOANS

##### Classification of long-term loans

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Unsecured loans	3,325,813,611	1,794,743,174
Less: long-term loans due within one year	(329,503,611)	(505,243,174)
Total	<u>2,996,310,000</u>	<u>1,289,500,000</u>

As at 30 June 2022, there were no overdue long-term loans. The above bank loans were fixed rate loans. The interest rates ranged from 1.2%-4.0% in 2022 (2021: 1.2%-3.6%).

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

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Within 1 year (1 year inclusive)	<b>2,903,505,908</b>	2,222,940,175
Over 1 year but within 2 years (2 years inclusive)	<b>1,218,490,000</b>	92,000,000
Over 2 years but within 5 years (5 years inclusive)	<b>1,777,820,000</b>	1,197,500,000
	<b><u>5,899,815,908</u></b>	<b><u>3,512,440,175</u></b>

## 17. DIVIDENDS

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

	<b>For the six months ended 30 June</b>	
	<b>2022 (Unaudited)</b>	2021 (Unaudited)
The dividend was declared for the previous fiscal year during the reporting period was RMB0.281 per share (For the six months ended 30 June 2021: RMB0.216 per share)	<b><u>212,971,335</u></b>	<b><u>163,707,503</u></b>

## 18. CHANGES OF ACCOUNTING POLICIES

### (1) Presentation of transportation costs

#### (a) Presentation of transportation costs

At the end of 2021, according to the implementation question and answer on transportation costs issued by the Ministry Of Finance (“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.

#### (b) Effects on financial reports

The effects on each of the line items in the consolidated income statement and company income statement for the first half of 2021 are analysed as follows:

	<b>Increase/(decrease) in the line items as a result of applying new accounting policies</b>	
	<b>The Group (Unaudited)</b>	<b>The Company (Unaudited)</b>
Operating costs	125,438,896	103,774,320
Selling and distribution expenses	<b><u>(125,438,896)</u></b>	<b><u>(103,774,320)</u></b>

Effects of the above changes in accounting policies on the consolidated income statement and company income statement for the first half of 2021, 2021 opening balance of owners' equity and closing balances of owners' equity as at 30 June 2021 are summarised as follows:

	<b>Net profit of the first half of 2021 (Unaudited)</b>	<b>The Group Closing balance of owners' equity as at 30 June 2021 (Unaudited)</b>	<b>2021 Opening balance of owners' equity (Audited)</b>
Net profit and owners' equity before adjustments	485,751,954	9,901,209,803	9,385,523,416
Operating costs	125,438,896	–	–
Selling and distribution expenses	(125,438,896)	–	–
Net profit and owners' equity after adjustments	<u>485,751,954</u>	<u>9,901,209,803</u>	<u>9,385,523,416</u>
		<b>The Company Closing balance of owners' equity as at 30 June 2021 (Unaudited)</b>	<b>2021 Opening balance of owners' equity (Audited)</b>
Net profit and owners' equity before adjustments	408,779,767	7,996,351,949	7,747,296,379
Operating costs	103,774,320	–	–
Selling and distribution expenses	(103,774,320)	–	–
Net profit and owners' equity after adjustments	<u>408,779,767</u>	<u>7,996,351,949</u>	<u>7,747,296,379</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

During the first half of 2022, the Group's operating revenue reached approximately RMB6,391.4 million, increased by approximately 46.9% as compared to the same period of 2021 of approximately RMB4,351.7 million. The Group reported a gross profit of approximately RMB1,435.6 million, increased by approximately 62.1% as compared to the same period of 2021 of approximately RMB885.9 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB525.4 million, increased by approximately 9.6% as compared to the same period of 2021 of approximately RMB479.2 million. The Group's profit for the Period (exclusive of non-operating profit) attributable to the equity shareholders of the Company amounted to approximately RMB463.3 million, increased by approximately 188.1% as compared to the same period of 2021 of approximately RMB160.8 million.

Basic earnings per share was RMB0.69 per share (for the six months ended 30 June 2021: RMB0.63 per share), which was calculated based on the weighted average number of shares issued, further details of which are set out in note 8 to the financial information as set out in this announcement.

### Revenue

The Group's revenue for the Period was approximately RMB6,391.4 million, representing an increase of approximately 46.9% as compared to the same period of 2021 of approximately RMB4,351.7 million.

By product segment, a total revenue of approximately RMB1,881.1 million was contributed from our optical fibre preforms and optical fibres segment, representing an increase of 39.6% as compared to the same period of 2021 of approximately RMB1,347.5 million and accounting for 29.4% of the Group's revenue; while a total revenue of approximately RMB2,918.3 million was contributed by our optical fibre cable segment, representing an increase of 56.2% as compared to the same period of 2021 of approximately RMB1,868.1 million and accounting for 45.7% of the Group's revenue.

A total revenue of approximately RMB1,592.0 million was contributed by other products and services, representing an increase of 40.1% as compared to the same period of 2021 of approximately RMB1,136.2 million and accounting for 24.9% of the Group's revenue, the increase was mainly due to the substantial increase in revenue in power cable as compared to the same period of 2021.

By geographical segment, a total revenue of approximately RMB4,205.5 million was contributed by domestic customers, representing an increase of 43.8% as compared to the same period of 2021 of approximately RMB2,924.1 million and accounting for 65.8% of the Group's revenue. For overseas market, a total revenue of approximately RMB2,185.9 million was reported in the first half of 2022, representing an increase of 53.1% as compared to the same period of 2021 of approximately RMB1,427.6 million and accounting for approximately 34.2% of the Group's revenue.



## **Cost of sales**

The Group's cost of sales for the Period was approximately RMB4,955.8 million, representing an increase of 43.0% as compared to the same period of 2021 of approximately RMB3,465.8 million and accounting for 77.5% of the Group's revenue. The extent of increase in cost of sales was generally consistent with the extent of increase of the Group's revenue.

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

For the Period, the Group's total raw material costs was approximately RMB3,984.2 million, representing an increase of 42.4% as compared to approximately RMB2,798.0 million during the first half of 2021.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB967.1 million, representing an increase of 45.7% as compared to approximately RMB663.7 million during the first half of 2021.

## **Gross profit and gross profit margin**

For the Period, the Group reported a gross profit of approximately RMB1,435.6 million, representing an increase of 62.1% as compared to approximately RMB885.9 million during the first half of 2021 and the gross profit margin was 22.5% in the first half of 2022 (the first half of 2021: 20.4%). The gross profit margin had a slight increase over the first half of 2021, the increase was mainly due to an increase of unit price of main products during the Period.

## **Selling expenses**

The Group's selling expenses for the Period were approximately RMB172.2 million, representing an increase of 40.4% as compared to approximately RMB122.6 million during the first half of 2021. The increase was mainly due to an increase in sales of the Company's main products and accelerated internationalization and diversification during the Period.

## **Administrative expenses**

The Group's administrative expenses for the Period were approximately RMB307.4 million, representing an increase of 7.8% as compared to approximately RMB285.1 million during the first half of 2021. The proportion of the Group's administrative expenses to operating revenue decreased from 6.6% in the first half of 2021 to 4.8% in the first half of 2022.

## **Research and development ("R&D") expenses**

The Group's R&D expenses for the Period were approximately RMB320.0 million, representing an increase of 59.4% as compared to approximately RMB200.8 million during the first half of 2021. The increase was mainly due to the Company increased the investment in R&D during the reporting period.

## **Financial expenses**

The Group's financial expenses for the Period were approximately RMB36.0 million, representing a decrease of 23.4% as compared to approximately RMB47.0 million during the first half of 2021.

The interest rates of the bank loans for the Period ranged from 0.70% to 4.20% per annum (for the six months ended 30 June 2021: 0.55% to 4.10% per annum).

## **Other income**

The Group's other income for the Period was approximately RMB37.0 million, representing an increase of approximately RMB8.0 million as compared to the same period of 2021 of approximately RMB29.0 million, which was mainly because the government grants related to income increased by approximately RMB7.8 million during the period, and government grants related to assets increased by approximately RMB0.2 million.

## **Gains from changes in fair value**

The Group's gains from changes in fair value for the Period was approximately RMB-1.7 million, representing a decrease of approximately RMB322.8 million as compared to the same period of 2021 of approximately RMB321.1 million. The decrease is mainly due to the significant increase in the fair value of Hangzhou Semiconductor Wafer Co., Ltd. (杭州中欣晶圓半導體股份有限公司) invested by the Company in the first half of 2021, and there was no significant change in its fair value during the Period.

## **Income tax**

The Group's income tax for the Period was approximately RMB41.7 million, representing an increase of 35.5% as compared to approximately RMB30.8 million during the first half of 2021. On the other hand, the effective tax rate increased from 6.0% in the first half of 2021 to 7.5% in the first half of 2022. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 7 to the financial information contained in this announcement.

## **Capital expenditures**

During the Period, the Group incurred capital expenditures of approximately RMB1,063.3 million (the first half of 2021: RMB393.3 million) in total, which was mainly due to the overseas localized capacity expansion, construction of submarine cable engineering service capacity, and optimization of domestic optical fibre preforms and optical fibres capacity.

## **Gearing ratio**

The Group monitors its leverage using gearing ratio, which is net debts divided by total equity. Net debts include all bank loans less cash and cash equivalents. The Group's gearing ratio as at 30 June 2022 was 19.5% (31 December 2021: 14.5%).

## Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the six months ended 30 June 2022.

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash generated from/(used in) operating activities	<b>331,076,040</b>	(98,638,684)
Net cash used in investing activities	<b>(1,261,467,719)</b>	(678,870,019)
Net cash generated from financing activities	<b>2,312,011,057</b>	1,775,251,237
Effect of foreign exchange rate changes on cash and the equivalents	<b>49,750,260</b>	(13,970,637)
Net increase in cash and cash equivalents	<b>1,431,369,638</b>	983,771,897

The net cash generated from the Group's operating activities increased by approximately RMB429.7 million, which was mainly because the net profit after deducting the impact of changes in fair value increased by approximately RMB354.5 million compared with the same period of last year. Meanwhile, the inventories decreased by approximately RMB180.5 million, while the inventories of the the same period of last year increased by approximately RMB115.4 million, which resulted in an increase of approximately RMB295.9 million in net cash from operating activities.

The net cash used in the Group's investing activities increased by approximately RMB582.6 million, which was mainly due to the increase of approximately RMB358.8 million in cash paid by the Group for the purchase and construction of fixed assets and intangible assets compared with the same period last year, and the increase of approximately RMB282.0 million in net cash paid by the Group for investment in Broadex Technologies Co., Ltd., Wuhan Yangtze Science and Technology Innovation Industry Fund Ltd. and Hunan Dake laser Co., Ltd. compared with the same period last year.

The net cash generated from the Group's financing activities increased by approximately RMB536.8 million, which was mainly due to the Group's bank loans balance for the period increased by approximately RMB2,387.4 million compared to the end of the 2021, while the bank loans at the end of same period of last year increased by approximately RMB1,652.7 million compared to the end of the 2020.

Cash and cash equivalents as at 30 June 2022 were cash at banks and on hand, which were mainly in RMB, US Dollars and Euro.

### Net current assets

As at 30 June 2022, the Group's net current assets was approximately RMB6,181.5 million, increased by approximately RMB430.6 million from approximately RMB5,750.9 million as at 31 December 2021. The increase in net current assets was mainly due to (1) short term loans and non-current liabilities due within one year increased, which resulted in a decrease in net current assets by approximately RMB680.6 million; (2) cash at banks and on hand increased by approximately RMB1,444.9 million; (3) accounts payable increased, which resulted in a decrease in net current assets by approximately RMB268.1 million.

### Bank loans

As at 30 June 2022, the Group's bank loans were approximately RMB5,899.8 million, representing an increase of approximately RMB2,387.4 million from approximately RMB3,512.4 million as at 31 December 2021. As at 30 June 2022, among the Group's bank loans, 2.8% were Euro loans, 9.1% were US Dollar loans, 2.3% were HK Dollar loans and remaining 85.8% were RMB loans.

## **Commitments and contingencies**

As at 30 June 2022, the Group's outstanding capital commitments on fixed assets were approximately RMB2,442.6 million (31 December 2021: approximately RMB1,831.8 million) and equity investment was nil (31 December 2021: nil). Out of the total amount of unsettled commitments as at 30 June 2022 of approximately RMB2,442.6 million (31 December 2021: approximately RMB1,831.8 million), a total of approximately RMB1,365.7 million (as at 31 December 2021: approximately RMB1,311.2 million) were contracted, and the balance of approximately RMB1,076.9 million (31 December 2021: approximately RMB520.6 million) were authorized by the Board but not yet contracted.

As at 30 June 2022, the Group did not have any material contingent liability.

## **Funding and treasury policy**

The Group adopts a conservative approach on its funding and treasury policy, which aims to maintain an optimal financial position and the most economical finance costs as well as minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments and expansion plans as and when needed.

## **Exposure to fluctuations in exchange rates**

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

During the Period, due to the depreciation of RMB against major currencies such as the US dollar, which resulted net foreign exchange gains of approximately RMB19.4 million.

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

## **Employees and remuneration policies**

As at 30 June 2022, the Group had approximately 9,147 full-time employees (31 December 2021: approximately 7,889 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotions. The salaries and bonuses that the employees received are competitive with market rates. The Company has been in compliance with the relevant national and local labour and social welfare laws and regulations in China.

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

### **Off-balance sheet arrangements**

As at 30 June 2022, the Company endorsed certain bank bills receivable with a carrying amount of approximately RMB261.0 million (31 December 2021: RMB242.5 million) to certain commercial banks in China and its suppliers.

### **Acquisition or Formation of New Presence**

#### ***Wuhan Ruixin Investment Management Company Limited***

On 1 December 2021, Wuhan YOFC Capital Management Company Limited. (“**YOFC Capital**”), a subsidiary of the Company, established Wuhan Ruixin Investment Management Company Limited (“**Wuhan Ruixin**”) in Wuhan, Its general business scope is engaging in investment activities with its own funds. Wuhan Ruixin is 100% owned by YOFC Capital and its paid-up share capital is RMB70,000. During the Period, YOFC Capital had contributed RMB70,000 in cash.

The Company and 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 ThermoMagnetic 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. became 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 RMB779.7 million. Further details of this transaction are set out in the Company’s announcements dated on 9 March 2022 and 11 March 2022.

#### ***Yangtze Optical Cable (Suzhou) Company Limited***

In January 2022,the Company invested RMB183.3 million to acquire 49% shares of Yangtze Optical Cable (Suzhou) Company Limited (“**YOFC Suzhou**”). The financial results of YOFC Suzhou has been comprised in the consolidated financial statements of the Group since January 2022.

YOFC Suzhou was established in Changshu, Jiangsu Province on 6 March 2002. Its business scope mainly covers the production and sales of optical fibers, optical cables and their series products, optical active and passive devices, and communication terminal equipment.

### ***Broadex Technologies Co., Ltd.***

On April 7, 2022, the Company, Mr. Zhu Wei (“**Mr. Zhu**”), Mr. Ding Yong, Ms. Jiang Rongzhi, Ms. Wang Xiaohong and TDG Holding Co., Ltd. entered into the Share Transfer Agreement for the acquisition of 12.7% of Broadex Technologies Co., Ltd.’s (“**BDX**”) issued share capital. The consideration payable by the Company under the Share Transfer Agreement amounts to RMB1,028.0 million. On April 7, 2022, the Company and Mr. Zhu entered into the Voting Right Entrustment Agreement pursuant to which Mr. Zhu agreed to entrust the Company to exercise all voting rights attached to 22,110,372 shares of BDX, representing 12.7% of the existing issued share capital of BDX. On May 27, 2022, the parties agreed to make adjustments to the number of shares to be entrusted by Mr. Zhu, the number of shares in BDX to be transferred and the consideration to be paid by the Company to be adjusted to RMB949.4 million. Following completion of the acquisition (taking into account the adjustment), the Company held an aggregate of approximately 11.6% of the equity interest of BDX, and together with the entrustment of approximately 12.7% of the voting rights of BDX under the Voting Right Entrustment Agreement, the Company controlled approximately 24.3% of the voting rights of BDX (the “**BDX Acquisition**”). Further details of the BDX Acquisition are set out in the Company’s announcements dated April 7, 2022 and May 27, 2022.

### ***Nanjing Fiberfoton Technologies Corporation Limited***

In April 2022, Everfoton Technologies Corporation Limited, a subsidiary of the company acquired 100% of the equity of Nanjing Fiberfoton Technologies Corporation Limited (“**Nanjing Fiberfoton Technologies**”) through share exchange. The financial results of Nanjing Fiberfoton Technologies as a non-wholly-owned subsidiary has been comprised in the consolidated financial statements of the Group since April 2022.

Nanjing Fiberfoton Technologies was established in 21 February 2022 in Nanjing. Its business scope mainly includes special equipment repair, technology import and export, and electronic component manufacturing.

On 3 August 2020, Nanjing Fiberfoton Corporation Limited. (“**Nanjing Fiberfoton**”) was established in Nanjing, Nanjing Fiberfoton is 100% owned by Nanjing Fiberfoton Technologies. Its business scope mainly includes integrated circuit chip design and service, integrated circuit manufacturing, optoelectronic device manufacturing, etc.

### ***Polyresin (Hubei) Advanced Materials Company Limited***

On 6 May 2022, Polytech Qianjiang Company Limited. (“**Polytech Qianjiang**”), a subsidiary of Yangtze Optical Fibre (Qianjiang) Co., Ltd, established Polyresin (Hubei) Advanced Materials Company Limited (“**Polyresin**”) in Qianjiang, Hubei province. Its general business scope includes R&D, manufacturing and sales of electronic special materials. Polyresin is 100% owned by Polytech Qianjiang and its paid-up share capital is RMB20,000,000.

### ***Anhui YOFC Advanced Semiconductor Company Limited***

On 12 May 2022, the Company completed the acquisition of interests in Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd. (“**THZ Engineering Centre**”). The name of Wuhu Tus Semiconductor Co., Ltd. has been changed to Anhui YOFC Advanced Semiconductor Co., Ltd. (“**Anhui YOFC**”), and Wuhu THZ Engineering Centre Co., Ltd. has become a wholly-owned subsidiary of Anhui YOFC Advanced Semiconductor Co., Ltd. Its general business scope includes epitaxy of silicon carbide and gallium nitride, related wafer manufacturing such as third generation semiconductor power and radio frequency, the R&D, manufacture and sales of the whole industry chain, such as power modules and power single tube packaging and testing. Anhui YOFC Advanced Semiconductor Co., Ltd. is 37.78% directly owned by YOFC.

### ***Qianjiang YOFC Smart Network Technology Company Limited***

On 30 May 2022, Wuhan YOFC Smart Network Technology Company Limited. (“**YOFC Smart Network**”), a subsidiary of the Company, established Qianjiang YOFC Smart Network Technology Company Limited (“**Qianjiang Smart Network**”) in Qianjiang, Hubei province. Its general business scope includes sales of Internet of things equipment and technology research and development, information system integration services, etc. Qianjiang Smart Network is 90% owned by YOFC Smart Network and its paid-up share capital is RMB50,000,000.

The acquisitions of YOFC Suzhou and Nanjing Fiberfoton Technologies and the establishments of Wuhan Ruixin, Polyresin and Qianjiang Smart Network mentioned above did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

## **OUTLOOK**

In the first half of 2022, the telecommunications industry further developed at home and abroad. As the optical fibre and cable market showed resilience and rebounded, the business environment improved greatly for the Company. In view of the opportunities in the market, the Company strengthened the global leading position of its main business. It recorded an operating revenue of approximately RMB6,391.4 million, representing an increase of approximately 46.9% as compared to approximately RMB4,351.7 million for the first half of 2021. Benefiting from the rising average price in the industry and the higher production efficiency of the Company, the gross profit margin increased from 19.6% in 2021 to 22.5% in the first half of 2022. The net profit (exclusive of non-recurring profit or loss) attributable to the equity shareholders of the Company surged by approximately 188.1% from approximately RMB160.8 million in the first half of 2021 to approximately RMB463.3 million in the first half of 2022.

The year 2022 marks the second year of the Company’s strategic implementation of the “14th Five-Year Plan”. In the first half of the year, the Company achieved better operating results and reached milestones in internationalisation and diversification. In terms of internationalisation, revenue from the Company’s overseas business maintained growth and continued to account for more than 30% of total revenue. As for diversification, the Company has established presence in four main areas and will focus more on the integration and expansion of relevant businesses. The intensive implementation of various strategic initiatives has laid a solid foundation for the strategic planning and long-term sustainable development of the Company.

## 1. Easing price pressure with better supply and demand balance in the industry

In the first half of 2022, the construction of telecommunication infrastructure accelerated in China. The successive launch of 5G, gigabit optical network and other telecommunication networks, coupled with the expansion of their applications, drove the growth in data traffic and the demand for optical fibre and cable products. The development of innovative businesses, such as “Eastern Data and Western Computing”, virtual reality and self-driving cars, also provided strong support for industry demand. Regarding the mobile network, according to the statistics published by the Ministry of Industry and Information Technology (“MIIT”) in July 2022, the number of 5G mobile phone users in China reached 455 million as of the end of June 2022, representing a net increase of 100 million from the end of 2021 and accounting for 27.3% of mobile phone users, up by 5.7 percentage points from the end of 2021. In June 2022, the monthly average data traffic per user (DOU) of mobile internet reached 14.89GB/user/month, representing an increase of 10.1% year-on-year. In the Mobile Economy China 2022 report, Global System for Mobile communications Association (GSMA) estimated that China’s DOU would increase from approximately 15GB/user/month to 50GB/user/month by 2027. This points to the substantial boost of 5G applications to data traffic and the boom in traffic will facilitate constant infrastructure development for telecommunication networks. With respect to the fixed network, the total number of fixed Internet broadband access users of the three basic telecom operators was 563 million as of the end of June 2022, representing a net growth of 27.05 million from the end of last year. Among them, 61.11 million users of fixed Internet broadband access had an access rate of 1,000Mbps or above, representing a net increase of 26.56 million from the end of last year and accounting for 10.9% of the total number of users. This reflected the rapid development of the gigabit optical network.

As of June 2022, China Mobile, China Telecom and China Unicom completed the centralised procurements of ordinary optical cable products. According to the report issued by the independent industry research institution Commodity Research Unit (CRU), the total procurement volume as announced increased by approximately 17% from the last time, which suggested that domestic demand had bottomed out following the end of the down cycle. Meanwhile, the effective production capacity of the industry decreased due to the operating pressure brought by the previous extreme price level. As the supply and demand balance improved, the average price of products increased significantly in this round of centralised procurement and manufacturers faced less price pressure. Being a major player in the industry, the Company seized the opportunity of market recovery and gained leading shares than other operators in the centralised procurements. It also achieved rapid growth in operating revenue and profit in the first half of 2022. Looking forward, the Company is well-positioned to maintain business growth in the second half of 2022.



## **2. Cost reduction, efficiency improvement and more technological innovation**

The Company continued to improve production efficiency and made breakthroughs in new product R&D and applications. Currently, rising price in the industry has eased operating pressure. However, the cost of raw materials for certain preform, optical fibre and cable products also rocketed since 2021, which imposed challenges to the cost control ability of manufacturers. In view of this, the Company further lifted the process efficiency for outside vapor deposition (OVD) and vapor axial deposition (VAD) processes to overcome the higher cost of raw materials. In July 2022, the Company received the 23rd China Patent Silver Award for its invention patent on a “production device and method for optical fibre preforms”. With the new technology, the Company could manufacture large preforms with high optical fibre drawing efficiency. The effective and low-costs production technique helps boost production efficiency. In the first half of 2022, the gross profit margin of the Company went up by approximately 2.8%, which was attributable to the higher production efficiency and better cost control.

As China progressively rolls out the “Eastern Data and Western Computing” project, the demand for transmission network equipment, optical fibres and cables, optical modules and other telecommunication infrastructure are expected to grow. At the same time, optical fibres and cables in existing telecommunication backbone networks are likely to be replaced and upgraded. The FarBand® ultra-strong and ultra-low loss G.654.E optical fibre of the Company is the best solution for long-distance, high-speed and high-capacity connections. Recently, the Company earned the largest share in the centralised procurement of China Telecom and China Mobile for this product. The adoption of this new optical fibre in the centralised procurements after trail deployment demonstrated the forward planning and leading R&D capability of the Company for new technology and products.

## **3. Further growth of overseas business and acceleration of production capacity optimisation**

According to CRU’s report, the global demand for optical cables grew by approximately 8.1% to 260 million fibre kilometres in the first half of 2022. Driven by the acceleration of 5G network deployment in developed countries and the construction demand for “fibre to the home” services and 4G networks in developing countries, the overseas market is expected to maintain sustainable growth momentum. Internationalization is one of the key strategies of the Company. Through the active expansion of the overseas markets in recent years, the Company added new sales locations and increased brand influence considerably. In the first half of 2022, revenue from the Company’s overseas business reached approximately RMB2,185.9 million, representing a growth of approximately 53.1% from RMB1,427.6 million in the first half of 2021 and accounting for 34.2% of the total revenue. As a result, the Company outperformed the industry average in terms of growth.

In order to cope with rising transportation costs, international shipping capacity crunch, trade protectionism and foreign currency fluctuation in the target markets, the Company continued to enhance the plan for localizing production capacity in the overseas markets. In the first half of 2022, the Company expanded the production capacity of the optical cable plant in Indonesia, sent out the first batch of orders from the optical cable plant in Poland, and undertook the construction of optical cable production lines as scheduled for YOFC Poliron, which was acquired by the Company in 2021. More optimal planning for production capacity in the overseas markets facilitated the sustainable development of domestic and international business, as the Company could meet customer demand more efficiently and increase production capacity despite the tight supply in the domestic market. In addition, the telecommunication network projects in the Philippines, Peru and Mexico were advancing steadily.

#### **4. Further business diversification with a focus on integration and expansion**

In the first half of 2022, the Company optimised the strategic planning of major diversification areas, namely compound semiconductors, optical modules and components, industrial lasers and submarine cable engineering. The rapid growth of these sectors will create market opportunities for the Company to integrate acquired assets and expand business in diversified fields.

With regard to the compound semiconductor business, the Company completed the acquisition and integration of Wuhu Tus Semiconductor Co., Ltd. and Wuhu THZ Engineering Centre Co., Ltd. in May 2022. Following the acquisition, the target company was renamed to Anhui YOFC Advanced Semiconductor Co., Ltd. and became a subsidiary of the Company. Anhui YOFC is mainly engaged in the process R&D and the manufacture of the third generation of semiconductors represented by silicon carbide (SiC) and gallium nitride (GaN) semiconductors. It has professional OEM capability and technology R&D capability for semiconductor material epitaxy production, chip and device manufacturing, and module packaging tests. Besides, it has a complete set of 6-inch semiconductor production line and a cutting-edge auxiliary system that manufacture products mainly for new energy vehicles and other fields. The development of new energy vehicles is in line with China's "Double Carbon" strategy. As stated in the "New Energy Automobile Industry Development Plan (2021-2035)" issued by the General Office of the State Council, the sales of new energy vehicles shall account for approximately 20% of total new car sales by 2025. Meanwhile, pure electric vehicles shall become the mainstream of new car sales and public transport shall be fully electrified by 2035. As a result, silicon carbide power devices for new energy vehicles will have a promising market. The Company will devote the strategic resources of the Group and strive to develop Anhui YOFC into China's leading compound semiconductor manufacturer.

In relation to the optical module and optical component business, the Company completed the acquisition of Broadex Technologies Co., Ltd. in July 2022, which marked a milestone in diversifying the optical module and optical component business. Given that this business and the main business of the Company are both in the optical communication industry, the acquisition will promote the synergy with Broadex Technologies Co., Ltd. and allow the Company to offer more comprehensive products and services to customers.

In terms of the industrial laser business, the Company consolidated relevant resources along the value chain to establish Everfoton Technologies Corporation Limited, which possessed the critical technology of core laser components and parts such as specialty optical fibres, pump packaging and high-power grating for industrial lasers. The replacement of traditional processing with laser processing and the use of fibre lasers to substitute other lasers are becoming more popular in industrial manufacturing. Everfoton Technologies Corporation Limited will take advantage of the vertical integration to drive business expansion by offering differentiated and customised optical fibre and laser solutions.

For the submarine cable engineering business, Baosheng YOFC Marine Engineering Company Ltd. was established as a joint venture subsidiary by the Company and Baosheng Science and Technology Innovation Co., Ltd., so as to provide products and services for grid power distribution and transmission systems, submarine power distribution and transmission, signal transmission and submarine development projects. Since China is implementing the “Double Carbon” strategy, the installed capacity of offshore wind power is likely to maintain growth. At present, the Company is building ships and allocating professionals, which may help it acquire basic cable installation and laying capability and achieve breakthroughs in 2022.

## **5. Steady growth of the Company supported by synergy with the capital market**

In the pursuit of the diversification strategy, the Company made reasonable use of the investment and financing channels in the capital market. For instance, it invested approximately RMB780 million in the acquisition of Anhui YOFC Advanced Semiconductor Co., Ltd. As the lead investor, it formed a consortium to invest a total of approximately RMB1,430 million, thereby becoming the controlling shareholder and reducing investment costs and risks effectively. In the acquisition of Broadex Technologies Co., Ltd., the Company became the controlling shareholder through equity transfer and entrustment of voting rights. The acquisition optimised the Company’s capital market layout.

Given the steady operating results of the Company, China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司) issued a long-term corporate credit rating of AAA and a stable outlook for the Company in May 2022, respectively.

## **DIVIDEND**

The Board did not recommend any interim dividend for the Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2022, there were no purchase, sales or redemption of the Company’s listed securities by the Company and its subsidiaries.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

In connection with the BDX Acquisition as disclosed under the paragraph headed “**Acquisition or Formation of New Presence**”, on July 7, 2022, China Securities Depository and Clearing Corporation Limited issued confirmation for the share transfer, and the BDX Acquisition was completed. The Company has become the controlling shareholder of BDX.

Save as disclosed above, there were no important events affecting the Group which occurred after the Period and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Hong Kong 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 unaudited interim results of the Group for the six months ended 30 June 2022.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of the Hong Kong Listing Rules and to abide by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basis for the Company’s corporate governance. The Company has adopted all the code provisions set out in the CG Code and has complied with all the code provisions under the CG Code during the six months ended 30 June 2022.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Relevant Employees (the “**Company’s Code**”) as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code regarding securities transactions throughout the six months ended 30 June 2022.

## **INTERIM REPORT**

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

## FORWARD-LOOKING STATEMENTS

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

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

Wuhan, PRC, 26 August 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*