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中國光纖網絡系統集團有限公司
CHINA FIBER OPTIC NETWORK SYSTEM GROUP LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3777)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2015, the operating results of the Group were as follows:

— Revenue declined by 12.9% to RMB1,922,962,000;

— Gross profit margin was down slightly from 30.7% to 28.6%;

— Profit for the year decreased by 30.9% to RMB293,652,000;

— Basic and diluted earnings per share decreased by 38.1% and 37.6% to RMB13.8 cents and RMB13.6 cents respectively; and

— No final dividend has been recommended by the Board (2014: Bonus issue of two new shares for every ten existing shares).

The board of directors of China Fiber Optic Network System Group Ltd. (the "Company" and the "Board", respectively) announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2015 (the "Year") together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
REVENUE	*3*	**1,922,962**	2,208,885
Cost of sales		**(1,372,978)**	(1,531,384)
Gross profit		**549,984**	677,501
Other income	*4*	**21,722**	19,700
Selling and distribution expenses		**(12,221)**	(16,143)
Administrative expenses		**(133,912)**	(110,302)
Other expenses		**(12,606)**	(5,651)
Finance costs		**(43,439)**	(40,240)
PROFIT BEFORE TAX	*5*	**369,528**	524,865
Income tax expense	*6*	**(75,876)**	(99,754)
PROFIT FOR THE YEAR		**293,652**	425,111
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation		**(18,018)**	(3,659)
Total comprehensive income for the year attributable to owners of the Company		**275,634**	421,452
Earnings per share attributable to ordinary equity holders of the Company:			
			(Restated)
Basic	*7*	**RMB0.138**	RMB0.223
			(Restated)
Diluted	*7*	**RMB0.136**	RMB0.218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,461,274**	1,088,820
Prepaid land lease payments		**23,591**	24,210
Payments in advance		**11,026**	127,096
Goodwill		**15,563**	15,563
Available-for-sale investment	*8*	**14,300**	14,300
Deferred tax assets		**2,361**	1,713
Total non-current assets		**2,528,115**	1,271,702
CURRENT ASSETS			
Inventories	*9*	**74,879**	121,785
Trade and notes receivables	*10*	**2,655,519**	2,196,746
Prepayments, deposits and other receivables	*11*	**400,639**	41,736
Pledged bank balances	*12*	**490,967**	44,735
Time deposits	*12*	**4,520**	190,396
Cash and cash equivalents	*12*	**364,222**	851,361
Total current assets		**3,990,746**	3,446,759
CURRENT LIABILITIES			
Trade and notes payables	*13*	**782,919**	294,429
Other payables, accruals and receipts in advance	*14*	**936,871**	561,199
Tax payable		**238,462**	195,699
Interest-bearing bank loans	*15*	**956,342**	518,846
Obligations under finance leases	*16*	**16,925**	–
Total current liabilities		**2,931,519**	1,570,173
NET CURRENT ASSETS		**1,059,227**	1,876,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,587,342**	3,148,288
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*15*	**261,283**	175,627
Obligations under finance leases	*16*	**28,214**	–
Deferred income		**14,433**	16,304
Deferred tax liabilities		**31,146**	24,990
Total non-current liabilities		**335,076**	216,921
Net assets		**3,252,266**	2,931,367
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*17*	**13,599**	11,125
Treasury shares	*17*	**–**	(23)
Reserves		**3,238,667**	2,920,265
Total equity		**3,252,266**	2,931,367

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

1. CORPORATE INFORMATION

China Fiber Optic Network System Group Ltd. (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands. The Company's principal place of business in Hong Kong is located at Office Suite 2001–02, 20th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

During the year, the Company acted as an investment company and its subsidiaries were principally engaged in the business of production and sale of fiber optic patch cords and other accessories. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Kemy Holding Inc., which is incorporated in the Cayman Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules") and by Hong Kong Companies Ordinance (Cap. 622) (the "new CO").

The provisions of the new CO regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended December 31, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or the Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these financial statements.

These financial statements have been prepared under the historical cost convention and are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2015. For the preparation of the consolidated financial statements, the Group adopted December 31 as the Group's financial year end and the financial statements of the subsidiaries are prepared using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to a number of IFRSs	*Annual Improvements 2010–2012 Cycle*[1]
Amendments to a number of IFRSs	*Annual Improvements 2011–2013 Cycle*[1]

[1] Effective from July 1, 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
IFRS 14	*Regulatory Deferral Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[6]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Loss*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Amendments to a number of IFRSs	*Annual Improvements 2012–2014 Cycle*[1]

[1] Effective for annual periods beginning on or after January 1, 2016
[2] Effective for annual periods beginning on or after January 1, 2017
[3] Effective for annual periods beginning on or after January 1, 2018
[4] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group
[5] Effective for annual periods beginning on or after a date to be determined
[6] Effective for annual periods beginning on or after January 1, 2019

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. The Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operation and financial position.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group's turnover, represents the net sale of products, net of various types of government surcharges.

The Group's revenue and contribution to profit are mainly derived from the manufacture and sale of fiber optic patch cords and other accessories, which is regarded as a single reportable operating segment in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for purposes of resources allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Fiber optic patch cords	**1,139,036**	**59.2**	1,620,847	73.4
Connection and distribution product series	**301,299**	**15.7**	425,038	19.2
Equipment room accessories	**482,627**	**25.1**	163,000	7.4
	1,922,962	**100.0**	2,208,885	100.0

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year. The geographical locations of the customers are determined based on the locations at which the goods were delivered.

	2015	2014
	RMB'000	*RMB'000*
Domestic*:		
— Mainland China	**1,663,474**	1,963,252
Overseas:		
— New Zealand	**90,123**	110,724
— Australia	**93,480**	80,504
— United Kingdom	**75,579**	54,405
— Others	**306**	–
	259,488	245,633
	1,922,962	2,208,885

* Place of domicile of the Group's principal subsidiary, Hebei Sifang Telecommunication Equipment Co., Ltd. ("Sifang Telecom").

At the end of the reporting period, except for a property in Hong Kong and certain fixed assets in Canada, all of the Group's non-current assets were located in Mainland China.

Information about major customers

Revenue from major customers, which accounted for 10% or more of the Group's revenue during the year, is set out below:

	2015	2014
	RMB'000	*RMB'000*
Customer A*	**–**	761,227
Customer B	**280,599**	–
Customer C	**194,455**	–

* No information on turnover for the current year is disclosed for this customer since it contributed less than 10% to the Group's turnover for the year ended 31 December 2015.

4. OTHER INCOME

An analysis of the Group's other income during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Government grants*	**2,565**	582
Deferred income released	**2,320**	2,263
Interest income	**15,011**	16,271
Rental income	**801**	310
Others	**1,025**	274
Total other income	**21,722**	19,700

* Various government grants have been received for awarding the Group's achievements and contributions. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**1,372,978**	1,531,384
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**46,989**	27,672
Equity-settled share option expense	**7,684**	11,174
Pension scheme contributions		
— Defined contribution fund	**7,490**	4,725
Housing fund		
— Defined contribution fund	**2,327**	420
Total employee benefit expense	**64,490**	43,991
Interest on bank loans wholly repayable within five years	**41,484**	40,213
Interest on other bank loans	**319**	27
Interest on finance leases	**1,636**	–
Finance costs	**43,439**	40,240
Auditors' remuneration	**2,200**	3,700
Depreciation of items of property, plant and equipment	**99,837**	85,484
Amortisation of prepaid land lease payments	**619**	619
Operating lease rentals in respect of buildings	**5,312**	2,531
Loss on disposal and write-off of items of property, plant and equipment	**4,058**	4,264
Donation	**–**	1,000
Foreign exchanges difference, net	**(1,140)**	3,862
Research and development costs	**19,723**	23,718

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the year.

No provision for Canadian profits tax has been made as the Group had no taxable profits derived from or earned in Canada during the year.

The provision for the corporate income tax (the "CIT") in the People's Republic of China (the "PRC") is based on the CIT rate applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations in the PRC.

The major components of the tax expense for the year are as follows:

	2015	2014
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**70,368**	88,341
Deferred	**5,508**	11,413
Total tax charge for the year	**75,876**	99,754

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rate to the tax expense at the Group's effective tax rate for the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**369,528**	524,865
Tax at the applicable tax rate of 15%	**59,636**	79,287
Tax at the applicable tax rate of 25%	**(7,010)**	(929)
Effect of withholding tax at 10% on the distributable profit of Sifang Telecom	**6,156**	8,406
Effect of change in tax rate on opening deferred tax	**–**	1,888
Tax losses not recognised	**6,952**	2,197
Expenses not deductible for tax	**10,142**	8,905
Tax charge at the Group's effective tax rate	**75,876**	99,754

Except for Sifang Telecom which is entitled to a preferential CIT rate of 15% (2014: 15%), the PRC subsidiaries are subject to the PRC CIT rate at 25% during the year (2014: 25%).

In 2011, Sifang Telecom was identified as a high and new technology enterprise and is entitled to a preferential CIT rate of 15% for three years commencing from January 1, 2011. At 2014, Sifang Telecom successfully renewed the high and new technology enterprise certificate which will be valid for three years and expire in September 2017.

Pursuant to the income tax rules and regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC effective from January 1, 2008.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,131,968,066 (2014 (Restated): 1,902,665,567) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**293,652**	425,111

	Number of shares	
	2015	2014
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,131,968,066**	1,902,665,567
Effect of dilution — weighted average number of ordinary shares:		
Share options	**29,480,277**	49,601,154
	2,161,488,343	1,952,266,721

8. AVAILABLE-FOR-SALE INVESTMENT

	2015	2014
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	**14,300**	14,300

The unlisted equity investment represented the Group's investment in Advanced Photonics, Inc.. It is stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

9. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**29,800**	29,908
Work in progress	**25,244**	20,645
Finished goods	**19,835**	71,232
	74,879	121,785

10. TRADE AND NOTES RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**513,274**	295,819
Unbilled receivables	**2,136,776**	1,899,337
Notes receivable	**5,469**	1,590
Impairment	**–**	–
	2,655,519	2,196,746

Trade receivables are non-interest-bearing and are generally on terms of 30 to 360 days.

An aged analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within 1 month	**64,420**	87,158
1 to 3 months	**120,801**	89,410
3 to 6 months	**59,807**	54,461
6 to 12 months	**139,293**	60,220
Over 12 months	**128,953**	4,570
	513,274	295,819

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Neither past due nor impaired	**274,602**	239,285
Past due but not impaired		
Less than 1 month past due	**44,396**	48,745
Over 1 month but within 3 months past due	**48,520**	6,445
Over 3 months past due	**145,756**	1,344
	513,274	295,819

Receivables that were neither past due nor impaired relate to a certain number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are still considered fully recoverable.

As at December 31, 2015, certain trade receivables with an aggregate amount of RMB396,396,000 (2014: RMB80,521,000) have been pledged to secure the Group's interest-bearing bank loans (note 15).

At the end of the reporting period, trade receivables of the Group denominated in US$ amounted to RMB396,396,000 (2014: RMB208,072,000).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Prepayments for purchase of raw materials	**367,524**	26,534
Prepaid land lease payments to be amortised within one year	**619**	619
Input value-added tax	**15,368**	5,340
Deposits and other receivables	**17,128**	9,243
	400,639	41,736

As at the date of the announcement, the prepayment for purchase of raw materials were settled as the raw materials were received.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

12. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED BANK BALANCES

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**566,991**	520,589
Time deposits with original maturity less than 3 months	**147,724**	375,507
Time deposits with original maturity over 3 months	**144,994**	190,396
	859,709	1,086,492
Less: pledged bank balances and time deposits for:		
— Issuance of notes payable *(note 13)*	**(260,148)**	(41,586)
— Issuance of letters of guarantee	**–**	(1,860)
— Issuance of letters of credit	**–**	(1,078)
— Credit cards	**(188)**	(211)
— Interest-bearing bank loans *(note 15)*	**(230,631)**	–
	(490,967)	(44,735)
Less: non-pledged time deposits with original maturity over 3 months	**(4,520)**	(190,396)
Cash and cash equivalents	**364,222**	851,361

At the end of the reporting period, cash and bank balances were denominated in the following currencies:

	2015	2014
	RMB'000	*RMB'000*
RMB	**753,098**	1,014,122
US$	**44,420**	12,939
HK$	**61,643**	28,521
CAD	**548**	30,910
	859,709	1,086,492

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between two weeks and six months, and earn interest at the respective deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. TRADE AND NOTES PAYABLES

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**56,555**	67,445
Notes payable	**522,943**	84,623
	579,498	152,068
Unbilled payables	**203,421**	142,361
	782,919	294,429

An aged analysis of the trade and notes payables at the end of the reporting period, based on the respective invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**348,118**	82,075
3 to 6 months	**191,235**	52,438
6 months to 1 year	**19,374**	15,754
Over 1 year	**20,771**	1,801
	579,498	152,068

Notes payable are interest-free with terms of maturity of within 180 days. As at December 31, 2015, notes payable were secured by the pledge of cash at banks of RMB260,148,000 (2014: RMB41,586,000) (note 12).

14. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Payables related to:		
Taxes and surcharges	**506,272**	480,333
Payroll and welfare	**13,875**	11,263
Property, plant and equipment	**354,514**	50,681
Professional fees	**1,982**	1,314
Others	**14,859**	10,681
	891,502	554,272
Accruals	**7,717**	5,710
Receipts in advance from customers	**37,652**	1,217
	936,871	561,199

Other payables are non-interest-bearing and generally have payment terms within one year.

15. INTEREST-BEARING BANK LOANS

		2015	2014
		RMB'000	*RMB'000*
Bank loans — secured	*(a)*	**802,848**	488,926
Bank loans — unsecured	*(b)*	**414,777**	205,547
		1,217,625	694,473
Bank loans repayable:			
Within one year		**956,342**	518,846
In the second year		**247,823**	174,168
In the third to fifth years, inclusive		**12,887**	710
Beyond five years		**573**	749
		1,217,625	694,473
Balances classified as current liabilities		**956,342**	518,846
Balances classified as non-current liabilities		**261,283**	175,627

(a) As at December 31, 2015, included in secured bank loans was a bank loan of RMB1,776,000 (2014: RMB1,933,000) which is denominated in HK$, bears interest at 3.1% below the Hong Kong dollar prime rate per annum and is repayable by 120 monthly equal installments commencing on March 3, 2013.

The bank loans were secured by:

	2015	2014
	RMB'000	*RMB'000*
Secured by — net book amount of:		
Property, plant and equipment	**253,290**	412,278
Prepaid land lease payments	**24,210**	20,246
Trade receivables *(note 10)*	**396,396**	80,521
Bank balances and time deposits *(note 12)*	**230,631**	–

(b) As at December 31, 2015, included in unsecured bank loans amount of RMB345,225,000 (2014: RMB117,960,000) which is denominated in US$, bears interest at 3 to 4.25% above the prevailing London Interbank Offered Rate per annum, is repayable within three years by instalments and guaranteed by certain subsidiaries of the Company or the Company, and none of bank loans is denominated in HK$ (2014: RMB57,588,000 which was denominated in HK$ and bore interest at 3% above the prevailing Hong Kong Interbank Offered Rate per annum and was repayable before July 3, 2015).

As at December 31, 2015, except for the bank loans bearing interest at floating rates detailed in notes (a) and (b) above, all bank loans bear interest at fixed rates per annum in the range of 4.03% to 7.38% (2014: 3.39% to 7.80%).

At the end of the reporting period, bank loans were denominated in the following currencies:

	2015	2014
	RMB'000	*RMB'000*
RMB	**844,360**	191,388
US$	**357,452**	443,500
HK$	**1,776**	59,520
CAD	**14,037**	65
	1,217,625	694,473

The directors of the Company have assessed that the fair values of the long-term interest-bearing bank loans approximate to their carrying amounts based on the prevailing borrowing rates available for loans with similar terms and maturities during the reporting period. The fair value measurement hierarchy of the bank loans requires significant observable input (Level 2).

16. OBLIGATIONS UNDER FINANCE LEASES

On December 31, 2014 and during the Year, Hebei Smart Communication Co., Ltd, ("Smart Communication"), an indirect subsidiary of the Company, entered into certain sale and leaseback agreements with an independent third party, pursuant to which (i) Smart Communication agreed to sell certain machinery to the third party for a total consideration of RMB54,794,000, and lease them back at a fixed monthly rental for three years immediately after the sale, (ii) at the end of the lease term, Smart Communication has the option to acquire the underlying equipment at a nominal price of RMB4,000, and (iii) the interest rates are at the prevailing China Interbank Offered Rate between 1 and 5 years' loan. The sale and leaseback agreements were guaranteed by Sifang and a director of the Company.

	2015	2014
	RMB'000	*RMB'000*
Amounts payable under finance leases:		
Within one year	**20,183**	–
In the second year	**20,183**	–
In the third to fifth years, inclusive	**8,601**	–
	48,967	–
Future charges on finance leases	**(3,828)**	–
Present value of finance lease liabilities	**45,139**	–

The present value of finance lease liabilities is as follows:

	2015	2014
	RMB'000	*RMB'000*
Current portion	**16,925**	–
Non-current potion	**28,214**	–
	45,139	–

The carrying amount of the finance lease liabilities approximates their fair values. As at December 31, 2015, the Group had lease property, plant and equipment under finance leases with an aggregate net book value of HK$41,979,000 (2014: Nil)

17. SHARE CAPITAL

	2015	2014
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of US$0.001 each	**64,716**	64,716
Issued and fully paid:		
2,144,491,200 (2014: 1,746,000,000) ordinary shares of US$0.001 each	**13,599**	11,125

(a) On February 27, 2015, a total of 3,588,000 shares repurchased on the Stock Exchange at an aggregate purchase price of HK$7,564,000 was cancelled.

(b) During the year, the subscription rights attached 14,400,000 share options and 30,264,000 share options were exercised at the subscription price of HK$1.20 and HK$1.00 per share respectively, resulting in the issue of 44,664,000 shares for a total cash consideration, before expenses, of HK$47,544,000 (equivalent to RMB37,581,000). An amount of RMB16,145,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(c) A bonus issue of Shares (the "Bonus Issue") was completed on July 16, 2015 and 357,415,200 bonus Shares have been issued under the Bonus Issue on the basis of two (2) Bonus Shares for every ten (10) existing Shares held on July 10, 2015.

18. DIVIDENDS

The Board has resolved not to recommend any final dividend for the year ended December 31, 2015 (2014: Bonus issue of two shares for every ten existing share).

19. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with a related party for the year:

On February 1, 2014 and April 1, 2015, the Group entered into two tenancy agreements with Steel Magnolia Investment Ltd. ("Steel Magnolia"), a company controlled by Mr. Zhao Bing's wife, Ms. Du Lixia. Mr. Zhao Bing is the chairman of and an executive Director of the Company. Pursuant to the tenancy agreements, the Group leased from Steel Magnolia a building with a total floor area of 377.74 square metres for five years ending February 1, 2019 at a fixed monthly rental of approximately Canadian dollars 4,358 (equivalent to approximately RMB25,000), and offices with a total floor area of 1,840 square metres for five years ending April 1, 2020 at a monthly rental of approximately Canadian dollars 9,507 (equivalent to approximately RMB47,000). During the Year, the rental paid by the Group to Steel Magnolia amounted to RMB480,000 (2014: RMB275,000). The Directors considered that the rental expenses charged under the tenancy agreements were based on the market rate for similar premises in nearby locations.

(b) Compensation of key management personnel of the Group:

	2015	2014
	RMB'000	*RMB'000*
Basic salaries and other benefits	**7,224**	5,309
Equity-settled share option expense	**5,232**	11,104
Pension scheme contributions	**116**	100
	12,572	16,513

20. EVENTS AFTER THE REPORTING PERIOD

First Subscription Agreement

On January 28, 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with an independent third party (the "Subscriber"), pursuant to which the Company had conditionally agreed to issue, and the Subscriber had conditionally agreed to subscribe for, convertible bonds in an aggregate principal amount of HK$166,905,800. These convertible bonds would be convertible into 357,400,000 Shares at a conversion price of HK$0.467 per Share. Details of the transaction are set out in the announcement of the Company dated January 28, 2016.

On February 26, 2016, the Company entered into a supplemental agreement to extend the long stop date to filfill the condition precedents to March 23, 2016 (the "Long Stop Date") and each of the Company and the Subscriber was entitled to terminate the Subscription Agreement at any time before March 23, 2016. On March 22, 2016, the Company announced the lapse of the Long Stop Date at midnight on March 23, 2016 and the termination of the Subscription Agreement.

Second Subscription Agreement

On March 23, 2016, the Company entered into another subscription agreement with China Guorong Assets Management Limited ("China Guorong"), pursuant to which the Company has conditionally agreed to issue, and China Guorong has conditionally agreed to subscribe for convertible bonds in an aggregate principal amount of HK$166,905,800, which may be converted prior to the maturity date into 357,400,000 conversion shares (subject to adjustments) based on the initial conversion price of HK$0.467 upon full conversion. Details of the transactions are set out in the announcement of the Company dated March 24, 2016.

Save as disclosed above, there is no important events affecting the Group which have occurred since the end of the financial year.

21. NON-CASH TRANSACTIONS

During the Year, the additions of construction work in progress of approximately RMB396,610,000 were settled by way of bill receivables.

22. COMPARATIVE

Certain comparative amounts have been reclassified to confirm with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 2015, the Group's revenue declined by 12.9% to RMB1,922,962,000, mainly due to the decrease of 36.0% in sales of fiber optic patch cords in the domestic market though our export sales had increased by 5.6%.

Gross margin decreased from 30.7% to 28.6% mainly due to increase in depreciation expense included in the cost of sales.

Profit for the Year decreased by 30.9% to RMB293,652,000 as a result of the decline in revenue and gross profit margin as well as an increase in administrative expenses.

During the Year, the Group commenced to cooperate with China Telecom in Guangzhou City, Guangdong Province, the PRC to construct and operate fiber to the home ("FTTH") broadband network and share related revenue from this fiber optic broadband network with China Telecom. The Group expects that this new revenue sharing business will become a new growth driver for the Group and a major catalyst for the Group's transformation into a professional high-speed internet operator.

Revenue by Product Category

Revenue by product category for the Year is set forth below:

	Year ended December 31,		
	2015	2014	Change
	RMB'000	*RMB'000*	
Fiber optic patch cords	**1,139,036**	1,620,847	(29.7%)
Connection & distribution products	**301,299**	425,038	(29.1%)
Equipment room accessories	**482,627**	163,000	196.1%
	1,922,962	2,208,885	(12.9%)

In 2015, sales revenue of fiber optic patch cords decreased by 29.7% to RMB1,139,036,000 and connection and distribution products was down by 29.1% to RMB301,299,000, whereas that of equipment room accessories rose 196.1% to RMB482,627,000.

The decline in overall revenue was connected to the shift of the Group's strategic direction during the Year to solidify long term sustainable growth prospect. In particular, the Group is currently undergoing a business transformation process to allocate more resources to the new revenue sharing business through cooperation with telecom operators on constructing and operating FTTH broadband network. Determined to generate positive operating cash flow, the Group had also underweighted doing business with customers who traditionally demand for a longer credit period.

Domestic and Overseas Sales

Domestic and overseas sales accounted for 86.5% and 13.5% of the Group's total revenue in 2015, respectively, compared to 88.9% and 11.1% in 2014.

The following table shows the breakdown of sales of domestic and overseas markets:

	Year ended December 31,		
	2015	2014	Change
	RMB'000	*RMB'000*	
Domestic sales — fiber optic patch cords	**879,548**	1,375,214	(36.0%)
Domestic sales — other products	**783,926**	588,038	33.3%
	1,663,474	1,963,252	(15.3%)
Overseas sales — fiber optic patch cords:			
— New Zealand	**90,123**	110,724	(18.6%)
— Australia	**93,480**	80,504	16.1%
— United Kingdom	**75,579**	54,405	38.9%
— Others	**306**	–	100.0%
	259,488	245,633	5.6%
	1,922,962	2,208,885	(12.9%)

The domestic sales of fiber optic patch cord declined by 36.0%. During the Year, the Group had shifted its customer mix to those which accepted a shorter credit period in order for the Group to resume positive operating cash flows in the coming years.

The slow down in overseas sales from New Zealand was compensated by the strong growth from the United Kingdom, and the Group is determined to continue to grow overseas sales.

Gross Profit Margin

The following table sets forth gross profit margins from the Group's overall sales and domestic and overseas sales of our products for 2015 and 2014:

	Year ended December 31,	
	2015	2014
	Gross profit margin	Gross profit margin
Overall sales	**28.6%**	30.7%
Fiber optic patch cords — domestic sales	**22.3%**	28.5%
Fiber optic patch cords — overseas sales	**58.4%**	58.2%
Connection and distribution products	**24.3%**	24.6%
Equipment room accessories	**26.9%**	23.1%

The Group's overall gross profit margin was 28.6%, as compared to 30.7% of last year. The slight decrease of overall gross profit margin was primarily due to the increase of depreciation expenses included in the cost of sales.

Other Income

During 2015, other income went up by 10.3% to RMB21,722,000 due to an increase in government grants.

Selling and Distribution Costs

During 2015, selling and distribution costs of the Group decreased by 24.3% to RMB12,221,000. Selling and distribution costs primarily consisted of transportation fees in connection with our sales, wages of sales personnel, entertainment expenses, advertisement expenses and other expenses relating to our selling and distribution activities.

The decrease of selling and distribution expenses was mainly due to lower miscellaneous expenses related to selling and distribution activities incurred during the Year.

Selling and distribution costs were 0.6% and 0.7% of revenue for the years ended December 31, 2015 and 2014 respectively.

Administrative Expenses

Administrative expenses increased by 21.4% to RMB133,912,000 in 2015. Administrative expenses consisted of wages and salaries paid to management and administrative personnel, professional fees, research and development costs and depreciation of property, plant and equipment not related to production and share option expenses.

Wages and salaries increased from RMB30,111,000 to RMB37,478,000 during 2015 mainly due to the increases in wages and head counts on executives and management personnel.

Depreciation of property, plant and equipment not related to production increased to RMB16,222,000 for the Year from RMB10,247,000 of last year.

Research and development costs were RMB19,723,000 and RMB26,492,000 for the years of 2015 and 2014 respectively. The Group continued to add resources on research and development to strengthen new product pipeline to suit specific needs of our customers.

Administrative expenses accounted for 7.0% and 5.0% of total revenue respectively for the years of 2015 and 2014.

Finance Costs

Finance costs primarily consisted of interest expenses relating to the Group's bank loans.

Finance costs increased by 7.9% to RMB43,439,000 as compared to last year as the average balance of bank loans in 2015 was higher than 2014.

The effective interest rates of our bank loans per annum were ranging from 1.8% to 7.4% and 2.2% to 7.8% as of December 31, 2015 and 2014 respectively.

For the years of 2015 and 2014, finance costs accounted for 2.3% and 1.8% of total revenue respectively.

Income Tax Expenses

Income tax expenses decreased by 23.9% to RMB75,876,000 in 2015. The decrease was in line with the decrease in profit for the Year.

Income tax expenses were provided mainly from the Company's subsidiary, Hebei Sifang Telecommunication Equipment Co., Ltd. ("Sifang Telecom") which is subject to preferential corporate income tax rate of 15.0% as a high and new technology enterprise and the accrual of dividend withholding tax at 10.0% on not more than 25.0% of distributable profit of Sifang Telecom for 2015.

The Company is not subject to any income tax in the Cayman Islands. No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the years of 2015 and 2014.

The effective tax rate in 2015 was 20.5% as compared to 19.0% of last year.

Earnings per Share

The following table shows the movement of shares during the Year:

	Date	Number of Shares	Weighted Average Number of Shares
Opening	January 1, 2015	1,746,000,000	1,746,000,000
Cancellation of repurchased shares	February 27, 2015	(3,588,000)	(3,017,852)
Issue of new shares under the share option schemes	April 17, 2015	44,664,000	31,570,718
Bonus issue	July 16, 2015	357,415,200	357,415,200
Ending	December 31, 2015	2,144,491,200	2,131,968,066

During the Year, the Company

(i) cancelled a total of 3,588,000 shares repurchased on the Stock Exchange at an aggregate purchase price of HK$7,564,000 on February 27, 2015;

(ii) issued a total of 44,664,000 new shares on April 17, 2015 pursuant to the exercise of share options by the Directors and employees under the pre-IPO share option scheme and the share option scheme both adopted on June 3, 2011; and

(iii) issued 357,415,200 bonus Shares under a bonus issue of Shares (the "Bonus Issue") completed on July 16, 2015 on the basis of two (2) bonus Shares for every ten (10) existing Shares held on July 10, 2015.

Basic and diluted earnings per share for 2015 calculated based on the weighted average number of ordinary shares of 2,131,968,066 and 2,161,488,343 in issue were RMB13.8 cents and RMB13.6 cents respectively, a decrease of 38.1% and 37.6% compared to RMB22.3 cents and RMB21.8 cents based on the weighted average number of ordinary shares of 1,902,665,567 and 1,952,266,721 of last year respectively.

Capital Expenditures

In line with the Group's strategic plan, the Group continued to invest in capital expenditures to strengthen the Group's core competence and to position for sustainable long term business growth. Capital expenditures incurred in 2015 totaled RMB1,478,299,000 for, among other things, constructing a big data center and an "All-Optical Network Technology Production Research Centre", in addition to the establishment and expansion of other relevant factory facilities.

The Group has commenced on a big data centre project which, upon completion, would comprise of customized servers, network equipment and ancillary cabinets, and equipment room with 4,000 standard cabinets installed for cloud computing data. The entire project is targeted to be completed in 2016.

The Group is also building All-optical Network Technology Production & Research Center which would become a testing and development center for emerging Internet-related high-end manufacturing businesses, a development center of industrial production system 4.0, a supporting platform for all-optical network technology production and research, a scientific research and certification centre, as well as a research and manufacturing centre of optical telecommunication components and optical transmission equipment, and related ancillary facilities. Major structural construction of this project is targeted to be completed in 2016.

Dividend

The Board has resolved not to recommend any final dividend for the Year (2014: Bonus issue of two new shares for every ten existing shares).

Capital Structure

During the Year, the Group financed its growth in business primarily by cash inflow from operations and utilising bank borrowings. Interest-bearing bank loans increased from RMB694,473,000 as at December 31, 2014 to RMB1,217,625,000 as at December 31, 2015 bearing interest at floating and fixed rates per annum in the range of 1.8% to 7.4%, which included borrowings of RMB357,452,000, borrowings of RMB844,360,000 and borrowings of RMB15,813,000 denominated in RMB, US dollars and other foreign currencies respectively.

The Company's issued share capital increased from RMB11,125,000 to RMB13,599,000 during the Year as the Company issued 402,079,200 new shares upon the exercise of share options and the completion of the Bonus Issue.

Gearing Ratio

The Group monitors capital structure using a gearing ratio, which is net debt divided by equity plus net debt.

Net debt includes interest-bearing bank loans, obligations under finance leases, trade and notes payables, other payables and accruals, tax payable less cash and cash equivalents and pledged bank balances.

The Group's policy is to keep the gearing ratio at a reasonable level.

The Group's gearing ratios as of December 31, 2015 and 2014 were 42.1% and 18.4% respectively.

Liquidity and Financial Resources

As at December 31, 2015, cash and bank balances of the Group amounted to RMB859,709,000 comprising of RMB753,098,000 and others being equivalent to RMB61,643,000, RMB44,420,000 and RMB548,000 denominated in HK dollars, US dollars and Canadian dollars respectively.

During 2015, the Group financed its operations through cash generated from operating activities and bank borrowings.

Current assets net of current liabilities was RMB1,059,227,000 as at December 31, 2015. The Group had RMB335,076,000 of long term liabilities consisted mainly of interest-bearing bank loans.

In the future, the Group expects to use funds from a combination of sources including bank loans, share capital and internally generated cash flow to fund its operations and expansion plan.

Taking into account of these financial resources available to us, the Directors are of the opinion that the Group has sufficient working capital to meet our future expansion and development.

Cash Flow Analysis

The following table sets forth selected cash flow data derived from our consolidated statement of cash flows for the years indicated.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(183,942)**	(102,486)
Net cash flows used in investing activities	**(870,619)**	(404,865)
Net cash flows from financing activities	**594,757**	593,101
Net (decrease)/increase in cash and cash equivalents	**(459,804)**	85,750

Net cash flows used in operating activities for the year 2015 was primarily related to profit adjusted after non-cash expenses for the Year amounting to RMB508,069,000 offset by the increase in trade receivables of RMB835,293,000 and decrease in prepayments, deposits and other receivables of RMB357,240,000.

Net cash flow used in investing activities for the year 2015 was related to the increase of pledged deposit of RMB446,232,000 and payments of RMB612,569,000 for capital expenditure.

Net cash inflows from financing activities for the year 2015 was primarily derived from net increase of RMB512,125,000 in bank borrowings.

Receivables

Trade receivables included domestic sales made for which value added tax invoices have been issued to customer and overseas sales. Unbilled receivables were related to domestic sales made for which value added tax invoices have not been issued to customers.

Trade, unbilled and notes receivables balances increased by 20.9% to RMB2,655,519,000 as at December 31, 2015. The increase was in particular due to the increase of revenue for the fourth quarter of 2015, in addition to the delay of completion of certain telecom projects of some customers.

As of March 25, 2016, a total of RMB452,012,000 had been collected from customers since January 1, 2016.

There were no bad debt provisions made on receivables for the years ended December 31, 2015 and 2014.

Inventories

Inventories as at December 31, 2015 amounted to RMB74,879,000 as compared to RMB121,785,000 as at December 31, 2014.

The decrease of inventories was primarily attributable to the decrease of finished goods from RMB71,232,000 to RMB19,835,000. Most of the raw materials were turned into finished goods and sold to customers as of the date of this announcement.

Prepayments, Deposits and Other Receivables

The increase in balance of prepayments, deposits and other receivables to RMB400,639,000 was mainly due to an increase in prepayments for purchase of raw materials.

Trade and Notes Payables

Trade and notes payables as at December 31, 2015 were RMB782,919,000 as compared to RMB294,429,000 as at December 31, 2014.

The increase in notes payable from RMB84,623,000 at December 31, 2014 to RMB522,943,000 at December 31, 2015 was largely related to an increase of notes issued to suppliers for purchase of raw materials.

Indebtedness

As at December 31, 2015, our total bank loans amounted to RMB1,217,625,000 (2014: RMB694,473,000). A total of RMB844,360,000 equivalent of bank loans was denominated in US dollars (2014: RMB193,320,377).

The effective interest rates of our bank loans per annum were 1.8% to 7.4% and 2.2% to 7.8% as of December 31, 2015 and December 31, 2014 respectively.

Please refer to note 15 to the financial statements of this announcement for more details of our bank loans as at December 31, 2015.

Other Payables and Accruals

As at December 31, 2015, other payables and accruals balance of RMB936,871,000 consisted primarily of taxes payable other than income tax, and payable to contractors for construction of facilities and purchases of equipment. The increase in balance was mainly due to the increases in payable of value added tax and payable for construction in progress.

Contingent Liabilities

The Group did not have any contingent liabilities as at December 31, 2015 and 2014.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save as otherwise disclosed, there were no significant investments held, material acquisitions, or disposals of subsidiaries during 2015. And save for those disclosed in this announcement, there was no other plan authorised by the Board for other material investments or additions of capital assets as at December 31, 2015, except for the capital expenditures as mentioned on pages 23 and 24 of this announcement.

Charges on Assets

As of December 31, 2015, the Group had pledged RMB946,506,000 (2014: RMB513,045,000) of our Group's assets in order to secure banking facilities, bank loans and obligations under finance leases, which were used to finance daily business operation and capital expenditures, and RMB260,336,000 (2014: RMB44,735,000) of Group's bank balances were pledged for issuance of notes payable, letters of guarantee and letters of credit.

Exposure to Fluctuations in Exchange Rates

Substantially all of the Group's business transactions and liabilities are denominated in Renminbi, US Dollars, Canadian Dollars and HK Dollars. The Group adopts a conservative financial policy and most of its bank deposits are in Renminbi, US Dollars, Canadian Dollars and HK Dollars.

As at December 31, 2015, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. In addition, the Group had bank borrowing of USD130,900,000 and trade receivable of USD61,071,000 as at December 31, 2015. Save for disclosed above, the Group was not exposed to any material interest and exchange risks as at December 31, 2015.

Related Party Transactions

The Group had not entered into any significant related party transactions during 2015 and 2014 other than the one disclosed in note 19 of this announcement.

Off-Statement of Financial Position Arrangements

As of December 31, 2015, the Group did not have any off-statement of financial position arrangements.

Outlook

In 2016, the Group will continue to develop its three major business pillars being the production of passive optical equipment, developing high-end optical interconnect products and operating its broadband internet business. With a diversified business model, the Group is shifting away from relying on telecom operators' capital expenditures to extend the industry chain and in turn, achieve long-term sustainable development.

The Ministry of Industry and Information Technology of the PRC issued an implementation plan with guidance to promote "Internet+" at the end of 2015. The dawning of the "Internet+" era will accelerate the integration of information and communication technologies and industry, promote industrial upgrade to achieve networking and computerization, as well as commence the construction of intelligent infrastructure "cloud computing + big data" to promote big data applications and industrial development. By 2018, it is targeted to offer customized high-end intelligent equipment by establishing certain intelligent plants for key industries, and consolidate the hardware and software technologies and industrial foundation for "Internet+", including high-performance computers, mass storage systems and network communications equipment. The implementation of such national policy will rely on high-speed broadband network infrastructure construction.

According to the three-year implementation plan on "Internet+", a number of all-fiber network cities will be established in the PRC in 2018. All urban and rural areas will be fully covered by 4G network, of which over 80% of administrative villages will be equipped with Fiber-To-The-Village network. It is also expected that the average connection speed for broadband users in the municipalities, provincial capitals and major cities will reach 30Mbps.

By achieving the goals set out in the national policy on "Internet+" by 2018, it is expected that high-speed broadband network infrastructure will have sustainable demand. The Group will put equal emphasis on three business pillars in the industry chain so as to grasp every development opportunity. The Group is also committed to strengthening its internal financial position and laying a solid foundation for long-term healthy development.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the Company's independent auditors the annual results and the accounting principles and practices adopted by the Group and discussed with them the internal control and financial reporting matters including the review of the Group's consolidated financial statements for the Year.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principal and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiries made by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from December 24, 2014 to December 31, 2014, an aggregate of 3,588,000 Shares were repurchased. These Shares were cancelled on February 27, 2015.

Save as disclosed, the Company did not redeem any of its Shares listed on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

ANNUAL GENERAL MEETING (THE "AGM")

It is proposed that the 2016 AGM will be held on May 23, 2016. The notice of AGM will be published and sent to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, May 17, 2016 to Monday, May 23, 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, May 16, 2016.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinafiberoptic.com. The annual report of the Company for the Year will be available on the respective websites of the Stock Exchange and the Company, and dispatched to the Shareholders in due course.

By Order of the Board
China Fiber Optic Network System Group Ltd.
Zhao Bing
Chairman

Hong Kong, March 30, 2016

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Bing (Chairman), Mr. Meng Yuxiao, Mr. Deng Xuejun, Mr. Hung, Randy King Kuen and Mr. Xia Ni; and the independent non-executive directors of the Company are Mr. Shi Cuiming, Dr. Ma Kwai Yuen, Dr. Lui Pan, Dr. Xu Wanqiang and Prof. Jiang Desheng.