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 2020

FINANCIAL HIGHLIGHTS

- Total operating income was approximately RMB3,406.8 million, increased by approximately RMB87.8 million, representing a 2.6% increase as compared to the same period of last year.
- Gross profit was approximately RMB850.4 million, increased by approximately RMB69.2 million, representing a 8.9% increase as compared to the same period of last year.
- Net profit for the period attributable to shareholders of the Company was approximately RMB262.6 million, decreased by approximately RMB174.2 million, representing a 39.9% decrease as compared to the same period of last year.
- The Group's revenue from domestic customers decreased by approximately 1.9%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 17.8% 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**", "**YOFC**") announced the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2020 (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 2020
*(Expressed in Renminbi ("**RMB**"))*

		Note	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
I.	**Operating income**	4	**3,406,755,726**	3,318,908,436
II.	**Less: Operating costs**	4	**2,556,346,023**	2,537,684,468
	Taxes and surcharges		**8,014,500**	12,143,200
	Selling and distribution expenses		**133,292,005**	149,083,296
	General and administrative expenses		**184,154,129**	207,532,786
	Research and development expenses		**159,151,581**	160,208,254
	Financial expenses	5	**46,236,153**	4,290,107
	Including: Interest expenses		**27,588,116**	25,925,868
	Interest revenue		**15,357,957**	16,289,444
	Add: Other income	6	**21,340,810**	183,467,453
	Investment income/(losses)		**(173,439)**	68,548,452
	Including: Income from investment in associates and joint ventures		**(173,439)**	67,131,847
	Gains from changes in fair value		**50,721**	208,300
	Credit losses		**(52,024,181)**	(14,981,584)
	Impairment losses		**(14,415,741)**	(12,242,980)
	Gains from asset disposals		**132,368**	8,557,123
III.	**Operating profit**		**274,471,873**	481,523,089
	Add: Non-operating income		**1,123,222**	1,414,313
	Less: Non-operating expenses		**1,216,699**	562,709
IV.	**Profit before income tax**		**274,378,396**	482,374,693
	Less: Income tax expenses	7	**11,641,463**	57,286,586
V.	**Net profit for the period**		**262,736,933**	425,088,107
	Attributable to:			
	Shareholders of the Company		**262,579,869**	436,797,231
	Non-controlling interests		**157,064**	(11,709,124)

	Note	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to shareholders of the Company			
(1) Items that cannot be reclassified to profit or loss			
1. Changes in fair value of investments in other equity instruments		**(3,116,764)**	3,025,094
(2) Items that may be reclassified to profit or loss			
1. Translation differences arising from translation of foreign currency financial statements		**(7,504,539)**	8,749,058
Other comprehensive income (net of tax) attributable to non-controlling interests		**(2,248,813)**	843,369
VII. Total comprehensive income for the period		**249,866,817**	437,705,628
Attributable to:			
Shareholders of the Company		**251,958,566**	448,571,383
Non-controlling interests		**(2,091,749)**	(10,865,755)
VIII. Earnings per share:			
(1) Basic earnings per share	*8*	**0.35**	0.58
(2) Diluted earnings per share	*8*	**0.35**	0.58

Consolidated Balance Sheet
At 30 June 2020
*(Expressed in Renminbi "**RMB**")*

	Note	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
ASSETS			
Current assets:			
Cash at bank and on hand		**2,370,056,343**	2,123,861,315
Financial assets held for trading		**879,736**	9,902,598
Bills receivable	*10*	**171,381,346**	232,508,205
Accounts receivable	*11*	**3,786,468,596**	3,123,505,778
Receivables under financing	*12*	**110,626,053**	95,235,940
Prepayments		**179,866,962**	120,994,458
Other receivables		**166,316,090**	109,599,839
Inventories		**2,280,382,347**	1,779,342,250
Other current assets		**274,813,283**	256,866,780
Total current assets		**9,340,790,756**	7,851,817,163
Non-current assets:			
Long-term receivables		**16,000,000**	16,000,000
Long-term equity investments		**1,615,535,033**	1,495,444,610
Investments in other equity instruments		**53,505,318**	57,172,099
Fixed assets		**3,695,370,455**	3,650,781,975
Construction in progress		**122,882,080**	104,852,760
Right-of-use assets		**57,652,057**	64,400,158
Intangible assets		**348,149,559**	307,136,373
Goodwill		**20,027,705**	–
Long-term deferred expenses		**10,999,246**	5,046,886
Deferred tax assets		**105,180,791**	97,148,174
Other non-current assets		**57,759,201**	126,099,397
Total non-current assets		**6,103,061,445**	5,924,082,432
Total assets		**15,443,852,201**	13,775,899,595

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	*13*	**1,589,327,435**	895,576,208
Bills payable	*14*	**696,437,661**	574,793,263
Accounts payable	*15*	**1,372,672,558**	1,261,607,902
Contract liabilities		**282,738,781**	262,900,550
Employee benefits payable		**183,766,745**	219,940,848
Taxes payable		**96,271,424**	103,566,255
Other payables		**676,701,054**	410,686,340
Non-current liabilities due within one year		**41,996,376**	40,179,239
Total current liabilities		**4,939,912,034**	3,769,250,605
Non-current liabilities:			
Long-term loans	*16*	**342,000,000**	42,000,000
Lease Liabilities		**40,706,783**	48,585,433
Deferred income		**250,086,249**	166,769,940
Other non-current liabilities		**777,949,165**	807,160,850
Total non-current liabilities		**1,410,742,197**	1,064,516,223
Total liabilities		**6,350,654,231**	4,833,766,828
Shareholders' equity:			
Share capital		**757,905,108**	757,905,108
Capital reserve		**3,354,863,231**	3,364,035,212
Less: Treasury shares		**33,653,461**	33,653,461
Other comprehensive income		**27,158,693**	37,779,996
Surplus reserve		**636,629,870**	612,010,760
Retained earnings		**4,047,089,682**	4,050,142,747
Total equity attributable to shareholders of the Company		**8,789,993,123**	8,788,220,362
Non-controlling interests		**303,204,847**	153,912,405
Total shareholders' equity		**9,093,197,970**	8,942,132,767
Total liabilities and shareholders' equity		**15,443,852,201**	13,775,899,595

Notes:

1. CORPORATE INFORMATION

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

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

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

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

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

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

3. REVENUE

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

4. OPERATING INCOME AND COSTS

Item	For the six months ended 30 June 2020 (Unaudited) Income	Costs	2019 (Unaudited) Income	Costs
Principal operating activities	**3,325,390,003**	**2,479,908,269**	3,229,070,115	2,453,124,644
Other operating activities	**81,365,723**	**76,437,754**	89,838,321	84,559,824
Total	**3,406,755,726**	**2,556,346,023**	3,318,908,436	2,537,684,468

Details of operating income:

	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Operating income from principal activities		
– Optical fibres and optical fibre preforms	**1,235,413,472**	1,071,817,240
– Optical fibre cables	**1,435,241,111**	1,869,263,507
– Other sales	**654,735,420**	287,989,368
Sub-total	**3,325,390,003**	3,229,070,115
Operating income from other activities		
– Materials	**73,637,327**	77,038,133
– Technology licence fees and services	**322,642**	2,701,127
– Others	**7,405,754**	10,099,061
Total	**3,406,755,726**	3,318,908,436

5. FINANCIAL EXPENSES

Item	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Interest expenses on loans and payables	**26,989,047**	29,526,471
Interest expenses on lease liabilities	**1,418,976**	1,488,397
Less: Borrowing costs capitalised*	**819,907**	5,089,000
Interest income on deposits and receivables	**(15,357,957)**	(16,289,444)
Net exchange losses/(gains)	**31,681,577**	(9,274,387)
Other financial expenses	**2,324,417**	3,928,070
Total	**46,236,153**	4,290,107

* The capitalisation rate of the Group's capitalised amounts of borrowing costs in the first half of 2020 was 0.09% (2019:4.24%)

6. OTHER INCOME

Item	For the six months ended 30 June **2020** **(Unaudited)**	2019 (Unaudited)
Government grants related to assets	**13,417,692**	9,010,099
Government grants related to income	**7,923,118**	174,457,354
Total	**21,340,810**	183,467,453

7. INCOME TAX EXPENSES

	For the six months ended 30 June **2020** **(Unaudited)**	2019 (Unaudited)
Current tax expenses for the period based on tax law and regulations	**27,528,535**	50,147,136
Changes in deferred income tax	**(17,783,442)**	10,544,828
Tax filling differences	**1,896,370**	(3,405,378)
Total	**11,641,463**	57,286,586

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

Item	For the six months ended 30 June **2020** **(Unaudited)**	2019 (Unaudited)
Origination and reversal of temporary differences	**(17,783,442)**	10,544,828

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

Item	For the six months ended 30 June **2020** **(Unaudited)**	2019 (Unaudited)
Profit before income tax	**274,378,396**	482,374,693
Expected income tax calculated at tax rate of 25%	**68,594,599**	120,593,673
Effect of tax rate differences	**(5,710,086)**	(42,890,596)
Effect of tax filling difference	**1,896,370**	(3,405,378)
Effect of non-taxable income	**(45,662,877)**	(6,052,423)
Effect of non-deductible cost, expense and loss	**1,535,024**	2,329,644
Additional qualified tax deduction relating to research and development costs	**(17,730,568)**	(26,354,494)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this period	**8,719,001**	13,066,160
Income tax expenses for the period	**11,641,463**	57,286,586

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

According to the High-tech Enterprise Certificate No. GR201742002234 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, 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 from 30 November 2017 to 30 November 2020.

According to the High-tech Enterprise Certificate No. GR201842002475 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, EverPro Technologies Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 30 November 2018 to 30 November 2021.

According to Article 2 of Notice on Issues Concerning Tax Policies on Further Implementing the Strategy of Western Development issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation [Cai Shui (2011) No. 58], Yangtze Optical Fibre and Cable Lanzhou Co., Ltd., a subsidiary of the Company, is an enterprise under the preferred industry set up in the western region, which was entitled to a preferential tax rate of 15% from 1 January 2017 to 31 December 2020.

According to the High-tech Enterprise Certificate No. GR201744200547 issued by Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Committee, Shenzhen State Administration of Taxation and Shenzhen Local Taxation Bureau, Everpro Connectivity (Shenzhen) Technology Company Limited (Formerly name "Shenzhen YOFC Connectivity Technologies Co., Ltd."), a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 17 August 2017 to 17 August 2020.

According to the High-tech Enterprise Certificate No. GR201742000482 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, Yangtze Optical Fibre (Qianjiang) Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed the preferential tax rate of 15% from 28 November 2017 to 28 November 2020.

According to the High-tech Enterprise Certificate No. GR201742001399 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, Hubei Provincial State Revenue and Hubei Provincial Local Taxation Bureau, Wuhan E3cloud Information Technologies Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 28 November 2017 to 28 November 2020.

According to the High-tech Enterprise Certificate No. GR201721000823 issued by Liaoning Science and Technology Department, Liaoning Provincial Department of Finance, Liaoning Provincial State Revenue Agency and Liaoning Provincial Local Taxation Bureau, Yangtze Optical Fibre and Cable Shenyang 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 2017 to 1 December 2020.

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

According to the High-tech Enterprise Certificate No. GR201751000237 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 29 August 2017 to 29 August 2020.

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

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

8. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share 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 **2020** **(Unaudited)**	2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	**262,579,869**	436,797,231
Less: Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this year whose shares are expected to unlock in the future	**477,000**	–
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	**262,102,869**	436,797,231
Weighted average number of ordinary shares outstanding	**756,050,712**	757,238,441
Basic earnings per share (RMB/share)	**0.35**	0.58

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

	For the six months ended 30 June **2020** **(Unaudited)**	2019 (Unaudited)
Number of issued ordinary shares at the beginning of the period	**757,905,108**	757,905,108
Effect from restricted H shares in employee share ownership plan (note)	**(1,854,396)**	(666,667)
Weighted average number of ordinary shares at the end of the period	**756,050,712**	757,238,441

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

(2) Diluted earnings per share

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

Item		For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a)	**262,102,869**	436,797,231
Weighted average number of ordinary shares outstanding (diluted)	(b)	**756,405,108**	757,238,441
Diluted earnings per share (RMB/share)		**0.35**	0.58

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

Item	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	**262,102,869**	436,797,231
Diluted adjustments:		
Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this year whose shares are expected to unlock in the future	**–**	–
Consolidated net profit attributable to ordinary shareholders (diluted)	**262,102,869**	436,797,231

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:

	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares at the beginning of the period	**756,050,712**	757,238,441
Diluted adjustments:		
Effect from restricted shares in employee share ownership plan (note)	**354,396**	–
Weighted average number of ordinary shares (diluted) at the end of the period	**756,405,108**	757,238,441

9. SEGMENT REPORTING

The Group has identified a total of two reporting divisions, namely, optical fibres and optical fibre preforms segment and optical fibre cables segment, 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 fibres and optical fibre preforms segment – It is primarily engaged in the production and sales of optical fibres and optical fibre preforms.

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

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

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

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

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

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

	For the six months ended 30 June 2020 (Unaudited)					
Item	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
Operating income from external transactions	1,235,413,472	1,435,241,111	736,101,143	–	–	3,406,755,726
Inter-segment operating income	300,074,932	10,845,619	241,206,704	(552,127,255)	–	–
Segment profit	534,257,257	244,233,192	125,811,390	(53,892,136)	–	850,409,703
Including: depreciation and amortisation	(137,600,162)	(20,047,511)	(41,569,838)	5,248,896	–	(193,968,615)
Taxes and surcharges	–	–	–	–	(8,014,500)	(8,014,500)
Selling and distribution expenses	–	–	–	–	(133,292,005)	(133,292,005)
General and administrative expenses	–	–	–	–	(184,154,129)	(184,154,129)
Research and development expenses	–	–	–	–	(159,151,581)	(159,151,581)
Financial expenses	–	–	–	–	(46,236,153)	(46,236,153)
Other income	–	–	–	–	21,340,810	21,340,810
Investment income	–	–	–	–	(173,439)	(173,439)
Including:						
Investment in the loss of associates and joint ventures	–	–	–	–	(173,439)	(173,439)
Gains from changes in fair value	–	–	–	–	50,721	50,721
Impairment losses	–	–	–	–	(14,415,741)	(14,415,741)
Credit losses	–	–	–	–	(52,024,181)	(52,024,181)
Gains from asset disposals	–	–	–	–	132,368	132,368
Operating profit/(loss)	534,257,257	244,233,192	125,811,390	(53,892,136)	(575,937,830)	274,471,873
Non-operating income	–	–	–	–	1,123,222	1,123,222
Non-operating expenses	–	–	–	–	(1,216,699)	(1,216,699)
Profit/(loss) before income tax	534,257,257	244,233,192	125,811,390	(53,892,136)	(576,031,307)	274,378,396
Income tax expenses	–	–	–	–	(11,641,463)	(11,641,463)
Net profit for the Period	534,257,257	244,233,192	125,811,390	(53,892,136)	(587,672,770)	262,736,933

Item	For the six months ended 30 June 2019 (Unaudited) Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Others	Elimination among segments	Unallocated amount	Total
Operating income from external transactions	1,071,817,240	1,869,263,507	377,827,689	–	–	3,318,908,436
Inter-segment operating income	141,019,018	16,313,755	379,900,679	(537,233,452)	–	–
Segment profit	536,647,021	221,653,639	77,210,742	(54,287,434)	–	781,223,968
Including: depreciation and amortisation	(56,631,015)	(15,264,463)	(49,622,248)	2,044,699	–	(119,473,027)
Taxes and surcharges	–	–	–	–	(12,143,200)	(12,143,200)
Selling and distribution expenses	–	–	–	–	(149,083,296)	(149,083,296)
General and administrative expenses	–	–	–	–	(207,532,786)	(207,532,786)
Research and development expenses	–	–	–	–	(160,208,254)	(160,208,254)
Financial expenses	–	–	–	–	(4,290,107)	(4,290,107)
Other income	–	–	–	–	183,467,453	183,467,453
Investment income	–	–	–	–	68,548,452	68,548,452
Including:						
Investments in the profit of associates and joint ventures	–	–	–	–	67,131,847	67,131,847
Gains from changes in fair value	–	–	–	–	208,300	208,300
Impairment losses	–	–	–	–	(12,242,980)	(12,242,980)
Credit losses	–	–	–	–	(14,981,584)	(14,981,584)
Gains from asset disposals	–	–	–	–	8,557,123	8,557,123
Operating profit/(loss)	536,647,021	221,653,639	77,210,742	(54,287,434)	(299,700,879)	481,523,089
Non-operating income	–	–	–	–	1,414,313	1,414,313
Non-operating expenses	–	–	–	–	(562,709)	(562,709)
Profit/(loss) before taxation	536,647,021	221,653,639	77,210,742	(54,287,434)	(298,849,275)	482,374,693
Income tax expenses	–	–	–	–	(57,286,586)	(57,286,586)
Net profit for the period	536,647,021	221,653,639	77,210,742	(54,287,434)	(356,135,861)	425,088,107

Item	**As at 30 June 2020 (Unaudited)** **Optical fibres and optical fibre preforms segment**	**Optical fibre cables segment**	**Other**	**Elimination among segments**	**Unallocated amount**	**Total**
Total assets	**4,348,641,890**	**3,775,515,269**	**7,725,259,728**	**(405,564,686)**	**–**	**15,443,852,201**
Other items						
– Long-term equity investment in associates and joint ventures	**–**	**–**	**1,615,535,033**	**–**	**–**	**1,615,535,033**
– The amounts of additions to non-current assets other than long-term equity investment	**36,643,535**	**97,512,894**	**112,046,362**	**(3,446,113)**	**–**	**242,756,678**

Item	As at 31 December 2019 (Audited) Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Other	Elimination among segments	Unallocated amount	Total
Total assets	4,106,497,871	3,438,873,331	6,432,644,814	(202,116,421)	–	13,775,899,595
Other items						
– Long-term equity investment in associates and joint ventures	–	–	1,495,444,610	–	–	1,495,444,610
– The amounts of additions to non-current assets other than long-term equity investment	643,384,184	189,045,242	196,325,876	(21,844,499)	–	1,006,910,803

10. BILLS RECEIVABLE

(1) Bills receivable by category

Item	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank acceptance bills	**80,059,293**	133,952,096
Commercial acceptance bills	**91,322,053**	98,556,109
Total	**171,381,346**	232,508,205

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/year

Item	Amount derecongnized at 30 June 2020 (Unaudited)	Amount not yet derecongnized at 30 June 2020 (Unaudited)
Bank acceptance bills	**–**	**25,319,346**

As at 30 June 2020, the Group continued to recognize discounted bills and endorsed bills of RMB18,980,951 and RMB6,338,395 respectively (31 December 2019: RMB39,358,068 and RMB62,994,234). With respect to this portion of discounted bills or endorsed bills, the Board believed that the Group still retains virtually all its risks and rewards, including the risk of default on discounted and endorsed bills. Therefore, the Group continued to fully recognised this portion of the discounted and endorsed instruments. The bills, at the same time, confirmed the related payment due to the bank borrowings generated by discounting and the settlement of the 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 2020, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB18,980,951 and RMB6,338,395 respectively (31 December 2019: RMB39,358,068 and RMB62,994,234). The Board believed that there is no significant difference in the fair value of the transferred assets and related liabilities.

11. ACCOUNTS RECEIVABLE

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

Type	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Due from related parties	**160,494,783**	116,060,677
Due from third parties	**3,794,038,229**	3,120,371,775
Sub-total	**3,954,533,012**	3,236,432,452
Less: provision for bad and doubtful debts	**168,064,416**	112,926,674
Total	**3,786,468,596**	3,123,505,778

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

Ageing	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Within 1 year (1 year inclusive)	**3,387,479,770**	2,845,452,536
1 to 2 years (2 years inclusive)	**444,540,867**	309,246,990
2 to 3 years (3 years inclusive)	**56,549,730**	20,136,083
3 to 4 years (4 years inclusive)	**31,378,914**	27,658,801
4 to 5 years (5 years inclusive)	**9,078,249**	14,409,495
Over 5 years	**25,505,482**	19,528,547
Sub-total	**3,954,533,012**	3,236,432,452
Less: provision for bad and doubtful debts	**168,064,416**	112,926,674
Total	**3,786,468,596**	3,123,505,778

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

(3) Accounts receivable by provisioning method:

	30 June 2020 (Unaudited)				
	Book value		**Provision for bad and doubtful debts**		**Carrying amount**
Category	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	
Individually assessed for impairment customers which credit losses incurred	**21,225,100**	**0.54**	**21,225,100**	**100.00**	**–**
Collectively assessed for impairment by group					
Group 1	**160,494,783**	**4.06**	**607,700**	**0.38**	**159,887,083**
Group 2	**1,907,529,306**	**48.24**	**67,892,291**	**3.56**	**1,839,637,015**
Group 3	**1,865,283,823**	**47.17**	**78,339,325**	**4.20**	**1,786,944,498**
Total	**3,954,533,012**	**/**	**168,064,416**	**/**	**3,786,468,596**

	31 December 2019 (Audited)				
	Book value		Provision for bad and doubtful debts		Carrying amount
Category	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	11,443,932	0.35	11,443,932	100.00	–
Collectively assessed for impairment by group					
Group 1	116,060,677	3.59	4,939,080	4.26	111,121,597
Group 2	1,752,340,403	54.14	44,124,069	2.52	1,708,216,334
Group 3	1,356,587,440	41.92	52,419,593	3.86	1,304,167,847
Total	3,236,432,452	/	112,926,674	/	3,123,505,778

(a) Reasons for individual assessment for accounts receivable in 2020:

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

(b) Standard and explanation of collective assessment for accounts receivable in 2020

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

– Group 1: Related parties;

– Group 2: Operators under China Telecom network and other companies with good credit records;

– Group 3: Other customers outside of the above groups.

(c) Assessment of expected credit losses on 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 2020 (Unaudited)

Group 1	**Expected loss rate (%)**	**Book value**	**Provision for bad and doubtful debts**
Within 1 year (1 year inclusive)	**0.29**	**159,860,006**	**458,389**
1 to 2 years (2 years inclusive)	**22.68**	**627,827**	**142,361**
2 to 3 years (3 years inclusive)	**100.00**	**6,372**	**6,372**
Over 3 years	**100.00**	**578**	**578**
Total		**160,494,783**	**607,700**

Group 2	**Expected loss rate (%)**	**Book value**	**Provision for bad and doubtful debts**
Within 1 year (1 year inclusive)	**0.83**	**1,761,705,566**	**14,602,808**
1 to 2 years (2 years inclusive)	**15.58**	**98,404,493**	**15,327,705**
2 to 3 years (3 years inclusive)	**53.34**	**20,268,021**	**10,810,552**
Over 3 years	**100.00**	**27,151,226**	**27,151,226**
Total		**1,907,529,306**	**67,892,291**

Group 3	**Expected loss rate (%)**	**Book value**	**Provision for bad and doubtful debts**
Within 1 year (1 year inclusive)	**2.34**	**1,720,131,844**	**40,231,756**
1 to 2 years (2 years inclusive)	**11.29**	**118,531,295**	**13,386,453**
2 to 3 years (3 years inclusive)	**79.58**	**9,304,695**	**7,405,127**
Over 3 years	**100.00**	**17,315,989**	**17,315,989**
Total		**1,865,283,823**	**78,339,325**

31 December 2019 (Audited)

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

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

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

(4) Movements of provisions for bad and doubtful debts during the reporting period/year:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period/year	**112,926,674**	93,291,698
Addition during the reporting period/year	**52,024,181**	35,085,763
Recoveries during the reporting period/year	**–**	(1,678,420)
Written-off during the reporting period/year	**(287,101)**	(13,772,367)
Other changes during the reporting period/year	**3,400,662**	–
Balance at the end of the reporting period/year	**168,064,416**	112,926,674

(a) At the end of each reporting period/year, the Group assesses and calculates the balance of provision for bad and 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 provision for bad and 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 2020 and 31 December 2019, the subtotal of five largest accounts receivable of the Group is RMB1,425,476,889 and RMB1,386,721,108, respectively, representing 36.0% and 42.8% of the total balance of accounts receivable respectively. The corresponding allowance for doubtful debt is RMB45,093,875 and RMB32,814,688, respectively.

12. RECEIVABLES UNDER FINANCING

Item	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Bills receivable measured at fair value through other comprehensive income	**110,626,053**	95,235,940
Total	**110,626,053**	95,235,940

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

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

Item	**Amount derecongnized at 30 June 2020 (Unaudited)**	**Amount not yet derecongnized at 30 June 2020 (Unaudited)**
Bank acceptance bills	**234,851,773**	**–**

During January to June in 2020, the Group discounted certain bank bills receivable from certain banks in China or endorsed them to the Group's suppliers ("**Derecognized Bills**") and derecognized them on 30 June 2020. The carrying amounts of undue bills receivable that have been discounted and derecognized on 30 June 2020 and 31 December 2019 are RMB97,418,523 and RMB138,771,396 respectively. As at 30 June 2020 and 31 December 2019, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB137,433,250 and RMB180,409,595 respectively. As at 30 June 2020, the remaining period of the Derecognized Bills was 1 to 7 months.

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

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

13. SHORT-TERM LOANS

Item	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Unsecured loans	**1,589,327,435**	895,576,208

As at 30 June 2020, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB56,636,000 (2019: RMB90,690,600).

As at 30 June 2020, the Group did not have any overdue loans not yet repaid.

14. BILLS PAYABLE

Item	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Commercial acceptance bills	**314,480,079**	397,733,603
Bank acceptance bills	**381,957,582**	177,059,660
Total	**696,437,661**	574,793,263

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 2020 (Unaudited)**	31 December 2019 (Audited)
Due to related parties	**254,400,883**	251,202,881
Due to third parties	**1,118,271,675**	1,010,045,021
Total	**1,372,672,558**	1,261,607,902

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year (1 year inclusive)	**1,335,355,859**	1,224,751,780
Over 1 year but within 2 years (2 years inclusive)	**28,748,198**	26,180,928
Over 2 years but within 3 years (3 years inclusive)	**1,300,696**	3,048,371
Over 3 years	**7,267,805**	7,626,823
	1,372,672,558	1,261,607,902

Accounts payable over 1 year are paid for goods, constructions and equipment, and the Group continues to trade with the responding parties.

16. LONG-TERM LOANS

Long-term loans by category

Item	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Unsecured loans	**363,221,000**	63,023,100
Less: long-term loans due within one year	**21,221,000**	21,023,100
Total	**342,000,000**	42,000,000

As at 30 June 2020, there was no overdue long-term loans. The above bank loans have floating rate loans and fixed rate loans. The interest rates ranged from1.20%-2.40% for the reporting period and 1.20% for the year 2019 respectively.

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year (1 year inclusive)	**1,610,548,435**	916,599,308
Over 1 year but within 2 years (2 years inclusive)	**300,000,000**	–
Over 2 years but within 5 years (5 years inclusive)	**21,000,000**	21,000,000
Over 5 years	**21,000,000**	21,000,000
	1,952,548,435	958,599,308

17. DIVIDENDS

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

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Audited)
The dividend declared for the previous fiscal year during the reporting period was RMB0.318 per share (For the six months ended 30 June 2019: RMB0.25 per share)	**241,013,824**	189,476,277

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2020, the Group's revenue reached approximately RMB3,406.8 million, increased by approximately 2.6% as compared to the same period of 2019 of approximately RMB3,318.9 million. The Group reported a gross profit of approximately RMB850.4 million, increased by approximately 8.9% as compared to the same period of 2019 of approximately RMB781.2 million. The Group's net profit for the Period attributable to shareholders of the Company amounted to approximately RMB262.6 million, decreased by approximately 39.9% as compared to the same period of 2019 of approximately RMB436.8 million. The Group's profit for the Period (exclusive of non-operating profit) attributable to shareholders of the Company amounted to approximately RMB244.4 million, decreased by approximately 9.5% as compared to the same period of 2019 of approximately RMB270.1 million.

Basic earnings per share was RMB0.35 per share (for the six months ended 30 June 2019: RMB0.58 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.

Operating income

The Group's operating income for the Period was approximately RMB3,406.8 million, representing an increase of approximately 2.6% as compared to the same period of 2019 of approximately RMB3,318.9 million.

By product segment, a total revenue of approximately RMB1,235.4 million was contributed from our optical fibres and optical fibre preforms segment, representing an increase of 15.3% as compared to the same period of 2019 of approximately RM1,071.8 million and accounting for 36.3% of the Group's revenue; while a total revenue of RMB1,435.3 million was contributed by our optical fibre cables segment, representing a decrease of 23.2% as compared to the same period of 2019 of approximately RMB1,869.3 million and accounting for 42.1% of the Group's revenue.

A total revenue of approximately RMB736.1 million was contributed by others, representing an increase of 94.8% as compared to the same period of 2019 of approximately RMB377.8 million and accounting for 21.6% of the Group's revenue. The increase was mainly due to the newly acquired entity of Sunstar Communication Technology Company Limited which contributed revenue of approximately RMB233.3 million in optical transceiver.

By geographical segment, a total revenue of approximately RMB2,511.4 million was contributed by domestic customers, representing a decrease of 1.9% as compared to the same period of 2019 of approximately RMB2,559.1 million and accounting for 73.7% of the Group's revenue. For overseas market, a total revenue of approximately RMB895.4 million was reported in the first half of 2020, representing an increase of 17.8% as compared to the same period of 2019 of approximately RMB759.8 million and accounting for approximately 26.3% of the Group's revenue. Among which the overseas revenue for optical transceiver increase by RMB88.7 million as compared to the same period of 2019.

Operating costs

The Group's cost of sales for the Period was approximately RMB2,556.3 million, representing an increase of 0.7% as compared to the same period of 2019 of approximately RMB2,537.7 million and accounting for 75.0% of the Group's revenue. The increase in cost of sales was roughly consistent with the increase of the Group's revenue.

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

For the Period, the Group's total raw material costs was approximately RMB2,040.4 million, representing a decrease of 3.7% as compared to approximately RMB2,117.8 million during the first half of 2019.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB509.0 million, representing an increase of 21.2% as compared to RMB419.9 million during the first half of 2019.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of RMB850.4 million, representing an increase of 8.9% as compared to RMB781.2 million during the first half of 2019 and the gross profit margin increased to 25.0% in the first half of 2020 (the first half of 2019: 23.5%). The increase in gross profit margin was mainly because the proportion of sales of products with higher gross profit such as optical fibre preforms and optical fibres increased as compared to the same period of 2019.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period were RMB133.3 million, representing a decrease of 10.6% as compared to RMB149.1 million during the first half of 2019. The decrease was mainly due to the decrease in travelling and entertainment expenses affected by COVID-19 as compared to the same period of 2019.

General and administrative expenses

The Group's general and administrative expenses for the Period were RMB184.2 million, representing a decrease of 11.3% as compared to RMB207.5 million during the first half of 2019. The decrease was mainly due to the decrease in travelling, entertainment expenses and exhibition promotion expenses affected by COVID-19 as compared to the same period of 2019.

Research and development expenses

The Group's research and development expenses for the Period were RMB159.2 million, representing a decrease of 0.7% as compared to RMB160.2 million during the first half of 2019.

Financial expenses

The Group's financial expenses for the Period were RMB46.2 million, representing an increase of 977.7% as compared to RMB4.3 million during the first half of 2019, which was mainly because the exchange losses increased by approximately RMB41.0 million.

The interest rates of the bank loans in the Period ranged from 1.20% to 2.40% per annum (for the six months ended 30 June 2019: 1.20% to 5.70% per annum).

OTHER INCOME

The Group's other income for the Period was approximately RMB21.3 million, representing a decrease of approximately RMB162.2 million as compared to RMB183.5 million during the first half of 2019. The decrease was mainly because the government grants related to income decreased by approximately RMB166.5 million.

Income tax expenses

The Group's income tax expenses for the Period was RMB11.6 million, representing a decrease of 79.7% as compared to RMB57.3 million during the first half of 2019. On the other hand, the effective tax rate decreased from 11.9% in the first half of 2019 to 4.2% in the first half of 2020. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 7 to the financial information contained in this announcement.

Capital expenditures

During the Period, the Group incurred capital expenditures of approximately RMB144.4 million (the first half of 2019: RMB439.8 million) in total, involving the purchase of fixed assets, construction-in-progress, intangible assets, which were mainly related to the improved production efficiency of existing optical fibre preforms and optical fibre equipments.

Use of proceeds from the initial public offering of A shares

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

Gearing ratio

The Group monitors its leverage using gearing ratio, which is calculated by 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 2020 was -4.6% (As at 31 December 2019: -13.0%)

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 2020.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(272,284,923)**	(645,711,533)
Net cash used in investing activities	**(381,499,408)**	(379,928,476)
Net cash generated in financing activities	**941,070,945**	370,806,269
Effect of foreign exchange rate changes on cash and the equivalents	**(14,800,166)**	(6,818,790)
Net increase/(decrease) in cash and cash equivalents	**272,486,448**	(661,652,530)

The net cash used in the Group's operating activities decreased by approximately RMB373.4 million, which was mainly due to the increase of approximately RMB210.9 million in operating receivables, while the operating payables decreased by approximately RMB344.2 million as compared to the same period of 2019.

Net cash generated from the Group's financing activities increased by approximately RMB570.3 million, which was mainly due to the significantly increase in bank loans during the Period, while there was no significant change in bank loans during the same period of 2019.

Cash and cash equivalents as at 30 June 2020 were cash at banks and in hand, which were mainly in RMB, US Dollars, South African Rand, Euro, HK Dollars and Indonesian Rupiah.

Net current assets

As at 30 June 2020, the Group's net current assets was RMB4,400.9 million, increased by RMB318.3 million from RMB4,082.6 million as at 31 December 2019. The change in net current assets was mainly due to (1) short-term borrowings and long-term borrowings due within one year increased, which resulted in a decrease in net current assets by approximately RMB693.9 million; (2) inventories increased by approximately RMB501.0 million; (3) cash at bank and in hand increased by approximately RMB246.2 million; (4) accounts receivable, receivables under financing, prepayments and other receivables increased by approximately RMB793.9 million; and (5) bills payable, accounts payable and other payables increased, which resulted in a decrease in net current assets by approximately RMB498.7 million.

Bank loans

As at 30 June 2020, the Group's bank loans were RMB1,952.5 million, representing an increase of RMB993.9 million from approximately RMB958.6 million as at 31 December 2019. As at 30 June 2020, among the Group's bank loans, 27.2% were US dollar loans, and 72.8% were RMB loans.

Commitments and contingencies

As at 30 June 2020, the Group's outstanding capital commitments on fixed assets were approximately RMB1,371.4 million (as at 31 December 2019: approximately RMB1,529.3 million) and equity investment of approximately RMB17.0 million (as at 31 December 2019: approximately RMB122.7 million). Out of the total amount of unsettled commitments as at 30 June 2020 of approximately RMB1,388.4 million (as at 31 December 2019: RMB1,652.0 million), a total of approximately RMB851.6 million (as at 31 December 2019 approximately RMB886.3 million) were contracted, and the balance of approximately RMB536.8 million (as at 31 December 2019: approximately RMB765.7 million) were authorized but not yet contracted by the Board.

As at 30 June 2020, the Group did not have any material contingent liability.

Charge on assets

As at 30 June 2020, Ally First Optical Fibre and Cable Co., Ltd, a subsidiary of the Company, secures properties and buildings with a book value of RMB51.3 million and land use rights with a book value of RMB27.1 million to obtain bank credit.

Funding and treasury policy

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

Exposure to fluctuations in exchange rates

Most of the revenues and expenses are settled in RMB while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars, Euro and HK Dollars. Most of the bank deposits are in RMB, US Dollars, Euro and HK Dollars.

During the Period, the Group mainly suffered from the unfavourable fluctuations in exchange rate movements between RMB and foreign currency, which resulted in net foreign exchange losses of RMB31.7 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 2020, the Group had approximately 7,061 full-time employees (As at 31 December 2019: 4,687 full-time employees). The Group has designed an annual evaluation system to assess the performance of its employees. Such system forms the basis of determining whether an employee should be entitled to salary increments, bonuses or promotions. The salaries and bonuses that the employees received are competitive with market rates. The Company has been in compliance with the relevant national and local 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 2020, the Company endorsed certain bank bills receivable with a carrying amount of approximately RMB234.9 million (As at 31 December 2019: RMB319.2 million) to certain commercial banks in China and its suppliers.

Formation of New Domestic Acquisition and Presences

Sunstar Communication Technology Company Limited

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

Sunstar Communication was established in 2020. Its scope of business includes development, production, sales of optical fibre equipments and relevant electrical products (radio transmitter not included); development and sales of software and technical consulting services for engineering; import and export of products and technologies (Projects that must be approved according to laws shall be approved by the relevant departments before operation).

Yangtze (Hubei) Electrical Power Cable Company Limited

On 21 May 2020, the Company, together with Hubei Chutian Cable Industrial Co., Ltd. (the "**Hubei Chutian**"), established Yangtze (Hubei) Electrical Power Cable Company Limited (the "**YEPC**") in Hubei, China. Its scope of business includes development, production and sales of optical cables, power cables and its accessories; development, production and sales of the aluminium conductor steel-reinforced cable, aluminum strand, aluminum wire, steel strand, cable tray, electronic components and communications equipments, etc. The Company holds 51% of the total shares of YEPC and Hubei Chutian holds the remaining 49% of the total shares. Its paid-up share capital is RMB100 million. During the Period, the Company has contributed RMB25.5 million.

Yangtze Optical Fibre and Cable Shenzhen Company Limited

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

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

OUTLOOK

From 2015 to 2018, benefited from the construction of the large-scale mobile 4G network and fixed broadband networks by the telecom operators in China, the optical fibre and cable industry of China has achieved a relatively fast growth. Subsequent to the second half of 2018, as the construction of 4G networks and Fibre To The Home (FTTH) had been off from the peak level while the large-scale construction of 5G networks had not yet commenced, the growth of the optical fibre and cable demand slowed down rapidly. Meanwhile, the production capacity expanded by the major suppliers in the market at the preliminary stage was released once at a time, resulting in a shift of supply and demand structure from shortage to over-capacity. The price of optical fibre and cable products dropped more than 40% in average accordingly. During 2020, telecom operators have commenced scaled 5G construction and the demand for optical cable is expected to grow. However, it will take some time to complete the optimization and adjustment of the industrial production capacity. Following the demand growth arising from the accelerated 5G construction, the gradually optimized industrial production capacity under maximum pressure and the committed launch of the relevant diversification and internationalization strategies of the Company, it is expected that the Company will achieve long-term sustainable development.

1. Successful implementation of Pandemic Prevention and Control Measures and Rapid Resumption of Production and Operation

Located in Hubei Province, the headquarter and the principal production capacity of preforms of the Company suffered from a relatively huge impact of the novel coronavirus (COVID-19) outbreak. Since the implementation of strict epidemic prevention and control measures in Hubei province since January 2020, the Company launched the required lockdown management stringently during the epidemic. At the same time, the Company put great efforts to secure customer needs and fulfill its social responsibility so as to mitigate the negative impacts of the pandemic on the Company. Following the improving situation of the pandemic domestically, the office and production facilities of the Company located in Hubei Province have commenced resumption of production and operation gradually in mid-March. In early April, the Company's staff duty rate has exceeded 95%.

During the second quarter of 2020, on the foundation of continuing pandemic prevention and control, the Company put its best efforts in production and expanding customers to maximize the compensation for the losses arising from the pandemic in the first quarter, thereby achieving a speedy recovery of the operating results. The Company's revenue for the second quarter was approximately RMB2,182.4 million, representing a 78.3% increase as compared to the first quarter of 2020 of approximately RMB1,224.3 million. The revenue of the Company for the first half of 2020 amounted to RMB3,406.8 million, representing a 2.6 % increase as compared to the same period of last year. The profit attributable to shareholders of the Company in the second quarter was RMB262.6 million, representing a growth as compared to the first quarter of 2020 of approximately RMB-7.2 million, among which, the Company's net profit (exclusive of non-operating profit) to shareholders achieved a growth exceeding 119.6% as compared to the same period of last year and was higher than that of any quarter of 2019.

2. Stabilized Industrial Demand on Recovery and Short-term Prices under Pressure Continuously

In 2020, with the commencement of scaled 5G construction and growth of data flow in the networks, the demand growth for optical fibres and cables was significantly improved as compared to 2019. According to the data from Ministry of Industry and Information Technology ("**MIIT**") published in July 2020, three State-owned telecom operators have newly constructed 257,000 base stations during the first half of 2020. As of the end of June, the 5G base stations amounted to 410,000 totally nationwide, marking the accelerating pace of 5G construction. On one hand, the pandemic had a certain impact on the domestic market demand and network construction during the first quarter of 2020. At the same time, it also procured a consistent increase in the data volume in use by the internet users such as residents and corporations on the other hand, thereby introducing new demands for the optimization of the network quality. According to the data from the MIIT published in July 2020, the total data flow of the mobile network amounted to 74.5 billion GB in the first half of 2020, up by 34.5% as compared to the same period of 2019. The annual average dataflow of usage (DOU) of mobile network in June amounted to 10.14GB/user/month, up by 29.3% as compared to 2019 and increased by 1.55GB/user over December of last year. As of the end of June, the optical cable length in aggregate throughout China amounted to 48.9 million kilometers, up by 7.6% as compared to 2019 and maintaining a steady growth. Among the central bidding for the targeted common optical cable products by China Mobile in March 2019, its total bidding demand was approximately 105 million fibre kilometers; in particular, the Company was the sixth ranked bidder who was allocated a share percentage of approximately 4.4%. Besides, among another central bidding for the targeted common optical cable products by China Mobile in July 2020, its total bidding demand was approximately 119 million fibre kilometers, representing an increase by approximately 13% as compared to the previous bid; in particular, the Company was the first ranked bidder who was allocated a share percentage of approximately 19.4%.

With regard to the supply side, the excess production capacity of optical fibres and cables was not structurally improved in 2019. Market competition remained intense. Among the above central biddings by China Mobile, the average price of optical fibres further declined by approximately 30%. These prices under maximum pressure will be a challenge to the optical fibre and cable companies in terms of production technology level and cost control ability, which would facilitate a balanced supply and demand and promote healthy development of the industry in the long run. However, it will further impose pressure on the profitability of the industry in short term.

3. Continuous Promotion of Technological Progress to Consolidate the Leading Position in the Industry

Facing the market prices under pressure following the central bidding by China Mobile in 2019, the Company continuously optimized its OVD and VAD technologies and reinforced its leading advantage in the production efficiency of preform products so as to reduce costs and enhance efficiency in a proactive manner. The gross profit margin of the Company in the first half of 2020 was 25.0%, higher than the gross profit margin of 23.6% for the entire 2019.

Facing the more challenging price level in the future and fully leveraging its own technological advantage, the Company will not only consistently improve its cost structure to maintain its leading market position and profitability among the industry, but also make greater efforts in the market expansion of communication optical fibre and cable products with higher profit margin such as G.655, G.657 and G.654.E so as to achieve competitive differentiation.

4. Exploration of relevant diversification

At present, construction of new infrastructures in China is thriving. In addition to 5G network, the sectors such as industrial internet and data center possess broaden market opportunities. According to the forecast shown in the Global Cloud Index 2016-2021 Report published by Cisco, data generated worldwide will grow from 6.8ZB in 2016 to 20.6ZB in 2021, with an average annual growth rate of 25%, and over 70% of the data will be generated within the data centers. According to the forecast from Gartner, the size of the public cloud market in China will reach approximately US$26.6 billion by 2022, with an average annual growth rate of 41% from 2018 to 2022, which is higher than the global average annual growth rate of 19% for the same period. In April 2020, Alibaba Cloud announced that it would inject RMB200 billion for the research and development of key core technologies such as cloud operating systems, servers, chips and networks as well as the construction of future data centers in the coming three years. In May 2020, Tencent announced that it would inject RMB500 billion for further deployment of new infrastructure projects in the coming five years, including the successive construction of various new and large data centers with a scale of housing more than one million servers across China.

The rapid growth in the number and size of data centers will drive the demand for multi-mode optical fibres used for internal data transmission and cabling solutions services. The PCVD technology of the Company has its unique advantages in manufacturing multi-mode optical fibres with larger core diameter and more complicated internal structures. The Company's sales of multi-mode optical fibre-related products grew steadily and market share remained its leading position. Mid-to-high-end products with high profitability such as OM3, OM4 and OM5 have been rapidly popularized in domestic markets. In terms of cabling solutions of data centers, the Company participated in the construction of cabling solutions in data centers of various key internet enterprises during the first half of 2020.

The accelerating 5G construction and data center establishment will simultaneously propel the demand for optical transceiver used in telecom and data centers markets. In terms of optical transceiver market, the Company conducted business expansion and planning by coupling organic growth with external expansion so as to build its own research and development team and scale production capacity. In the first half of this year, the Company has won the bid for the central bidding projects of domestic operators for optical transceivers. Currently, the production and delivery is underway smoothly.

5. Further Implementation of Global Business

During the first half of 2020, the overseas business of the Company registered growth despite facing daunting challenges. On one hand, as the Company's production capacity and export transportation were affected by the domestic pandemic prevention and control measures in the first quarter, the operation failed to meet the expectation; on the other hand, as domestic pandemic situation improved and economy recovered, the pandemic continued to spread overseas, leading to a slowdown in network construction of foreign operators, which affected its procurement of optical fibre and cable products and the implementation of the Company's overseas network engineering projects. Facing such challenges, the Company was committed to pushing forward its internationalization strategy. In the first half of the year, revenue from the overseas business reached RMB895.4 million, representing a 17.8% increase as compared to the same period of last year, and accounting for 26.3% of the Company's revenue. Facing the risk brought by the pandemic, the Company's international business team overcame numerous difficulties and continuously pushed forward the overseas system integration engineering projects in Peru and the Philippines. In the first half of 2020, the overseas system integration engineering projects recorded revenue of RMB69.7 million, representing an increase of 550.9% as compared to the same period of last year. Meanwhile, as the impact of the pandemic continues, the Company will focus on the risk factors such as the economic development, operators' status and exchange rate changes in target markets in Southeast Asia, Africa and South America.

The pandemic has not only brought challenges to overseas markets, but also provided opportunities for continuous demand growth in the future. Due to the prevention and control measures, the demand for digital office, remote communication and home-based entertainment has emerged, which requires communication network to be of much higher quality. According to the forecast from Commodity Research Unit published in July 2020, the demand for optical fibres and cables of the developing markets between 2019 and 2024 will grow at an average compound annual growth rate of 7%. The Company will closely grasp the opportunities for long-term growth in overseas demand so as to ensure further implementation of its internationalization strategy and continuously increase the proportion of overseas business revenue.

DIVIDEND

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

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

During the Period, there were no purchase, sales or redemption of the Company's listed securities by the Company or its subsidiaries.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 12 August 2020, the Company completed the registration for issuance of corporate bonds to professional investors in the amount of not exceeding RMB3 billion with the China Securities Regulatory Commission. The corporate bonds will be issued in tranches. On 28 August 2020, the Company completed the issuance of corporate bonds (first phase) ("**Corporate Bonds (First Phase)**") with a principal amount of RMB500 million to professional investors in the PRC. The Corporate Bonds (First Phase) have a maturity of 3 years and the coupon rate of 3.5%. The Corporate Bonds (First Phase) are proposed to be listed on the Shanghai Stock Exchange. The proceeds from the issue of the Corporate Bonds (First Phase) will be used as general working capital.

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and dual listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Hong Kong Listing Rules and to abide by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basis for the Company's corporate governance. The Company has adopted all the code provisions set out in the CG Code and has complied with all the code provisions under the CG Code during the six months ended 30 June 2020.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the "**Company's Code**") as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries 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 2020.

INTERIM REPORT

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

FORWARD-LOOKING STATEMENTS

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

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

Wuhan, PRC, 28 August 2020

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*