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Smart Link Better Life.

長飛光纖光纜股份有限公司

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

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

(Stock Code: 6869)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Total operating revenue was approximately RMB6,915.2 million, increased by approximately RMB523.8 million, representing an approximately 8.2% increase as compared to the same period of last year.
- Gross profit was approximately RMB1,804.4 million, increased by approximately RMB368.8 million, representing an approximately 25.7% increase as compared to the same period of last year.
- Profit attributable to equity shareholders of the Company was approximately RMB607.0 million, increased by approximately RMB81.6 million, representing an approximately 15.5% increase as compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 6.4%, as compared with the same period of last year. The Group's revenue from overseas customers increased by approximately 11.6%, as compared with the same period of last year.
- The Board did not recommend any interim dividend for the Period.

The board of directors (the “**Board**”) of Yangtze Optical Fibre and Cable Joint Stock Limited Company* 長飛光纖光纜股份有限公司 (the “**Company**” or “**YOFC**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the 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 2023
(Expressed in Renminbi (“RMB”))

		For the six months ended 30 June	
	Notes	2023 (Unaudited)	2022 (Unaudited)
I. Operating Revenue	4	6,915,183,145	6,391,374,976
II. Less: Cost of sales	4	5,110,786,663	4,955,772,616
Taxes and surcharges		57,515,017	35,070,712
Selling expenses		229,452,673	172,213,510
Administrative expenses		479,442,255	307,350,393
R&D expenses		367,564,667	319,975,203
Financial expenses	5	21,768,075	36,027,573
Including: Interest expenses		111,197,865	75,807,163
Interest revenue		49,811,050	24,819,677
Add: Other income	6	64,739,975	36,997,528
Investment income		116,500,604	32,701,015
Including: Income/(losses) from investment in associates and joint ventures		101,548,035	(5,838,433)
Gains/(losses) from changes in fair value		4,827,042	(1,742,057)
Credit losses		(120,019,178)	(47,315,988)
Impairment losses		(28,472,340)	(26,459,656)
Losses from asset disposals		(1,123,593)	(1,328,039)
III. Operating profit		685,106,305	557,817,772
Add: Non-operating income		3,228,063	2,838,498
Less: Non-operating expenses		7,299,637	1,562,860
IV. Profit before taxation		681,034,731	559,093,410
Less: Income tax	7	54,673,597	41,695,743
V. Profit for the period		626,361,134	517,397,667
Profit for the period attributable to equity shareholders of the Company		607,014,926	525,393,238
Non-controlling interests		19,346,208	(7,995,571)

	<i>Notes</i>	For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
VI. Other comprehensive income, net of tax			
Other comprehensive income (net of tax) attributable to equity shareholders of the Company		94,805,924	19,544,853
(1) Items that cannot be reclassified subsequently to profit or loss			
1. Changes in fair value of investments in other equity instruments		29,105,074	(3,162,598)
(2) Items that may be reclassified subsequently to profit or loss			
1. Translation differences arising from translation of foreign currency financial statements		65,700,850	22,707,451
Other comprehensive income (net of tax) attributable to non-controlling interests		<u>5,396,412</u>	<u>847,175</u>
VII. Total comprehensive income for the period		<u>726,563,470</u>	<u>537,789,695</u>
Total comprehensive income attributable to equity shareholders of the Company		701,820,850	544,938,091
Total comprehensive income attributable to non-controlling interests		24,742,620	(7,148,396)
VIII. Earnings per share:			
(1) Basic earnings per share	<i>8</i>	<u>0.80</u>	<u>0.69</u>
(2) Diluted earnings per share	<i>8</i>	<u>0.80</u>	<u>0.69</u>

Consolidated Balance Sheet

As at 30 June 2023

(Expressed in RMB)

	<i>Notes</i>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Current assets:			
Cash at bank and on hand		5,193,754,284	4,323,893,889
Financial assets held for trading		1,090,276,041	1,347,947,294
Bills receivable	<i>10</i>	589,822,589	698,622,284
Accounts receivable	<i>11</i>	5,718,194,736	5,035,236,390
Receivables under financing	<i>12</i>	152,938,160	133,861,169
Prepayments		176,232,109	188,716,783
Other receivables		146,412,437	182,451,824
Inventories		3,258,058,180	3,158,718,111
Other current assets		450,727,759	345,419,744
Total current assets		16,776,416,295	15,414,867,488
Non-current assets:			
Long-term equity investments		2,131,768,166	1,828,164,430
Investments in other equity instruments		81,119,715	46,878,451
Other non-current financial assets		50,601,021	60,203,752
Fixed assets		6,905,849,557	5,749,362,064
Construction in progress		1,201,423,656	1,644,132,850
Right-of-use assets		62,853,363	55,116,615
Intangible assets		1,726,519,278	1,732,371,560
Goodwill		1,003,321,694	835,888,454
Long-term deferred expenses		80,126,869	26,924,819
Deferred tax assets		378,855,100	272,648,375
Other non-current assets		640,169,634	536,747,789
Total non-current assets		14,262,608,053	12,788,439,159
Total assets		31,039,024,348	28,203,306,647

	<i>Notes</i>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	<i>13</i>	1,314,387,813	1,754,882,426
Bills payable	<i>14</i>	1,638,720,089	1,430,934,823
Accounts payable	<i>15</i>	2,003,319,148	2,031,652,081
Contract liabilities		946,492,936	816,649,511
Employee benefits payable		425,355,542	451,529,826
Taxes payable		195,682,101	154,138,414
Other payables		1,763,102,763	641,517,585
Non-current liabilities due within one year		1,882,387,822	732,895,951
Other current liabilities		36,911,163	61,057,878
Total current liabilities		<u>10,206,359,377</u>	<u>8,075,258,495</u>
Non-current liabilities:			
Long-term loans	<i>16</i>	4,217,881,420	3,950,988,482
Lease Liabilities		44,002,883	40,204,695
Long-term payables		698,073,360	673,846,130
Deferred income		438,036,688	412,445,638
Deferred tax liabilities		323,675,931	257,758,846
Other non-current liabilities		199,258,948	255,743,147
Total non-current liabilities		<u>5,920,929,230</u>	<u>5,590,986,938</u>
Total liabilities		<u>16,127,288,607</u>	<u>13,666,245,433</u>
SHAREHOLDERS' EQUITY:			
Share capital		757,905,108	757,905,108
Capital reserve		2,919,285,719	2,938,596,940
Less: treasury stock		–	33,653,461
Other comprehensive income		112,559,704	17,753,780
Surplus reserve		711,564,222	674,929,332
Retained earnings		6,008,942,061	5,788,714,185
Total equity attributable to shareholders of the Company		10,510,256,814	10,144,245,884
Non-controlling interests		4,401,478,927	4,392,815,330
Total equity		<u>14,911,735,741</u>	<u>14,537,061,214</u>
Total liabilities and shareholders' equity		<u>31,039,024,348</u>	<u>28,203,306,647</u>

NOTES:

1. CORPORATE INFORMATION

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

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

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

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

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

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

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

3. REVENUE

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

4. REVENUE AND COST OF SALES

Item	For the six months ended 30 June			
	2023 (Unaudited)		2022 (Unaudited)	
	Revenue	Costs	Revenue	Costs
Principal activities	6,864,637,349	5,066,225,365	6,344,623,317	4,913,717,174
Other operating activities	50,545,796	44,561,298	46,751,659	42,055,442
Total	<u>6,915,183,145</u>	<u>5,110,786,663</u>	<u>6,391,374,976</u>	<u>4,955,772,616</u>

Details of revenue:

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Revenue from principal activities		
– Optical fibres and optical fibre preforms	1,863,652,124	1,881,082,950
– Optical fibre cables	2,722,473,438	2,918,348,383
– Optical components and modules	897,914,086	412,328,539
– Other sales	1,380,597,701	1,132,863,445
Sub-total	6,864,637,349	6,344,623,317
Revenue from other operating activities		
– Materials	40,901,403	26,028,360
– Others	9,644,393	20,723,299
Total	<u>6,915,183,145</u>	<u>6,391,374,976</u>

5. FINANCIAL EXPENSES

Item	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest expenses on loans and payables	120,892,166	79,648,329
Interest expenses on lease liabilities	2,149,648	1,006,568
Less: Borrowing costs capitalised*	(11,843,949)	(4,847,734)
Interest income on deposits and receivables	(49,811,050)	(24,819,677)
Net exchange gains	(47,288,489)	(19,409,344)
Other financial expenses	7,669,749	4,449,431
Total	<u>21,768,075</u>	<u>36,027,573</u>

* The capitalisation rate of the Group's capitalised amounts of borrowing costs in the first half of 2023 was 0.20% (the first half of 2022: 0.16%)

6. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Government grants related to assets	32,581,378	16,112,087
Government grants related to income	32,158,597	20,885,441
	<u>64,739,975</u>	<u>36,997,528</u>
Total	<u><u>64,739,975</u></u>	<u><u>36,997,528</u></u>

7. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Income tax for the period based on tax law and regulations	109,508,105	59,818,891
Changes in deferred income tax	(55,667,596)	(18,338,039)
Tax filling differences	833,088	214,891
	<u>54,673,597</u>	<u>41,695,743</u>
Total	<u><u>54,673,597</u></u>	<u><u>41,695,743</u></u>

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Origination and reversal of temporary differences	<u>(55,667,596)</u>	<u>(18,338,039)</u>

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

Item	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit before taxation	681,034,731	559,093,410
Expected income tax calculated at tax rate of 25%	170,258,683	140,060,883
Effect of tax rate differences	(35,292,340)	(29,518,371)
Effect of adjustment to income tax of previous years	833,088	214,891
Effect of non-taxable income	(1,746,615)	(7,813,706)
Effect of non-deductible cost, expense and loss	3,055,286	1,560,743
Effect attributable to the additional qualified tax deduction relating to research and development costs	(91,992,079)	(73,167,845)
Effect of deductible losses unrecognized deferred income tax assets in the prior period	(4,817,497)	(9,269,073)
Effect of temporary differences or deductible losses for which no deferred tax asset was recognized this period	14,375,071	19,628,221
	<u>54,673,597</u>	<u>41,695,743</u>
Income tax for the period	<u><u>54,673,597</u></u>	<u><u>41,695,743</u></u>

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

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

According to the High-tech Enterprise Certificate No. GR202142001875 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, EverPro Technologies Company Limited, a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from from 15 November 2021 to 15 November 2024.

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

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

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

According to the High-tech Enterprise Certificate No. GR202142003106 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, Yangtze Gas Qianjiang Company Limited., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 1 December 2021 to 1 December 2024.

According to the High-tech Enterprise Certificate No. GR202242000976 issued by Hubei Provincial Department of Science and Technology, Hubei Provincial Department of Finance, and Hubei Provincial Tax Service, State Taxation Administration, Polytech Qianjiang Company Limited., a subsidiary of the Company, was entitled to High Tech Enterprise qualification and enjoyed a preferential tax rate of 15% from 1 December 2022 to 1 December 2025.

According to the High-tech Enterprise Certificate No. GR202133007123 issued by Zhejiang Science and Technology Department, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service and State Taxation Administration, Ally First Optical Fibre and Cable Co., Ltd., a subsidiary of the Company, was entitled to High Tech Enterprise qualification, and enjoyed the preferential tax rate of 15% from 16 December 2021 to 16 December 2024.

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

According to the High-tech Enterprise Certificate No. GR202251003732 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 2 November 2022 to 2 November 2025.

According to the High-tech Enterprise Certificate No. GR202242003230 issued by the Hubei Provincial Department of Science and Technology, the Hubei Provincial Department of Finance and the Hubei Provincial Taxation Bureau of the State Administration of Taxation, Yangtze (Wuhan) Optical Systems Co., Ltd enjoyed the preferential tax rate of 15% from 9 November 2022 to 9 November 2025.

According to the High-tech Enterprise Certificate No. GR202121000452 issued by the Department of Science and Technology of Liaoning Province, the Department of Finance of Liaoning Province and the Liaoning Provincial Taxation Bureau of the State Administration of Taxation, from 24 September 2021 to 24 September 2024, the Company's subsidiary, Yangtze Optical Fibre and Cable Shenyang Co., Ltd., enjoys the qualification of high-tech enterprise and enjoys a preferential tax rate of 15%.

According to the High-tech Enterprise Certificate No. GR202112002942 issued by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau and the Tianjin Municipal Tax Service, State Taxation Administration from 3 December 2021 to 3 December 2024, Yangtze Optical Fibre and Cable (Tianjin) Company Limited., a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202032002730 issued by Jiangsu Municipal Science and Technology Bureau, Jiangsu Finance Bureau and the Jiangsu Municipal Tax Service, State Taxation Administration from 2 December 2020 to 1 December 2023, Yangtze Optical Cable (Suzhou) Company Limited. (Formerly named as Yangtze Zhongli Optical Cable (Jiangsu) Co., Ltd), a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202134003925 issued by Anhui Municipal Science and Technology Bureau, Anhui Finance Bureau and the Anhui Municipal Tax Service, State Taxation Administration from 18 November 2021 to 18 November 2024, Anhui YOFC Advanced Semiconductor Company Limited, a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to the High-tech Enterprise Certificate No. GR202033006705 issued by Zhejiang Municipal Science and Technology Bureau, Zhejiang Finance Bureau and the Anhui Municipal Tax Service, State Taxation Administration from 1 December 2020 to 1 December 2023, Broadex Technologies Company Limited, a subsidiary of the Company, enjoys the qualification of high-tech enterprise and enjoys a preferential tax of 15%.

According to 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], Chengdu Rongbo Communication Technology Company Limited, a subsidiary of the Company, is an enterprise under the preferred industry set up in the western region, which was entitled to preferential tax rate of 15% for the period.

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	
	2023 (Unaudited)	2022 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<u>607,014,926</u>	<u>525,393,238</u>
Less: Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future	–	562,000
Adjusted consolidated net profit attributable to ordinary shareholders of the Company	<u>607,014,926</u>	<u>524,831,238</u>
Weighted average number of ordinary shares outstanding	<u>757,571,775</u>	<u>755,905,108</u>
Basic earnings per share (RMB/share)	<u>0.80</u>	<u>0.69</u>

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

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of issued ordinary shares at the beginning of the period	757,905,108	757,905,108
Redeemed shares for employee stock ownership scheme (note)	(333,333)	(2,000,000)
Weighted average number of ordinary shares at the end of the period	<u>757,571,775</u>	<u>755,905,108</u>

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

(2) Diluted earnings per share

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

Item	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	(a) <u>607,014,926</u>	<u>525,393,238</u>
Weighted average number of ordinary shares outstanding (diluted)	(b) <u>757,905,108</u>	<u>757,729,777</u>
Diluted earnings per share (RMB/share)	<u>0.80</u>	<u>0.69</u>

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

Item	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Consolidated net profit attributable to ordinary shareholders (Basic earnings per share)	<u>607,014,926</u>	<u>524,831,238</u>
Diluted adjustments:		
Forfeitable cash dividends declared to restricted shareholders in employee share ownership plan this period whose shares are expected to unlock in the future (<i>note</i>)	<u>-</u>	<u>562,000</u>
Consolidated net profit attributable to ordinary shareholders (diluted)	<u>607,014,926</u>	<u>525,393,238</u>

Note: When calculating diluted earnings per share during the lock-in period of restricted shares, consolidated net profit attributable to ordinary shareholders of the Company (diluted) shall add the cash dividends (with dilution) distributed to the shareholders of the expected unlocking restricted shares in the future that have been deducted when calculating the consolidated net profit (dilution) attributable to ordinary shareholders of the Company.

(b) Weighted average number of the Company's ordinary shares (diluted) is calculated as follows:

Item	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of issued ordinary shares at the beginning of the period	<u>757,571,775</u>	<u>755,905,108</u>
Diluted adjustments:		
Redeemed shares for employee stock ownership scheme	333,333	1,824,669
Weighted average number of ordinary shares at the end of the period (diluted)	<u>757,905,108</u>	<u>757,729,777</u>

9. SEGMENT REPORTING

The Group determines the three reporting segments, optical fibres and optical fibre preforms segment, optical fibre cables segment and optical components and modules segment, based on the internal organizational structure, management requirements and internal reporting system. Each reporting segment is a separate business segment that provides different products. The management of the Group will regularly review the financial information of different segments to determine the allocation of resources and to evaluate their sales performance.

- Optical fibres and optical fibre preforms segment-mainly responsible for the production and sales of optical fibres and optical fibre preforms.
- Optical fibre cables segment-mainly responsible for the production and sales of optical fibre cables.
- Optical components and modules segment-mainly responsible for the production and sales of optical components and modules

(1) Information of profit or loss and assets of reporting segments

In order to evaluate the performance of each segment and allocate resources, the management of the Group will regularly review the assets, income, expenses and operating results attributable to each segment. The preparation of such information is based on the followings:

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

Segment operating results refer to the revenue from external customers generated by each segment, less the operating costs incurred by each segment. The Group did not allocate other expenses such as selling and management expenses and financial expenses to each segment.

The information disclosed in each of the following reporting segments of the Group is that the management of the Group used the following data in measuring profit/(loss) and assets of the reporting segments, or did not use the following data but provided it regularly to the management of the Group:

For the six months ended 30 June 2023 (Unaudited)

Items	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Offset between segments	Unallocated Amounts	Total
Operating income from external transactions	1,863,652,124	2,722,473,438	897,914,086	1,431,143,497	-	-	6,915,183,145
Inter-segment revenue	766,798,195	3,504,607	-	195,262,878	(965,565,680)	-	-
Segment profit	1,164,056,687	548,698,117	132,810,351	147,206,133	(188,374,806)	-	1,804,396,482
Including: Depreciation and amortisation expenses	(169,241,648)	(48,765,043)	(105,838,182)	(136,148,791)	377,358	-	(459,616,306)
Taxes and surcharges	-	-	-	-	-	(57,515,017)	(57,515,017)
Selling and distribution expenses	-	-	-	-	-	(229,452,673)	(229,452,673)
General and administration expenses	-	-	-	-	-	(479,442,255)	(479,442,255)
Research and development expenses	-	-	-	-	-	(367,564,667)	(367,564,667)
Financial expenses	-	-	-	-	-	(21,768,075)	(21,768,075)
Impairment losses	-	-	-	-	-	(28,472,340)	(28,472,340)
Credit losses	-	-	-	-	-	(120,019,178)	(120,019,178)
Gains from changes in fair value	-	-	-	-	-	4,827,042	4,827,042
Investment income	-	-	-	-	-	116,500,604	116,500,604
Including: income from investment in associates and joint ventures	-	-	-	-	-	101,548,035	101,548,035
Losses from asset disposals	-	-	-	-	-	(1,123,593)	(1,123,593)
Other income	-	-	-	-	-	64,739,975	64,739,975
Operating profit/(loss)	1,164,056,687	548,698,117	132,810,351	147,206,133	(188,374,806)	(1,119,290,177)	685,106,305
Non-operating income	-	-	-	-	-	3,228,063	3,228,063
Non-operating expenses	-	-	-	-	-	(7,299,637)	(7,299,637)
Profit/(loss) before income tax	1,164,056,687	548,698,117	132,810,351	147,206,133	(188,374,806)	(1,123,361,751)	681,034,731
Income tax expenses	-	-	-	-	-	(54,673,597)	(54,673,597)
Net profit/(loss) for the period	1,164,056,687	548,698,117	132,810,351	147,206,133	(188,374,806)	(1,178,035,348)	626,361,134

For the six months ended 30 June 2022 (Unaudited)

Items	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Offset between segments	Unallocated Amounts	Total
Operating income from external transactions	1,881,082,950	2,918,348,383	412,328,539	1,179,615,104	-	-	6,391,374,976
Inter-segment revenue	522,478,357	9,263,663	-	357,692,073	(889,434,093)	-	-
Segment profit	971,506,700	369,291,275	56,775,174	136,437,595	(98,408,384)	-	1,435,602,360
Including: Depreciation and amortisation expenses	(109,302,843)	(24,562,582)	(16,164,115)	(90,886,685)	377,358	-	(240,538,867)
Taxes and surcharges	-	-	-	-	-	(35,070,712)	(35,070,712)
Selling and distribution expenses	-	-	-	-	-	(172,213,510)	(172,213,510)
General and administration expenses	-	-	-	-	-	(307,350,393)	(307,350,393)
Research and development expenses	-	-	-	-	-	(319,975,203)	(319,975,203)
Financial expenses	-	-	-	-	-	(36,027,573)	(36,027,573)
Impairment losses	-	-	-	-	-	(26,459,656)	(26,459,656)
Credit losses	-	-	-	-	-	(47,315,988)	(47,315,988)
Gains from changes in fair value	-	-	-	-	-	(1,742,057)	(1,742,057)
Investment income	-	-	-	-	-	32,701,015	32,701,015
Including: income from investment in associates and joint ventures	-	-	-	-	-	(5,838,433)	(5,838,433)
Losses from asset disposals	-	-	-	-	-	(1,328,039)	(1,328,039)
Other income	-	-	-	-	-	36,997,528	36,997,528
Operating profit/(loss)	971,506,700	369,291,275	57,596,543	135,616,226	(98,408,384)	(877,784,588)	557,817,772
Non-operating income	-	-	-	-	-	2,838,498	2,838,498
Non-operating expenses	-	-	-	-	-	(1,562,860)	(1,562,860)
Profit/(loss) before income tax	971,506,700	369,291,275	57,596,543	135,616,226	(98,408,384)	(876,508,950)	559,093,410
Income tax expenses	-	-	-	-	-	(41,695,743)	(41,695,743)
Net profit/(loss) for the period	971,506,700	369,291,275	57,596,543	135,616,226	(98,408,384)	(918,204,693)	517,397,667

As at 30 June 2023 (Unaudited)

Items	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Offset between segments	Unallocated Amounts	Total
Total assets	5,679,178,873	5,133,087,363	2,918,907,001	19,633,126,289	(2,325,275,178)	-	31,039,024,348
Other items:							
– Long-term equity investment in associates and joint ventures	-	-	-	2,131,768,166	-	-	2,131,768,166
– Increase in other non-current assets other than long-term equity investment	209,932,656	159,826,112	66,118,040	1,299,462,991	14,561,690	-	1,749,901,489

As at 31 December 2022 (Audited)

Items	Optical fibres and optical fibre preforms segment	Optical fibre cables segment	Optical components and modules segment	Others	Offset between segments	Unallocated Amounts	Total
Total assets	5,087,905,598	4,484,699,362	2,967,395,071	17,055,676,128	(1,392,369,512)	-	28,203,306,647
Other items:							
– Long-term equity investment in associates and joint ventures	-	-	-	1,828,164,430	-	-	1,828,164,430
– Increase in other non-current assets other than long-term equity investment	918,685,811	156,860,250	1,545,344,448	3,591,695,849	(195,219,917)	-	6,017,366,441

10. BILLS RECEIVABLE

(1) Bills receivable by category

Type	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Bank acceptance bills	395,991,970	552,898,889
Commercial acceptance bills	193,830,619	145,723,395
Total	<u>589,822,589</u>	<u>698,622,284</u>

The aforementioned bills receivable are due within one year.

(2) Bills receivable pledged at the end of the period

As at 30 June 2023, the Group's bills receivables pledged was RMB0 (31 December 2022: RMB1,698,200).

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

Type	Amount derecognized at 30 June 2023 (Unaudited)	Amount not yet derecognized at 30 June 2023 (Unaudited)
Bank acceptance bills	–	130,062,002
Commercial acceptance bills	–	2,360,400
Total	–	132,422,402

As at 30 June 2023, the Group continued to recognize discounted bills and endorsed bills of RMB70,905,714 and RMB61,516,688, respectively (31 December 2022: RMB183,940,408 and RMB43,930,919). 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 2023, the carrying amounts of the bills settled by the discounted and endorsed bills that continue to be recognized were RMB70,905,714 and RMB61,516,688, respectively (31 December 2022: RMB183,940,408 and RMB43,930,919). 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 2023 (Unaudited)	31 December 2022 (Audited)
Due from related parties	232,102,358	336,656,173
Due from third parties	6,010,847,668	5,132,591,642
Sub-total	6,242,950,026	5,469,247,815
Less: allowance for doubtful debts	524,755,290	434,011,425
Total	5,718,194,736	5,035,236,390

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

Ageing	30 June	31 December
	2023 (Unaudited)	2022 (Audited)
Within 1 year (1 year inclusive)	5,004,400,868	4,389,345,571
1 to 2 years (2 years inclusive)	693,874,552	667,272,705
2 to 3 years (3 years inclusive)	270,909,248	215,250,518
Over 3 years	273,765,358	197,379,021
Sub-total	6,242,950,026	5,469,247,815
Less: allowance for doubtful debts	524,755,290	434,011,425
Total	<u>5,718,194,736</u>	<u>5,035,236,390</u>

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

(3) Analysis of accounts receivable by category:

Category	30 June 2023 (Unaudited)				Carrying amount
	Book value		Allowance for doubtful debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	95,535,095	1.53	95,535,095	100.00	-
Collectively assessed for impairment by groups					
Group 1	232,102,358	3.72	4,473,662	1.93	227,628,696
Group 2	1,981,330,723	31.74	141,090,911	7.12	1,840,239,812
Group 3	3,933,981,850	63.01	283,655,622	7.21	3,650,326,228
Total	<u>6,242,950,026</u>	<u>/</u>	<u>524,755,290</u>	<u>/</u>	<u>5,718,194,736</u>

31 December 2022 (Audited)

Category	Book value		Allowance for doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually assessed for impairment customers which credit losses incurred	52,041,436	0.95	52,041,436	100.00	–
Collectively assessed for impairment by groups					
Group 1	336,656,173	6.15	4,245,715	1.26	332,410,458
Group 2	1,763,694,977	32.25	155,549,913	8.82	1,608,145,064
Group 3	3,316,855,229	60.65	222,174,361	6.70	3,094,680,868
Total	<u>5,469,247,815</u>	<u>/</u>	<u>434,011,425</u>	<u>/</u>	<u>5,035,236,390</u>

- (a) Reasons for making doubtful debts provisions with single accounts receivable in the first half of 2023:

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

- (b) Standard and explanation of making doubtful debts provisions by group in the first half of 2023:

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

- Group 1: Related parties;
- Group 2: Telecom Operators in China and other companies with good credit records;
- Group 3: Other customers outside of the above groups.

- (c) Expected credit loss assessment for accounts receivable:

The management measures loss allowances for accounts receivable at an amount equal to lifetime expected credit loss, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

30 June 2023 (Unaudited)

Group 1	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	0.35	211,115,750	740,370
Overdue 1 to 2 years (2 years inclusive)	14.70	20,119,028	2,957,497
Overdue 2 to 3 years (3 years inclusive)	88.79	818,851	727,066
Overdue over 3 years	100.00	48,729	48,729
Total		<u>232,102,358</u>	<u>4,473,662</u>

Group 2	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue			
within 1 year (1 year inclusive)	1.02	1,750,660,113	17,856,733
Overdue 1 to 2 years (2 years inclusive)	15.64	106,719,005	16,690,852
Overdue 2 to 3 years (3 years inclusive)	50.67	35,289,437	17,881,158
Overdue over 3 years	100.00	88,662,168	88,662,168
		<u>1,981,330,723</u>	<u>141,090,911</u>
Total			

Group 3	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue			
within 1 year (1 year inclusive)	2.91	3,496,880,640	101,708,446
Overdue 1 to 2 years (2 years inclusive)	14.86	228,951,436	34,022,183
Overdue 2 to 3 years (3 years inclusive)	53.68	130,018,888	69,794,107
Overdue over 3 years	100.00	78,130,886	78,130,886
		<u>3,933,981,850</u>	<u>283,655,622</u>
Total			

31 December 2022 (Audited)

Group 1	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue			
within 1 year (1 year inclusive)	0.24	305,264,001	734,098
Overdue 1 to 2 years (2 years inclusive)	6.37	24,378,142	1,552,888
Overdue 2 to 3 years (3 years inclusive)	27.44	6,967,063	1,911,762
Overdue Over 3 years	100.00	46,967	46,967
		<u>336,656,173</u>	<u>4,245,715</u>
Total			

Group 2	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	1.19	1,509,445,065	17,962,396
Overdue 1 to 2 years (2 years inclusive)	18.12	122,240,014	22,149,891
Overdue 2 to 3 years (3 years inclusive)	55.62	37,341,758	20,769,486
Overdue Over 3 years	100.00	94,668,140	94,668,140
		<u>1,763,694,977</u>	<u>155,549,913</u>
Total			

Group 3	Expected credit loss rate (%)	Book value	Allowance for doubtful debts
No overdue and overdue within 1 year (1 year inclusive)	2.28	2,956,862,565	67,492,813
Overdue 1 to 2 years (2 years inclusive)	19.23	209,330,060	40,254,171
Overdue 2 to 3 years (3 years inclusive)	56.71	83,703,457	47,468,230
Overdue Over 3 years	100.00	66,959,147	66,959,147
Total		<u>3,316,855,229</u>	<u>222,174,361</u>

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period	434,011,425	255,077,716
Addition during the reporting period	93,050,144	144,762,598
Recoveries during the reporting period	(4,796,186)	(19,539,863)
Written-off during the reporting period	(63,254)	(387,511)
Other changes during the reporting period	2,553,161	54,098,485
Balance at the end of the reporting period	<u>524,755,290</u>	<u>434,011,425</u>

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

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

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

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

As at 30 June 2023, the subtotal of five largest accounts receivable of the Group is RMB1,929,386,219 (31 December 2022: RMB1,597,352,410) representing 30.9% of the total balance of accounts receivable (31 December 2022: 29.2%). The corresponding allowance for doubtful debt is RMB84,499,122 (31 December 2022: RMB75,090,674).

12. RECEIVABLES UNDER FINANCING

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Bills receivable measured at fair value through other comprehensive income	<u>152,938,160</u>	<u>133,861,169</u>

There is no change in fair value of receivables under financing of the Group in the first half year of 2023. The accumulated impairment losses recognized in other comprehensive income is nil.

As at 30 June 2023, bills receivable endorsed or discounted of the Group at the end of the period and undue at the balance sheet date:

Item	Amount derecognized at 30 June 2023 (Unaudited)	Amount not yet derecognized at 30 June 2023 (Unaudited)
Bank acceptance bills	<u>259,234,938</u>	<u>–</u>

During the Period, the Group discounted certain bank bills receivable from certain banks in China or endorsed them to the Group's suppliers ("Derecognized Bills") and derecognized them on 30 June 2023. The carrying amounts of undue bills receivable that have been discounted and derecognized on 30 June 2023 are RMB184,316,797 (31 December 2022: RMB549,131,483). As at 30 June 2023, the carrying amounts of undue bills receivable that have been endorsed and derecognized are RMB74,918,141 (31 December 2022: RMB296,029,404). As at 30 June 2023, the remaining period of the derecognized bills was 1 to 11 months.

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

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

13. SHORT-TERM LOANS

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Unsecured loans	<u>1,314,387,813</u>	<u>1,754,882,426</u>
Total	<u>1,314,387,813</u>	<u>1,754,882,426</u>

As at 30 June 2023, the guaranteed loans tendered by the intercompany of the Group included in the above unsecured loans were RMB15,886,693 (31 December 2022: RMB205,411,414).

As at 30 June 2023, the Group did not have any overdue loans not yet repaid.

14. BILLS PAYABLE

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Commercial acceptance bills	527,731,396	375,316,985
Bank acceptance bills	1,110,988,693	1,055,617,838
Total	<u>1,638,720,089</u>	<u>1,430,934,823</u>

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

The above amounts were bills payable due within one year.

15. ACCOUNTS PAYABLE

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Due to related parties	137,497,660	132,449,120
Due to third parties	1,865,821,488	1,899,202,961
Total	<u>2,003,319,148</u>	<u>2,031,652,081</u>

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year (1 year inclusive)	1,919,179,744	1,959,415,826
Over 1 year but within 2 years (2 years inclusive)	56,092,936	15,920,658
Over 2 years but within 3 years (3 years inclusive)	10,016,596	35,901,875
Over 3 years	18,029,872	20,413,722
	<u>2,003,319,148</u>	<u>2,031,652,081</u>

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

16. LONG-TERM LOANS

Classification of long-term loans

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Unsecured loans	5,563,136,835	4,160,408,710
Less: long-term loans due within one year	<u>(1,345,255,415)</u>	<u>(209,420,228)</u>
Total	<u>4,217,881,420</u>	<u>3,950,988,482</u>

As at 30 June 2023, there was no overdue long-term loans. The above bank loans were fixed rate loans of which interest rate was 1.20%-4.0% (2022: 0.9%-4.0%, the interest rate of floating rate loan is the quoted interest rate of one-year loan market minus 0.61% to the quoted interest rate of one-year loan market minus 0.11%).

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year (1 year inclusive)	2,659,643,228	1,964,302,654
Over 1 year but within 2 years (2 years inclusive)	499,548,634	1,237,081,603
Over 2 years but within 5 years (5 years inclusive)	<u>3,718,332,786</u>	<u>2,713,906,879</u>
	<u>6,877,524,648</u>	<u>5,915,291,136</u>

17. DIVIDENDS

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

	For the six months ended 30 June 2023 (Unaudited)	2022 (Unaudited)
The dividend was declared for the previous fiscal year during the reporting period was RMB0.462 per share (For the six months ended 30 June 2022: RMB0.281 per share)	<u>350,152,160</u>	<u>212,971,335</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2023, the Group's operating revenue reached approximately RMB6,915.2 million, increased by approximately 8.2% as compared to the same period of 2022 of approximately RMB6,391.4 million. The Group reported a gross profit of approximately RMB1,804.4 million, increased by approximately 25.7% as compared to the same period of 2022 of approximately RMB1,435.6 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB607.0 million, increased by approximately 15.5% as compared to the same period of 2022 of approximately RMB525.4 million. The Group's profit for the Period (exclusive of non-operating profit) attributable to the equity shareholders of the Company amounted to approximately RMB563.7 million, increased by approximately 21.7% as compared to the same period of 2022 of approximately RMB463.3 million.

Basic earnings per share was RMB0.80 per share (for the six months ended 30 June 2022: RMB0.69 per share), which was calculated based on the weighted average number of shares issued, further details of which are set out in note 8 to the financial information as set out in this announcement.

Revenue

The Group's revenue for the Period was approximately RMB6,915.2 million, increased by approximately 8.2% as compared to the same period of 2022 of approximately RMB6,391.4 million.

By product segment, a total revenue of approximately RMB1,863.7 million was contributed from our optical fibre preforms and optical fibres segment, representing a decrease of 0.9% as compared to the same period of 2022 of approximately RMB1,881.1 million and accounting for 27.0% of the Group's revenue; a total revenue of approximately RMB2,722.5 million was contributed by our optical fibre cable segment, representing a decrease of 6.7% as compared to the same period of 2022 of approximately RMB2,918.3 million and accounting for 39.4% of the Group's revenue while a total revenue of approximately RMB897.9 million was contributed by our optical components and modules segment, representing an increase of 117.8% as compared to the same period of 2022 of approximately RMB412.3 million and accounting for 13.0% of the Group's revenue.

A total revenue of approximately RMB1,431.1 million was contributed by other products and services, representing an increase of 21.3% as compared to the same period of 2022 of approximately RMB1,179.6 million and accounting for 20.6% of the Group's revenue.

By geographical segment, a total revenue of approximately RMB4,476.2 million was contributed by domestic customers, representing an increase of 6.4% as compared to the same period of 2022 of approximately RMB4,205.5 million and accounting for 64.7% of the Group's revenue. For overseas market, a total revenue of approximately RMB2,439.0 million was reported in the first half of 2023, representing an increase of 11.6% as compared to the same period of 2022 of approximately RMB2,185.9 million and accounting for approximately 35.3% of the Group's revenue.

Cost of sales

The Group's cost of sales for the Period was approximately RMB5,110.8 million, representing an increase of 3.1% as compared to the same period of 2022 of approximately RMB4,955.8 million and accounting for 73.9% of the Group's revenue.

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

For the Period, the Group's total raw material costs was approximately RMB3,938.5 million, which was basically the same as the same period of 2022 of approximately RMB3,984.2 million.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB1,168.4 million, representing an increase of 20.8% as compared to the same period of 2022 of approximately RMB967.1 million.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of approximately RMB1,804.4 million, representing an increase of 25.7% as compared to the same period of 2022 of approximately RMB1,435.6 million and the gross profit margin was 26.1% in the first half of 2023 (the first half of 2022: 22.5%).

Selling expenses

The Group's selling expenses for the Period were approximately RMB229.5 million, representing an increase of 33.2% as compared to the same period of 2022 of approximately RMB172.2 million. The increase was mainly due to the acceleration of the Company's internationalization and diversified business expansion during the Period.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB479.4 million, representing an increase of 56.0% as compared to the same period of 2022 of approximately RMB307.4 million. The increase was mainly due to the acceleration of the Company's internationalization and diversified business expansion during the Period.

Research and development ("R&D") expenses

The Group's R&D expenses for the Period were approximately RMB367.6 million, representing an increase of 14.9% as compared to the same period of 2022 of approximately RMB320.0 million. The increase was mainly due to the increase in R&D investment in the Company's diversified business during the Period.

Financial expenses

The Group's financial expenses for the Period were approximately RMB21.8 million, representing a decrease of 39.6% as compared to the same period of 2022 of approximately RMB36.0 million.

The interest rates of the bank loans for the Period ranged from 0.10% to 4.00% per annum (for the six months ended 30 June 2022: 0.70% to 4.20% per annum).

Other income

The Group's other income for the Period was approximately RMB64.7 million, representing an increase of approximately RMB27.7 million as compared to the same period of 2022 of approximately RMB37.0 million, which was mainly because the government grants related to income increased by approximately RMB11.3 million during the Period, and government grants related to assets increased by approximately RMB16.4 million.

Gains from changes in fair value

The Group's gains from changes in fair value for the Period was approximately RMB4.8 million, representing an increase of approximately RMB6.5 million as compared to the same period of 2022 of approximately RMB-1.7 million.

Income tax

The Group's income tax for the Period was approximately RMB54.7 million, representing an increase of 31.1% as compared to the same period of 2022 of approximately RMB41.7 million. On the other hand, the effective tax rate increased from 7.5% in the first half of 2022 to 8.0% in the first half of 2023. Details of the preferential tax treatments of the Company and certain subsidiaries were set out in note 7 to the financial information contained in this announcement.

Capital expenditures

During the Period, the Group incurred capital expenditures of approximately RMB1,060.5 million (the first half of 2022: RMB1,063.3 million) in total, which was mainly due to the overseas localized capacity expansion, construction of submarine cable engineering service capacity, and optimization of domestic optical fibre preforms and optical fibres capacity.

Gearing ratio

The Group monitors its leverage using gearing ratio, which is net debts divided by total equity. Net debts include all bank loans less cash and cash equivalents. The Group's gearing ratio as at 30 June 2023 was 17.5% (31 December 2022: 17.7%).

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 2023.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	343,973,709	331,076,040
Net cash used in investing activities	(1,020,187,023)	(1,261,467,719)
Net cash generated from financing activities	1,496,423,882	2,312,011,057
Effect of foreign exchange rate changes on cash and the equivalents	49,831,003	49,750,260
Net increase in cash and cash equivalents	870,041,571	1,431,369,638

The net cash used in the Group's investing activities decreased by approximately RMB241.3 million, which was mainly because the Group conducted a strategic layout in diversified business areas which resulted in more investment in the first half of 2022 while the investment decreased during the Period.

The net cash generated from the Group's financing activities decreased by approximately RMB815.6 million, which was mainly because the Group conducted a strategic layout in diversified business areas, which resulted in more demands for funds in the first half of 2022 while the relevant demands decreased during the Period.

Cash and cash equivalents as at 30 June 2023 were cash at banks and on hand, which were mainly in RMB, US Dollars and Euro.

Net current assets

As at 30 June 2023, the Group's net current assets was approximately RMB6,570.1 million, decreased by approximately RMB769.6 million from approximately RMB7,339.6 million as at 31 December 2022. The decrease in net current assets was mainly due to (1) long-term loans due within one year increased, which resulted in a decrease in net current assets by approximately RMB1,135.8 million; (2) cash at banks and on hand increased by approximately RMB869.9 million; (3) accounts receivables increased, which resulted in an increase in net current assets by approximately RMB683.0 million; and (4) other payables increased, which resulted in a decrease in net current assets by approximately RMB1,121.6 million.

Bank loans

As at 30 June 2023, the Group's bank loans were approximately RMB6,877.5 million, representing an increase of approximately RMB962.2 million from approximately RMB5,915.3 million as at 31 December 2022. As at 30 June 2023, among the Group's bank loans, 0.2% were Euro loans and 99.8% were RMB loans.

Commitments and contingencies

As at 30 June 2023, the Group's outstanding capital commitments on fixed assets were approximately RMB1,207.8 million (31 December 2022: approximately RMB1,443.7 million) and equity investment was RMB836.3 million (31 December 2022: RMB386.5 million). Out of the total amount of unsettled commitments as at 30 June 2023 of approximately RMB2,044.1 million (31 December 2022: approximately RMB1,830.2 million), a total of approximately RMB1,552.0 million (as at 31 December 2022: approximately RMB1,359.6 million) were contracted, and the balance of approximately RMB492.1 million (31 December 2022: approximately RMB470.6 million) were authorized by the Board but not yet contracted.

As at 30 June 2023, the Group did not have any material contingent liability.

Funding and treasury policy

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

Exposure to fluctuations in exchange rates

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

During the Period, due to the depreciation of RMB against major currencies such as IDR and PLN which resulted net foreign exchange gains of approximately RMB47.3 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 2023, the Group had approximately 10,526 full-time employees (31 December 2022: approximately 10,532 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 2023, the Company endorsed certain bank bills receivable with a carrying amount of approximately RMB259.2 million (31 December 2022: approximately RMB845.2 million) to certain commercial banks in China and its suppliers.

Acquisition or Formation of New Presence

YOFC International (Malaysia) Sdn. Bhd.

On 2 February 2023, YOFC International (Singapore) Pte. Ltd. (“**YOFC Singapore**”), a subsidiary of Yangtze Optical Fibre and Cable Company (Hong Kong) Limited, established YOFC International (Malaysia) Sdn. Bhd. (“**YOFC Malaysia**”) in Malaysia. Its general business scope is engaging in import and export of optical fibre, optical cable and relevant products. YOFC Malaysia is 100% owned by YOFC Singapore and its paid-up share capital is MYR1,000.

Shenzhen Kingdar Optics Company Limited

On 3 March 2023, Everfoton Technologies Corporation Limited, a subsidiary of the Company, acquired 100% shares of Shenzhen Kingdar Optics Company Limited (“**Shenzhen Kingdar**”). The financial results of Shenzhen Kingdar has been comprised in the consolidated financial statements of the Group since March 2023.

Shenzhen Kingdar was established in Shenzhen, Guangdong Province on 11 November 2020. Its business scope mainly covers development of fiber optic communication and related communication technologies; Design, research and development, sales, and technical services of prefabricated rods, optical fibers, optical cables, communication cables, special cables, and related materials.

Silicon Line GmbH

On 20 April 2023, EverPro (Wuhan) Technologies Joint Stock Limited Company, a subsidiary of the Company, acquired 100% shares of Silicon Line GmbH. The financial results of Silicon Line GmbH has been comprised in the consolidated financial statements of the Group since 20 April 2023.

Silicon Line GmbH's business scope mainly includes the design and development of Integrated Circuit (IC) for AOC connectivity products, trading of electronic products and commodities, and the trade of other various commodities. Silicon Line GmbH has a wholly-owned subsidiary, Silicon Line NV, which mainly engages in the manufacturing, commercial, and other management consulting activities of AOC electronic components and connectivity products.

YOFC International (Poland) sp. z o.o.

On 20 June 2023, YOFC Singapore established YOFC International (Poland) sp. z o.o. (“**YOFC International Poland**”) Poland. Its general business scope includes purchasing, selling, distributing, importing, exporting optical cables and any materials and accessories related to optical communication; Engineering and technical consulting. YOFC International Poland is 100% owned by YOFC Singapore and its paid-up share capital is PLN1,300,000.

YOFC WHIHD Digital Technology Innovation Center (Wuhan) Company Limited

On 27 June 2023, the Company established YOFC WHIHD Digital Technology Innovation Center (Wuhan) Company Limited (“**YOFC WHIHD**”) in Wuhan, Hubei Province. Its general business scope includes technical services, development, consulting, exchange, transfer, promotion, and digital technology services. YOFC WHIHD is 70% owned by the Company and its paid-up share capital is RMB20,000,000.

Saved as disclosed above, the aforementioned transactions 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 Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”).

OUTLOOK

The Company focuses on the communication industry and is the world's leading research and development (R&D), innovation, and manufacturing enterprise of optical fibre preforms, optical fibre, optical cables, and data communication-related products. It has formed a complete industrial chain and diversified international business model that integrates communication-related products and services such as preform, fibre and cable, optical components and modules, integrated wiring, communication network engineering, etc.

Information network infrastructure is the foundation of the digital economy, and its strategic role in the development of the real economy and industrial innovation and upgrading has become increasingly prominent. In March 2023, the Central Committee of the Communist Party of China (中共中央) and the State Council (國務院) issued the Overall Layout Plan for the Construction of Digital China (《數字中國建設總體佈局規劃》), proposing key measures such as opening up the main arteries of digital economy infrastructure and unblocking the circulation of data resources, laying the foundation for China's overall digital economy development in the new stage. Benefiting from the steady advancement of relevant policies and the continuous improvement of data traffic, the overall operation of China's communication industry remained stable in the first half of 2023, and various major indicators maintained a positive growth trend.

According to the Economic Operation of the Communications Industry in the First Half of 2023 (《2023年上半年通信業經濟運行情況》) issued by the Ministry of Industry and Information Technology (工信部) in July 2023, the construction of new infrastructure such as 5G, gigabit optical network, and Internet of Things (IoT) in China has been accelerated. The scale of network-connected users has continued to expand, and mobile Internet access traffic has grown rapidly. In terms of mobile networks, as of the end of June 2023, China's 5G mobile phone users reached 676 million, a net increase of 115 million compared with the end of 2022, accounting for 39.5% of mobile phone users, an increase of 6.2% compared with the end of 2022. In the first half of 2023, the growth rate of mobile Internet traffic continued to increase, reaching 142.3 billion GB, a year-on-year increase of 14.6%. In June 2023, the average monthly mobile Internet access traffic (DOU) per household reached 16.78GB/household per month, a year-on-year increase of 12.8%. In terms of fixed networks, as of the end of June 2023, the total number of fixed Internet broadband access users in China reached 614 million, of which 128 million fixed Internet broadband access users had access rates of gigabit or higher, with a net increase of 36.12 million households compared to the end of the previous year, accounting for 20.8% of the total number of users.

The overseas communications market also maintained steady development. According to Ericsson Mobility Report issued in June 2023, despite ongoing geopolitical turmoil and macroeconomic slowdowns in some countries and regions, the momentum of 5G development remains strong, and the number of 5G subscriptions worldwide has exceeded 1 billion. Meanwhile, global mobile network data traffic will also continue to grow, with a compound annual growth rate (CAGR) of approximately 25% expected by 2028. In terms of fixed networks, major overseas telecom operators have also started large-scale upgrades or deployments to 10G PON networks, which will boost the demand for products and services such as optical fibres and cables, optical components, and modules. According to Commodity Research Unit (CRU)'s forecast, the global demand for optical fibre and cable will exceed 600 million fibre-kilometers in 2025, and the industry's mid-to-long-term healthy development trend remains unchanged. Among them, major regions such as Southeast Asia, Europe, Latin America, and Africa have greater market potential, which can support the sustainable development of the Company's international business.

In the first half of 2023, the Company seized the market opportunities brought by national policies such as "Digital China" (數字中國), "Strong Cyber Power" (網絡強國), and "Eastern Data Western Computing" (東數西算), consolidated its industry-leading advantage in the main business, and achieved steady growth in performance. During the reporting period, the Company's operating income was approximately RMB6.915 billion, an increase of approximately 8.0% compared to approximately RMB6.391 billion in the first half of 2022. Benefiting from the continuous improvement of production efficiency and the continuous optimization of product mix, the Company's gross profit margin increased from about 22.5% in the first half of 2022 to approximately 26.1% in the first half of 2023, while the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses increased from approximately RMB463 million in the first half of 2022 to approximately RMB564 million in the first half of 2023, an increase of approximately 21.7%.

I. Consolidating Leading Advantage of the Main Business

In the first half of 2023, the domestic optical fibre and cable industry continued to develop, and the supply and demand structure was relatively stable. In the centralized procurement of common optical cables for the period from 2023 to 2024 completed by China Mobile in July 2023, the Company secured approximately 19.4% of the bidding share, ranking first, laying a solid foundation for the Company's annual performance growth. In terms of production efficiency, the Company continued to improve the preform and optical fibre process level, consolidating the cost advantage. In the first half of 2023, the gross profit margin of the Company's preform and optical fibre segment increased from 47.4% in the first half of 2022 to 54.0%. Benefiting from the Company's commitment to providing customers with technologically advanced, high-performance, and high-quality products and services, the Company was awarded in the first half of 2023, including the "China Mobile First-level Collective Procurement A-Level Supplier" in 2022 (2022年中國移動一級集採優秀供應商(A級)), the "Outstanding Supplier at the Group Level of China Telecom" in 2022 (中國電信 2022 年度集團級優秀供應商) and other significant honors.

II. Leading the Industry in R&D and Innovation

In the main business of optical fibre and cable, the Company not only enjoys the advantages of market share and cost efficiency but also maintains international leadership in industry technology innovation and new product development. The Company is market-oriented, focusing on the actual needs of customers and industry application scenarios, and has carried out forward-looking layouts in next-generation products and advanced intelligent manufacturing technologies, and has achieved positive results. Based on the core advantages of long-distance, high-speed, and large-capacity, the Company's FarBand® Ultra Low Loss and Large Effective Area G.654.E fibre (遠貝®超強超低衰減 G.654.光纖) has been widely used in the upgrade of communication network trunk lines and the direct fibre connection of data center clusters in the "Eastern Data Western Computing" (東數西算) scenario. In the procurement of such products by major customers in 2022, the Company secured a leading bid share and achieved a large-scale delivery during the reporting period, which improved the Company's product mix while meeting customer needs, reflecting the Company's differentiated competitive advantage.

With the continuous maturation of applications such as the IoT, autonomous driving, and smart factories in the future, coupled with the significant demands of artificial intelligence for computational power, higher expectations are placed on optical fibre performance. The Company has made an active layout in the field of related new optical fibres and is at the international leading level in terms of research and development progress and product performance. In response to the demand for enhancing the transmission capacity of optical fibres, the Company has successfully developed a series of space-division multiplexing optical fibre products such as multi-core optical fibres and few-mode optical fibres, and has the ability to mass production. In the field of hollow-core anti-resonant optical fibres that can further reduce the transmission loss of optical signals, and achieve lower latency and higher bandwidth, the Company stands as one of the few enterprises globally capable of preparing kilometer-level hollow-core anti-resonant optical fibres, and the attenuation performance indicators of related products developed are world-leading. The Company has undertaken the topic of "Research on Ultra-Large Capacity Optical Transmission System Based on Hollow-Core Optical Fibres" (基於空芯光纖的超大容量光傳輸系統研究) as part of the national key research and development program which focuses on optical fibre preparation. In the future, the Company will continue to keep up with customer needs, lead the industry in cutting-edge technology and product R&D, and strengthen its core competitive advantage.

III. Continuing Expansion of International Business

Faced with the continuous growth of demand for overseas optical fibre and cable, the Company seized market opportunities and implemented international strategic measures, focused on key regions and customers, and achieved overseas business expansion faster than the market growth rate. In the first half of 2023, the Company achieved overseas business revenue of approximately RMB2.439 billion, an increase of approximately 11.6% compared with approximately RMB2.186 billion in the same period last year, and accounted for 35.3% of the Company's total revenue, a record high. Meanwhile, the Company's overseas production capacity construction is improving, and the expansion of production capacity in Indonesia, South Africa, Brazil, Poland, and other locations is carried out as planned, covering the main target markets and effectively addressing regional trade protection measures. The Company will continue to optimize the deployment of overseas production capacity based on market demand and achieve sustainable growth of international business.

IV. Steady Development of Diversified Business

In 2022, the Company carried out strategic layouts in major diversified fields such as optical components and modules, third-generation semiconductors, industrial lasers, and marine engineering. In the first half of 2023, the Company made phased progress in the diversified areas mentioned above. In the field of optical components and modules, the Company's subsidiary Broadex Technologies Co., Ltd. (博創科技股份有限公司) (“**Broadex Technologies**”), leads the domestic shipments of 10G PON OLT optical modules; its developed 25G LR silicon optical modules for 5G fronthaul and 50G PAM4 optical modules for 5G backhaul have achieved large-scale sales. In the field of data communication, it has 25G to 400G rate mid-short-range optical modules, active optical cables, and high-speed copper cables in batches to numerous domestic and foreign Internet customers, and 400G-DR4 silicon photonics modules based on silicon photonics technology have been mass-produced and shipped. In the field of third-generation semiconductors, Anhui YOFC Advanced Semiconductor Co., Ltd. (安徽長飛先進半導體有限公司) (formerly known as Wuhu Tus Semiconductor Co., Ltd.* (蕪湖啟迪半導體有限公司)) (“YOFC Advanced Semiconductor”) will complete a round A financing of approximately RMB3.6 billion to build third-generation semiconductor epitaxy, wafer manufacturing, packaging, and testing production lines. Upon completion, the Company will have the capacity to produce 360,000 pieces of 6-inch silicon carbide wafers and epitaxy and 61 million power device modules annually. In the field of industrial lasers, the Company's subsidiary Everfoton Technologies Corporation Limited (長飛光坊(武漢)科技有限公司) has the R&D and production capabilities of the entire industry chain of industrial lasers and has achieved large-scale sales. Leveraging its leading technology, the Company's watt-level thulium-doped fiber won the China Laser Industry Innovation Contribution Award (中國激光行業創新貢獻獎), "Secret Light Awards" – "Laser Industry Innovation Awards" (“紅光獎”——“激光器件創新獎”) organized by the China Laser Industry Innovation Contribution Award Organizing Committee (中國激光行業創新貢獻獎組委會) and Laserfair.com (激光製造網). In the field of marine engineering, the Company's subsidiary, YOFC Baosheng Marine Engineering Co., Ltd. (長飛寶勝海洋工程有限公司), has preliminarily possessed construction service capabilities and completed the hoisting construction of the first jacket for the customer's offshore wind power PB project, achieving a breakthrough in the market. In the future, the Company will continue to integrate and develop its business around the main diversified areas that have been deployed to achieve further optimization of its business structure.

* For identification purposes only

DIVIDEND

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

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

During the six months ended 30 June 2023, there were no purchase, sales or redemption of the Company's listed securities by the Company and its subsidiaries.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Deemed disposal of YOFC Advanced Semiconductor

On 26 June 2023, the Company entered into the Series A Capital Increase Agreement and the Series A Shareholders' Agreement with YOFC Advanced Semiconductor, the Series A Investors, the Pre-Series A Investors and the Other Existing Shareholders (as defined in the announcement of the Company dated 26 June 2023), pursuant to which the Company proposed to make capital contribution of RMB281 million to subscribe the increased registered capital of YOFC Advanced Semiconductor (the "**Series A Capital Increase**").

On the same date, the Company entered into the Equity Transfer Agreement with Wuhu Haiwo Hard Technology Venture Capital Fund Partnership Enterprise (Limited Partnership)* (蕪湖海沃硬科技創業投資基金合夥企業(有限合夥)) ("**Wuhu Haiwo**"), a shareholder of YOFC Advanced Semiconductor, pursuant to which the Company agreed to purchase the entire equity interest of Wuhu Haiwo in YOFC Advanced Semiconductor at a proposed consideration of RMB154.4416million; the Company also entered into the Equity Transfer Agreement with Wuhu Zewan No. 2 Investment Management Partnership Enterprise (Limited Partnership)* (蕪湖澤灣貳號投資管理合夥企業(有限合夥)) ("**Wuhu Zewan No. 2**"), a shareholder of YOFC Advanced Semiconductor, pursuant to which the Company agreed to purchase the entire equity interest of Wuhu Zewan No. 2 in YOFC Advanced Semiconductor at a proposed consideration of RMB64.3507 million. Together with the Series A Capital Increase and the above transactions are collectively referred to as the "**Series A Equity Transaction**".

Upon the settlement of the respective capital contribution by the Series A Investors, the equity interest in YOFC Advanced Semiconductor directly owned by the Company will be further diluted. The Company will no longer be entitled to nominate the majority of the board of directors of YOFC Advanced Semiconductor, hence the Company will loss control over the board composition of YOFC Advanced Semiconductor. As such, subject to the applicable accounting standards, YOFC Advanced Semiconductor will then cease to be a subsidiary of the Company and be deemed as deconsolidated from the consolidated financial statements of the Group and be reclassified as a joint venture of the Company.

Additional Information regarding Broadex Technologies

On 3 November 2022, the Company and Broadex Technologies entered into the Subscription Agreement, pursuant to which the Company proposed to subscribe for and Broadex Technologies agreed to allot and issue not more than 22 million A shares of Broadex Technologies ("**Broadex Shares**") at a consideration of not more than RMB386.54 million (the "**Subscription**"). On 3 July 2023, the Company settled the payment for the Subscription at a final consideration of RMB381,700,000, upon which the total number of Broadex Shares held by the Company increased to 55,384,099 A shares (representing 19.48% of the then total share capital of Broadex Technologies).

* For identification purposes only

As a result of the employee share ownership plan implemented by Broadex Technologies from 11 November 2022 to 23 August 2023, the Company's shareholding in Broadex Technologies was passively diluted from 19.48% to 19.36% thereafter.

Further, on 23 August 2023, as ZHU WEI, a shareholder of Broadex Technologies, and his spouse WANG XIAOHONG actively reduced their shareholdings in Broadex Technologies through call auction, as a result, the shareholding ratio of the Broadex Shares held by the Company exceeds that of the Broadex Shares held in aggregate by ZHU WEI and WANG XIAOHONG by 7%. Accordingly, in view of the aforementioned trigger event, ZHU WEI exercised the right and notified the Company in writing to release the voting rights entrustment agreement in relation to the 31,655,058 Broadex Shares held by ZHU Wei (the "**Release of the Voting Rights Entrustment**") pursuant to the Share Transfer Agreement entered into by the Company, ZHU WEI, WANG XIAOHONG and other sellers on 7 April 2022 (the "**Share Transfer Agreement**"). Subsequently, the percentage of voting rights in Broadex Technologies held by the Company decreased from 31.15% to 19.36%. For details of the voting rights entrustment arrangement between the Company and ZHU Wei, please refer to the announcements of the Company dated 7 April 2022 and 27 May 2022.

Pursuant to the Share Transfer Agreement, after the Release of the Voting Rights Entrustment, unless the shareholding percentage of the Broadex Shares held by the Company in aggregate reach or exceed that of the Broadex Shares held by ZHU WEI and his associates in aggregate by 15%, ZHU WEI and WANG XIAOHONG will irrevocably waive the voting rights of the remaining Broadex Shares held by them (including the subsequent increase in the Broadex Shares held by them as a result of allotment, bonus shares, conversion shares etc.), and cannot entrust any other party to exercise the voting rights of such remaining shares. The special rights corresponding to the aforesaid waiver of voting rights in the remaining Broadex Shares shall include but not limited to: convening, holding and attending the general meeting of Broadex Technologies; shareholders' right to make proposals; proposing to elect or remove the directors, supervisors of Broadex Technologies and other resolutions; matters subject to voting by the shareholders of Broadex Technologies.

As of the date of this announcement, the Company remains the majority voting rights shareholder of Broadex, and Broadex remains a non-wholly owned subsidiary of the Company. The financial results of Broadex will continue to be consolidated into the Company's consolidated financial statements.

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, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang’ai, 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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company has to comply with the relevant provisions of the Hong Kong Listing Rules and to abide by the PRC Company Law and the applicable laws, regulations and regulatory requirements of Hong Kong and the PRC as the basis for the Company’s corporate governance. The Company has adopted all the code provisions set out in the CG Code and has complied with all the code provisions under the CG Code during the six months ended 30 June 2023.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Relevant Employees (the “**Company’s Code**”) as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries of the directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code regarding securities transactions throughout the six months ended 30 June 2023.

INTERIM REPORT

The interim report for the Period will be despatched to shareholders of the Company and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company website (www.yofc.com) respectively 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, 25 August 2023

As at the date of this announcement, the Board comprises Mr. Zhuang Dan as executive Director; Mr. Ma Jie, Mr. Guo Tao, Mr. Philippe Claude Vanhille, Mr. Pier Francesco Facchini, Mr. Iuri Longhi, Mr. Xiong Xiangfeng and Mr. Mei Yong, as non-executive Directors; Mr. Bingsheng Teng, Mr. Song Wei, Dr. Wong Tin Yau, Kelvin and Ms. Li Chang'ai, as independent non-executive Directors.

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