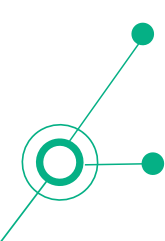




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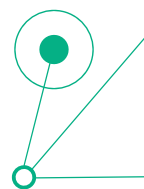
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Financial Highlights

For the six months ended June 30, 2015, operating results of the Group were as follows:

- Revenue was RMB885,378,000, a decrease of 10.0% from the corresponding period of last year, mainly due to a portion of such products will be reallocated as investments upon transformation of our business;
- Gross profit margin went up to 30.1% as compared to 26.8% of the corresponding period of last year;
- Profit before tax decreased by 7.6% from the corresponding period of last year;
- Profit for the period amounted to RMB148,296,000, a decrease of 6.9% over the corresponding period of last year;
- Basic and diluted earnings per share decreased by 22.9% and 21.7% to RMB8.4 cents and RMB8.3 cents, respectively; and
- No interim dividend was declared.



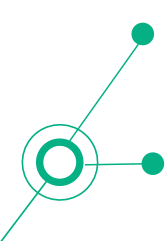
Company Overview

China Fiber Optic Network System Group Ltd. (the “Company”), together with its subsidiaries (the “Group”) is a leading solution provider of optical interconnect equipment in China.

The Group produces and sells a comprehensive portfolio of active and passive optical interconnect equipment used in a variety of applications in the telecommunications and other industries.

The Group currently targets active and passive optical interconnection equipment market in China by providing customized products and solutions to telecommunications network operators, broadcast and television communications network operators and specialized communications network operators. Major customers include China Telecom, China Mobile, China Unicom, and provincial broadcasting companies.

The Group also exports to overseas markets including Australia, New Zealand and UK.



Corporate Information

PLACE OF INCORPORATION

Cayman Islands

FINANCIAL YEAR END

December 31

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2001, 20th Floor
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

PRODUCTION FACILITIES IN CHINA

Alishan Avenue
Economic and Technological Development Zone
Shijiazhuang, Hebei Province, China

New Industrial Zone, Shanghai, China

COMPANY'S WEBSITE

www.chinafiber optic.com

INVESTOR RELATIONS CONTACT

Mr. Hung, Randy King Kuen
Executive Director & Chief Financial Officer
Tel: (852) 2877-8033
Fax: (852) 2877-8083
E-mail: randyhung@chinafiber optic.com

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Bing (*Chairman of the Board*)
Mr. Meng Yuxiao
Mr. Deng Xuejun
Mr. Hung, Randy King Kuen (*Chief Financial Officer*)
Mr. Xia Ni

Independent Non-Executive Directors

Mr. Shi Cuiming
Dr. Ma Kwai Yuen
Dr. Lui Pan
Dr. Xu Wanqiang
Prof. Jiang Desheng

AUDIT COMMITTEE

Dr. Ma Kwai Yuen (*Chairman of Audit Committee*)
Mr. Shi Cuiming
Dr. Lui Pan

CORPORATE GOVERNANCE COMMITTEE

Dr. Ma Kwai Yuen
(*Chairman of Corporate Governance Committee*)
Mr. Shi Cuiming
Mr. Hung, Randy King Kuen

REMUNERATION COMMITTEE

Mr. Shi Cuiming
(*Chairman of Remuneration Committee*)
Mr. Zhao Bing
Dr. Lui Pan

NOMINATION COMMITTEE

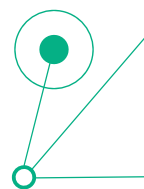
Mr. Shi Cuiming
(*Chairman of Nomination Committee*)
Dr. Ma Kwai Yuen
Mr. Zhao Bing

AUTHORIZED REPRESENTATIVES

Mr. Hung, Randy King Kuen
Mr. Meng Yuxiao

COMPANY SECRETARY

Mr. Hung, Randy King Kuen



Corporate Information

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong law:

Robertsons Solicitors

As to Cayman Islands law:

Maples and Calder

INDEPENDENT AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Bank of Communications, Shijiazhuang Branch
Agricultural Bank of China,

Gaocheng Liangcun Development Zone Branch
China Merchants Bank, Shijiazhuang Branch
China CITIC Bank, Shijiazhuang Branch
China CITIC Bank International
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

STOCK INFORMATION

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

3777

Listing Date

July 14, 2011

Issued Shares

2,144,491,200 shares (as at July 31, 2015)

Board Lot Size

2,000 shares

CAYMAN SHARE REGISTRAR

Maples Fund Service (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong



Management Discussion and Analysis

OVERVIEW

For the six months ended June 30, 2015 (the “Period”), the Group’s revenue decreased 10.0% to RMB885,378,000 as compared to the corresponding period of last year.

Profit before tax decreased by 7.6% from the corresponding period of last year and profit for the Period decreased by 6.9% to RMB148,296,000, as a result of a decline in revenue from all categories of the Group’s products.

Basic and diluted earnings per share for the Period based on weighted average number of ordinary shares of 1,787,076,000 and 1,760,672,000 in issue decreased 22.9% and 21.7% to RMB8.4 cents and RMB8.3 cents, respectively.

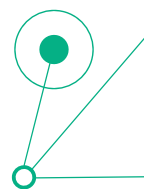
REVENUE BY PRODUCT CATEGORY

Revenue by product category during the six months ended June 30, 2015 and 2014 are set forth below:

	Six months ended June 30,		
	2015 RMB’000 (Unaudited)	2014 RMB’000 (Unaudited)	Change
Fiber optic patch cords	614,896	678,069	(9.3%)
Connection and distribution products	229,979	248,354	(7.4%)
Equipment room accessories	40,503	57,164	(29.1%)
	885,378	983,587	(10.0%)

Sales revenue of fiber optic patch cords in 2015 decreased by 9.3% to RMB614,896,000. Connection and distribution products reducing 7.4% to RMB229,979,000, while equipment room accessories came down 29.1% to RMB40,503,000.

The decline in revenue is because the Group is currently undergoing a business transformation process. The Group’s principal subsidiary, Sifang Telecom has reduced sales to existing customers. A portion of such products will be reallocated as investments upon transformation of our business and will be installed in the cooperation areas with China Telecom in the city of Guangzhou. The Group will proportionally share China Telecom’s actual income received from this telecommunications business.



Management Discussion and Analysis

DOMESTIC AND OVERSEAS SALES

During the Period, sales of fiber optic patch cords to domestic and overseas customers accounted for 83.5% and 16.5%, respectively as compared to 86.7% and 13.3% of the corresponding period of last year.

The following table shows the breakdown of sales of fiber optic patch cords to domestic and overseas markets:

Six months ended June 30,			
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	Change
Domestic sales — fiber optic patch cords	513,507	587,935	(12.7%)
Domestic sales — other products	270,482	305,518	(11.5%)
	783,989	893,453	(12.3%)
Overseas sales — fiber optic patch cords:			
— New Zealand	41,469	55,746	(25.6%)
— Australia	28,668	31,706	(9.6%)
— United Kingdom	31,252	2,682	1,065.2%
	101,389	90,134	12.5%
	885,378	983,587	(10.0%)

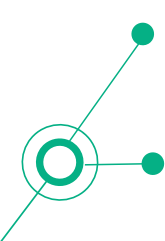
The slow down in overseas sales from New Zealand and Australia were compensated by the strong growth from the United Kingdom, and the Group will continue to grow overseas sales.

GROSS PROFIT MARGIN

The following table sets forth gross profit margins from the Group's overall sales and from domestic and overseas sales of fiber optic patch cords for the first six months of 2015 and 2014:

	First six months of 2015 Gross profit margin (Unaudited)	First six months of 2014 Gross profit margin (Unaudited)
Overall sales	30.1%	26.8%
Fiber optic patch cords — domestic sales	28.9%	22.7%
Fiber optic patch cords — overseas sales	56.8%	57.4%
Connection and distribution products	22.0%	25.4%
Equipment room accessories	24.0%	26.8%

For the first six months of 2015, overall gross profit margin of the Group was 30.1%, as compared to 26.8% for the corresponding period of last year. The higher overall gross profit margin was primarily due to our continued efforts to vertically integrate. In particular, our ceramic ferrules began mass production in the fourth quarter of 2014, which has brought down our costs of production. A higher volume of ceramic ferrules was produced in the first half of 2015 which lowered our product costs.



Management Discussion and Analysis

OTHER INCOME

During the Period, other income increased by 44.9% to RMB14,373,000 as compared with the corresponding period of last year. The increase was mainly due to the increases in bank interest income.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses primarily consisted of transportation fees in connection with our sales, salaries of sales personnel, promotion expenses and other expenses relating to our selling and distribution activities.

During the Period, selling and distribution expenses of the Group increased by 100.2% to RMB13,070,000 as compared to the corresponding period of last year, primarily due to increase in promotion expenses.

Selling and distribution expenses were 1.5% and 0.7% of revenue for the six months ended June 30, 2015 and 2014, respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consisted of wages and salaries paid to management and administrative personnel, professional fees, research and development costs, and depreciation of property, plant and equipment not related to production, and share option expense.

For the first six months of 2015, administrative expenses went up RMB13,408,000 or by 27.8% as compared to the corresponding period of last year, primarily due to increase in depreciation of property, plant and equipment not related to production and increase in research and development costs.

Depreciation of property, plant and equipment not related to production increased to RMB7,854,000 for the Period from RMB4,214,000 for the six months ended June 30, 2014.

Research and development costs were RMB15,960,000 and RMB9,081,000 for the six months ended June 30, 2015 and 2014, respectively. The Group continues to dedicate considerable efforts and resources to research and development to strengthen new product pipelines to suit the specific needs of our customers.

Share option expense was RMB2,911,000 and RMB6,773,000 for the six months ended June 30, 2015 and 2014, respectively.

For the first half of 2015 and 2014, administrative expenses accounted for 7.0% and 4.9% of total revenue respectively.

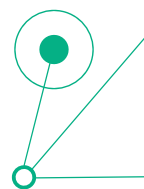
FINANCE COSTS

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

For the first half of 2015 and 2014, finance costs accounted for 2.4% and 2.0% of total revenue respectively.

Finance costs increased 8.9% to RMB21,116,000 as compared to the corresponding period of last year as the average balance of bank loans was higher during the Period than the corresponding period of 2014.

The effective interest rates of our bank loans during the Period ranged from 2.0% to 7.3%, which decreased compared to the corresponding period of last year.



Management Discussion and Analysis

INCOME TAX EXPENSES

Income tax expenses decreased 10.6% to RMB35,338,000 during the first half of 2015 as compared with the corresponding period of last year. The decrease was in line with the decrease in profit during the Period. The effective tax rate changed slightly from 19.9% to 19.2% as compared to the corresponding period of last year.

Please refer to Note 6 to Interim Condensed Financial Information for further details on income tax rates.

EARNINGS PER SHARE

The following table shows the movement of shares outstanding for the Period:

	Date	Number of Shares	Weighted Average Number of Shares
Opening	July 1, 2014	1,455,000,000	1,455,000,000
Placing of new shares (the "Placing")	September 10, 2014*	291,000,000	291,000,000
Cancellation of repurchased shares	February 27, 2015	(3,588,000)	(3,588,000)
Issue of new shares	April 17, 2015	44,664,000	18,260,000
Ending	June 30, 2015	1,787,076,000	1,760,672,000

* The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 10, 2014 was HK\$2.025 each.

During the Period, the Group

- (i) cancelled a total of 3,588,000 shares repurchased on the Stock Exchange at an aggregate purchase price of HK\$7,564,000 on February 27, 2015; and
- (ii) issued a total of 44,664,000 new shares on April 17, 2015 pursuant to the exercise of share options by the directors under the pre-IPO share option scheme and the share option scheme adopted on June 3, 2011.

Basic and diluted earnings per shares for the period ended June 30, 2015 was calculated based on weighted average number of ordinary shares of 1,760,672,000 in issue, as adjusted to reflect the repurchase during the Period, which were RMB8.4 cents as and RMB8.3 cents respectively as compared to RMB10.9 cents and RMB10.6 cents based on weighted average number of ordinary shares of 1,456,970,000 over the corresponding period of last year.

USE OF PROCEEDS FROM THE PLACING

The Company confirms that up to July 31, 2015, the net proceeds of HK\$675,839,442 (approximately equivalent to RMB537,845,000) from placing of 291,000,000 of new shares in September 2014 have been applied as follows:

- (i) RMB368,015,614 for establishing product facilities for product components; and
- (ii) RMB169,829,386 as working capital.

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved not to declare an interim dividend for the Period (2014: Nil).



Management Discussion and Analysis

CAPITAL STRUCTURE

As at June 30, 2015, the bank loans of RMB646,077,000 bear interest at fixed rates per annum in the range of 2.0% to 7.3%.

During the Period, the Group financed its growth in business primarily by cash inflow from operations and utilizing bank borrowings. Interest bearing bank loans increased from RMB694,473,000 as at December 31, 2014 to RMB995,978,000 as at June 30, 2015, which included RMB borrowings of RMB391,813,000, USD borrowings of RMB523,921,000 and other foreign currency borrowings of RMB74,244,000 respectively.

The Group's share capital increased from RMB11,102,000 to RMB11,377,000 during the Period as the Group issued 44,664,000 new shares.

GEARING RATIO

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

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

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

The Group's gearing ratios as of June 30, 2015 and December 31, 2014 were 24.9% and 18.4%, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

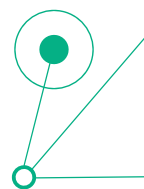
As at June 30, 2015, cash and bank deposits amounted to RMB1,310,070,000 which comprised RMB1,263,696,000, and others being equivalent to RMB30,571,000, RMB10,200,000 and RMB5,603,000 denominated in Hong Kong Dollars ("HK Dollars"), United States Dollars ("US Dollars") and Canadian Dollars respectively.

We have historically financed our operations through cash from operating activities, bank borrowings and share capital. In the future, we expect to use funds from a combination of sources to fund our operation and expansion plan, including bank loans, share capital and internally generated cash flow. Taking into account these financial resources available to us, the directors of the Company (the "Directors") are of the opinion that we have sufficient working capital to meet our requirement for future development.

CASH FLOW ANALYSIS

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

	For the six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities	91,380	(224,698)
Net cash flows used in investing activities	(124,221)	(140,634)
Net cash flows from/(used in) financing activities	337,907	(59,791)
Net increase/(decrease) in cash and cash equivalents	305,066	(425,123)



Management Discussion and Analysis

Net cash flows from operating activities for the first six months of 2015 was primarily generated from profit before tax amounted to RMB183,634,000 offset by the increases of RMB128,479,000 and RMB10,136,000 in trade and notes receivables and inventories respectively.

Net cash flows used in investing activities for the first six months of 2015 was primarily related to increase in pledged deposits of RMB9,773,000 and payments of RMB208,751,000 for capital expenditures and increase in time deposits of RMB90,393,000.

Net cash inflows from financing activities for the first six months of 2015 was primarily derived from bank borrowings of RMB518,876,000.

TRADE AND NOTES RECEIVABLES

Trade and notes receivable balances as at June 30, 2015 was RMB2,325,041,000 as compared to RMB2,196,746,000 as at December 31, 2014. The increase in trade and notes receivables was largely related to slower collection toward the end of June 2015. As of August 21, 2015, a total of RMB278,858,000 from these trade receivables were collected from customers.

As of June 30, 2015, there were RMB481,788,000 of trade receivables past due beyond the contractual credit term. Payments of RMB238,075,000 of these past due amounts were collected by August 21, 2015.

There were no bad debt provisions made on trade receivables for the six months ended June 30, 2015 and for the year ended December 31, 2014.

INVENTORIES

Inventories as at June 30, 2015 increased 8.3% to RMB131,921,000 as compared to RMB121,785,000 as at December 31, 2014.

The increase of inventories was primarily attributable to the slight increase of raw materials and finished goods. Most of these raw materials were turned into finished goods and sold to customers as of the date of this report.

TRADE AND NOTES PAYABLES

Trade and notes payables as at June 30, 2015 amounted to RMB385,267,000 as compared to RMB294,429,000 as at December 31, 2014.

INDEBTEDNESS

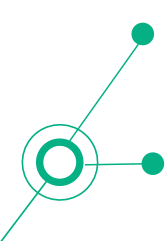
As at June 30, 2015 and December 31, 2014, our total banking loans amounted to RMB995,978,000, and RMB694,473,000, respectively.

The effective interest rates of our bank loans per annum were 2.0% to 7.3% and 2.2% to 7.8% as at June 30, 2015 and December 31, 2014, respectively.

Please refer to Note 15 to the Interim Condensed Financial Information for more details of our bank loans.

OTHER PAYABLES AND ACCRUALS

Other payables and accruals consists primarily of taxes payable other than income tax, and payable to contractors. The increase in balance was due to the increases in outstanding payables for construction in progress related to establishing and upgrading of production and non-production facilities, as well as accrual of taxes other than income tax.



Management Discussion and Analysis

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at June 30, 2015.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions, or disposals of subsidiaries during the Period under review. Save as those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

CHARGES ON ASSETS

As of June 30, 2015, the Group had pledged RMB716,102,000 (2014: RMB513,045,000) of our Group's assets in order to secure banking facilities or bank loans, which were used to finance daily business operation, and RMB54,508,000 (2014: RMB44,735,000) of the Group's bank balances for issuance of notes payable, letters of guarantee and letters of credit.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

As at June 30, 2015, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

RELATED PARTY TRANSACTIONS

Save as disclosed in Note 20 to the Interim Condensed Financial Information, the Group had not entered into any material related party transactions for each of the six months periods ended June 30, 2015 and 2014.

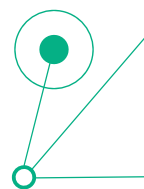
OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

As at June 30, 2015, the Group did not have any off-statement of financial position arrangements.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

As at the date of this interim report,

- (a) Kemy Holding Inc. ("Kemy"), the Company's controlling shareholder, owns approximately 30.01% of the issued shares of the Company (the "Shares"); and
- (b) As Kemy is beneficially owned as to 79.00% by Mr. Zhao Bing ("Mr. Zhao"), an executive director of the Company and the chairman of the Board, Mr. Zhao is deemed to be interested in all the Shares held by Kemy under the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) (the "SFO").



Management Discussion and Analysis

The Company and/or its subsidiary is a party to certain bank facilities that include conditions imposing specific performance obligations (the “Specific Performance Obligations”) on the controlling shareholder(s) and breach of any of the Specific Performance Obligations will cause a default in respect of the facilities. Disclosure pursuant to Rules 13.18 and 13.21 of the Listing Rules in respect of the relevant loans is made as follows:

Loan 1

On November 7, 2013, a wholly-owned subsidiary of the Company entered into a facility agreement with China CITIC Bank International Limited in respect of a term loan facility in the principal amount of US\$20,000,000 for a term of 36 months after the date of the facility agreement.

The Specific Performance Obligations are:

- (i) Kemy shall continue beneficially own at least 30% of the issued Shares;
- (ii) Mr. Zhao shall remain legally and beneficially owning at least 75% of the issued shares of Kemy; and
- (iii) Mr. Zhao will remain as management over the Company.

Loan 2

On June 1, 2015, the Company entered into a facility agreement with Bank of China (Hong Kong) Limited in respect of a 3-year term loan facility in an aggregate principal amount up to US\$30,000,000 commencing on the date of drawdown of the facility.

The Specific Performance Obligations are:

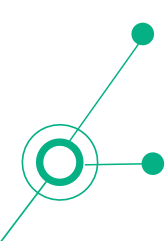
- (i) Kemy shall maintain directly or indirectly not less than 30% of the Shares;
- (ii) Mr. Zhao shall maintain directly or indirectly not less than 75% of issued shares of Kemy; and
- (iii) Mr. Zhao will remain as the chairman of the Board.

Loan 3

On July 24, 2015, the Company entered into a facility agreement with The Hongkong and Shanghai Banking Corporation Limited in respect of a 3-year term loan facility in an aggregate principal amount up to US\$40,000,000 or equivalent to RMB250,000,000 for a committed period of 18 months after the first drawdown data of the facility.

The Specific Performance Obligations are:

- (i) Mr. Zhao will continue to maintain, directly or indirectly, not less than 30% beneficial interest in the Shares; and
- (ii) Mr. Zhao will remain as the chairman of the Board.



Management Discussion and Analysis

EMPLOYEES AND STAFF COSTS

As at June 30, 2015, the Group had 835 employees (December 31, 2014: 1,211 employees). During the Period, the Group had engaged independent human resource firm from time to time to provide temporary workers according to the need of production orders. Employees costs, including the emoluments of the Directors amounted to HK\$26,813,000 for the six months ended June 30, 2015 (2014: HK\$15,605,000).

Remuneration is determined and reviewed based on fair principles by reference to market conditions and individual performance.

The Group also provides other benefits to its employees, including medical insurance and retirement benefits. The Group's employees in Hong Kong are also enrolled in the mandatory provident fund scheme. The Group also operates share option schemes to reward employees for their contributions to the Group.

EVENT AFTER REPORTING PERIOD

Bonus Issue of Shares

A bonus issue of Shares (the "Bonus Issue") was completed on July 17, 2015 and 357,415,200 Bonus Shares have been issued under the Bonus Issue on the basis of two (2) Bonus Shares for every ten (10) existing Shares held on July 10, 2015.

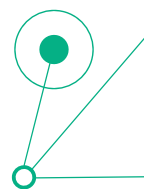
Pursuant to the respective terms of the pre-IPO share option scheme and the share option scheme of the Company adopted on June 3, 2011 (the "Pre-IPO Share Option Scheme" and the "Share Option Scheme", respectively), adjustments were made on July 17, 2015 to the exercise price and the number of Shares entitled to be subscribed for under the outstanding share options of the Pre-IPO Share Option Scheme and the Share Option Scheme as a result of the completion of the Bonus Issue. Please refer to the Company's announcement dated July 17, 2015 for details.

Suspension of Share Trading

The Company noted a negative report dated August 7, 2015 and published by a short selling agency (the "Agency"), containing allegations about the Company's sales, export figures and product pricing (the "Negative Report"). Upon the Company's application, trading in the Shares on the Stock Exchange has been suspended since 10:30 a.m. on August 10, 2015.

The Company is reviewing the Negative Report in order to prepare a thorough response to its content and will publish a clarification announcement to respond to the allegations in the Negative Report as soon as practicable. It is also seeking advice from its legal advisers and reserves its rights to take legal actions against the Agency. Please refer to the Company's announcements dated August 10 and 11, 2015.

Trading in the Shares on the Stock Exchange will remain suspended until the clarification announcement is published and an application be made by the Company to the Stock Exchange for the resumption of the trading of its Shares.



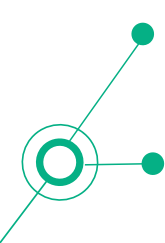
Management Discussion and Analysis

OUTLOOK

Driven by national policy, the implementation of Broadband China Strategy and the construction of high-speed broadband network has accelerated. The State Council determined that construction of the high-speed broadband network needs to be speeded up, so as to increase the network speed and reduce costs. Comments were made on the implementation of “Broadband China Campaign 2015” with highlights on the establishment of information infrastructure, significant increase in broadband network rate and support for the development of intelligent manufacturing. In the meantime, thanks to the acceleration in telecom business’s opening to private capital, private enterprises are now permitted to construct and operate broadband network that have always been monopolized by state-owned enterprises.

Following the announcement of opening of the broadband access market to private capital by the Ministry of Industry and Information Technology last year, riding on years of experiences in the production and research and development of broadband network equipment, the Group cooperated with China Telecom on a pilot project to construct and operate FTTH Broadband and shared revenue from such fiber optic broadband network with China Telecom. At present, the Group is actively planning to transform into a professional high-speed internet operator. In the near future, this new business model is expected to become the new growth momentum of the Group.

Looking forward, the Group will benefit from areas such as Broadband China, Smart City, internet security and cloud applications. With a diversified business model, the Group will change from a pattern relying on operators’ capital expenditures to operate at the forefront of the industry to achieve sustainable development.



Corporate Governance and Other Information

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three members, namely Dr. Ma Kwai Yuen (Chairman), Mr. Shi Cuiming and Dr. Lui Pan, all being the independent non-executive Directors (the “INEDs”). The Audit Committee has reviewed the unaudited interim results with the management, the interim report as well as the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim condensed financial information for the Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company was in compliance with the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The Company focuses on maintaining a high standard of corporate governance in order to achieve sustainable development and enhance corporate performance especially in the areas of internal control, fair disclosure and accountability to all shareholders. The Company’s compliance with the code provisions and recommended best practices of the Corporate Governance Code are set out in the Corporate Governance Report of its 2014 annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. Specific enquiries have been made by the Company with all the Directors, and each of them has confirmed his compliance with the Model Code in connection with the Company’s securities transactions during the first half of 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended June 30, 2015, the Company did not redeem any of its Shares listed on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

Corporate Governance and Other Information

SHARE OPTION SCHEMES

The Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme by resolutions of the shareholders on June 3, 2011.

The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are substantially the same except for the subscription price which was the offer price of the Shares under the initial public offer for share options granted under the Pre-IPO Option Scheme. A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the section headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” in Appendix VI of the prospectus of the Company dated June 16, 2011 (the “Prospectus”).

The purposes of the Pre-IPO Share Option Scheme and the Share Option Scheme are to reward employees for their past and future contributions to our Group, to aid the Group in retaining key and senior employees and to encourage employees to work toward enhancing the Group’s value.

Details of the share options granted to the Directors to subscribe for Shares under the Pre-IPO Share Option Scheme are as follows:

Name of Directors	Date of Grant (Note 1)	Exercise price per Share HK\$	As at January 1, 2015	Granted during the Period	Exercised during the Period (Note 2)	Lapsed during the Period	Cancelled during the Period	As at June 30, 2015	Exercise period
Mr. Meng Yuxiao	June 3, 2011	1.20	7,200,000	–	4,800,000	–	–	2,400,000	January 14, 2012 to July 11, 2021
Mr. Deng Xuejun	June 3, 2011	1.20	7,200,000	–	4,800,000	–	–	2,400,000	January 14, 2012 to July 11, 2021
Mr. Hung, Randy King Kuen	June 3, 2011	1.20	7,200,000	–	4,800,000	–	–	2,400,000	January 14, 2012 to July 11, 2021
			21,600,000	–	14,400,000	–	–	7,200,000	

Notes:

- (1) The date of grant was deemed to be July 14, 2011 for financial reporting purposes.
- (2) The weighted average closing price of the Shares immediately before the date on which the share options were exercised by the Directors was HK\$1.10 per share.

Corporate Governance and Other Information

Details of movements of the share options granted under the Share Option Scheme are as follows:

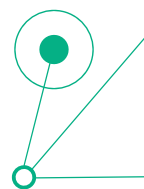
Category	Date of Grant	Exercise price per Share HK\$	As at January 1, 2015	Granted during the Period	Exercised during the Period (Note 1)	Lapsed during the Period	Cancelled during the Period	As at June 30, 2015	Exercise period (Note 2)
Directors									
Mr. Meng Yuxiao	July 2, 2013	1.00	4,800,000	–	2,400,000	–	–	2,400,000	January 2, 2014 to July 1, 2023
Mr. Deng Xuejun	July 2, 2013	1.00	4,800,000	–	2,400,000	–	–	2,400,000	January 2, 2014 to July 1, 2023
Mr. Hung, Randy King Kuen	July 2, 2013	1.00	4,800,000	–	2,400,000	–	–	2,400,000	January 2, 2014 to July 1, 2023
Mr. Xia Ni	July 2, 2013	1.00	12,000,000	–	4,500,000	–	–	7,500,000	January 2, 2014 to July 1, 2023
Mr. Shi Cuiming	July 2, 2013	1.00	500,000	–	188,000	–	–	312,000	January 2, 2014 to July 1, 2023
Dr. Ma Kwai Yuen	July 2, 2013	1.00	500,000	–	188,000	–	–	312,000	January 2, 2014 to July 1, 2023
Dr. Lui Pan	July 2, 2013	1.00	500,000	–	–	–	–	500,000	January 2, 2014 to July 1, 2023
Others									
Employees of the Group in aggregate	July 2, 2013	1.00	48,500,000	–	18,188,000	–	–	30,312,000	January 2, 2014 to July 1, 2023
			76,400,000	–	30,264,000	–	–	46,136,000	

Notes:

- (1) The weighted average closing price of the Shares immediately before the date on which the share options were exercised by the Directors and other participants was HK\$1.10 per share.
- (2) Subject to vesting in accordance with the following schedule:
 1/6: 6 months after date of grant
 1/6: 12 months after date of grant
 1/6: 18 months after date of grant
 1/6: 24 months after date of grant
 1/6: 30 months after date of grant
 1/6: 36 months after date of grant

Details of the share option schemes of the Company as at June 30, 2015 are set out in Note 17 to the Interim Condensed Financial Information.

As at June 30, 2015, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 53,336,000 Shares, representing in aggregate approximately 2.98% of the Company's issued Shares (as at December 31, 2014: 98,000,000 Shares, representing approximately 5.61% of the Company's then issued Shares).



Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES

As at June 30, 2015, disclosures of interests required under Section 352 of the SFO and the Model Code as contained in Appendix 10 to the Listing Rules are as follows:

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debenture of the Company and its associated corporations

As at June 30, 2015, the interests or short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares, underlying Shares and debentures

Name of Directors/ chief executive	The Company/ name of associated corporations	Nature of interests	Number of Shares held	Number of underlying Shares ⁽²⁾	Aggregate interests	Approximate percentage of interests
Mr. Zhao Bing	The Company	Interest of a controlled corporation	536,347,012 shares ⁽¹⁾	–	536,347,012	30.01%
	Kemy	Beneficial interest	4,740 shares of US\$1.00 each	–	–	79.00%
Mr. Meng Yuxiao	The Company	Beneficial interest	–	4,800,000	4,800,000	0.27%
Mr. Deng Xuejun	The Company	Beneficial interest	–	4,800,000	4,800,000	0.27%
Mr. Hung, Randy King Kuen	The Company	Beneficial interest	–	4,800,000	4,800,000	0.27%
Mr. Xia Ni	The Company	Beneficial interest	200,000 shares	7,500,000	7,700,000	0.43%
Mr. Shi Cuiming	The Company	Beneficial interest	110,000 shares	312,000	422,000	0.02%
Dr. Ma Kwai Yuen	The Company	Beneficial interest	300,000 shares	312,000	612,000	0.03%
Dr. Lui Pan	The Company	Beneficial interest	–	500,000	500,000	0.03%

Notes:

- These Shares were registered in the name of Kemy, the entire issued share capital of which was legally and beneficially owned as to 79% by Mr. Zhao Bing (an Executive Director and the Chairman of the Board), 17% by Ms. Shi Shuran (mother of Mr. Zhao Bing), 1% by Mr. Zhang Yonglu, 1% by Mr. Deng Xuejun (an Executive Director), 1% by Mr. Meng Yuxiao (an Executive Director) and 1% by Mr. Han Liren. Under the SFO, Mr. Zhao Bing was deemed to be interested in all the Shares held by Kemy.
- Details of the underlying Shares comprised in the share options held by the Directors are shown in the section of "Share Option Schemes" above.
- The Company's shares referred to above are ordinary shares of US\$0.001 each.

Save as disclosed above, as at June 30, 2015, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified the Company and the Stock Exchange or to be entered in the register referred to in the SFO.



Corporate Governance and Other Information

(b) Substantial shareholders' interests and short positions in the Shares and underlying Shares

As at June 30, 2015, the interests and short positions of the shareholders of the Company (the "Shareholders") (other than a Director or the chief executive of the Company) in 5% or more of shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name of Shareholders	Nature of interest	Interest in Shares	Percentage of issued share capital
Kemy	Beneficial owner	536,347,012	30.01%
Mr. Zhao Bing (Note)	Interest of a controlled corporation	536,347,012	30.01%

Note: These Shares were registered in the name of Kemy, the entire issued share capital of which was legally and beneficially owned as to 79% by Mr. Zhao Bing (an Executive Director and the Chairman of the Board), 17% by Ms. Shi Shuran (mother of Mr. Zhao Bing), 1% by Mr. Zhang Yonglu, 1% by Mr. Deng Xuejun (an Executive Director), 1% by Mr. Meng Yuxiao (an Executive Director) and 1% by Mr. Han Liren. Under the SFO, Mr. Zhao Bing was deemed to be interested in all the Shares held by Kemy.

Save as disclosed above and as at June 30, 2015, the Directors were not aware of any interests or short positions owned by the Shareholders (other than a Director or the chief executive of the Company) in the shares and underlying shares of the Company which were required to be kept under section 336 of the SFO.

CONFIRMATION OF NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

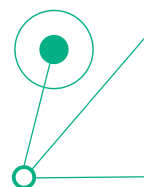
The Company's controlling shareholders, Kemy, Mr. Zhao Bing (an Executive Director and the Chairman of the Board) and Ms. Shi Shuran (collectively the "Covenantors", as defined in the Non-competition Deed) entered into the Non-competition Deed (the "Deed", please refer to the Prospectus) with the Company on June 13, 2011. Each of the Covenantors confirmed that as at June 30, 2015, they and their respective associates did not have any interest in any business apart from the business of the Group which competed or was likely to compete, either directly or indirectly, with the Group's business and which required disclosure pursuant to Rule 8.10 of the Listing Rules.

The Company is able to confirm as follows:

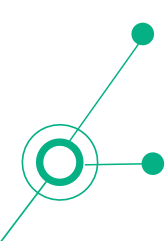
- The Covenantors have complied with the terms of the Deed for the six months ended June 30, 2015.
- In order to ensure that the Covenantors had complied with the Deed for the six months ended June 30, 2015, the Company and the Board have requested and the Covenantors have given a written confirmation on their compliance with the non-competition undertaking under the Deed.
- The Board was not aware of any matters regarding the non-compliance with the undertakings.
- The INEDs have reviewed, in light of the information available to them, whether the Covenantors had fully complied with the undertakings stipulated in the Deed for the six months ended June 30, 2015. Having made all reasonable inquiries, they were satisfied that the Covenantors had complied with the terms of the Deed.
- There has not been any change in the terms of the non-competition undertakings under the Deed since the Company's listing on the Stock Exchange on July 14, 2011.

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2015



		For the six months ended June 30,	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	3	885,378	983,587
Cost of sales		(618,735)	(719,792)
Gross profit		266,643	263,795
Other income	4	14,373	9,916
Selling and distribution expenses		(13,070)	(6,529)
Administrative expenses		(61,631)	(48,223)
Other expenses		(1,565)	(806)
Finance costs	5	(21,116)	(19,394)
PROFIT BEFORE TAX	5	183,634	198,759
Income tax expense	6	(35,338)	(39,527)
PROFIT FOR THE PERIOD		148,296	159,232
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation		(760)	375
Total comprehensive income for the period attributable to owners of the Company		147,536	159,607
Earnings per share attributable to ordinary equity holders of the Company:			
Basic	7	RMB0.084	RMB0.109
Diluted	7	RMB0.083	RMB0.106



Interim Consolidated Statement of Financial Position

June 30, 2015

	Notes	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,453,304	1,088,820
Prepaid land lease payments	8	23,901	24,210
Payments in advance		60,067	127,096
Goodwill		15,563	15,563
Available-for-sale investment	9	14,300	14,300
Deferred tax assets		3,697	1,713
Total non-current assets		1,570,832	1,271,702
CURRENT ASSETS			
Inventories		131,921	121,785
Trade and notes receivables	10	2,325,041	2,196,746
Prepayments, deposits and other receivables	11	168,304	41,736
Pledged bank balances	12	54,508	44,735
Cash and cash equivalents	12	1,255,562	1,041,757
Total current assets		3,935,336	3,446,759
CURRENT LIABILITIES			
Trade and notes payables	13	385,267	294,429
Other payables and accruals	14	745,085	561,199
Tax payable		215,539	195,699
Interest-bearing bank loans	15	719,832	518,846
Total current liabilities		2,065,723	1,570,173
NET CURRENT ASSETS		1,869,613	1,876,586
TOTAL ASSETS LESS CURRENT LIABILITIES		3,440,445	3,148,288

Interim Consolidated Statement of Financial Position

June 30, 2015

	Notes	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	15	276,146	175,627
Deferred income		16,541	16,304
Deferred tax liabilities		28,363	24,990
Total non-current liabilities		321,050	216,921
Net assets		3,119,395	2,931,367
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	11,377	11,125
Treasury shares		—	(23)
Reserves		3,108,018	2,920,265
Total equity		3,119,395	2,931,367

Zhao Bing
Director

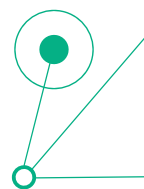
Meng Yuxiao
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

	Attributable to owners of the Company											Total
	Issued capital	Treasury shares	Share premium	Statutory reserve fund	Special reserve	Share option reserve	Capital contribution reserve	Capital redemption reserve	Foreign translation reserve	Retained earnings	Proposed final dividend	
	RMB'000 (note 16)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2014	9,346	–	540,123	102,060	59,906	19,605	62,825	–	(3,043)	1,179,407	57,288	2,027,517
Profit for the period	–	–	–	–	–	–	–	–	–	159,232	–	159,232
Other comprehensive income for the period:												
Exchange difference on foreign currency translation	–	–	–	–	–	–	–	–	375	–	–	375
Total comprehensive income for the period	–	–	–	–	–	–	–	–	375	159,232	–	159,607
Repurchase and cancellation of shares	(15)	–	(3,350)	–	–	–	–	15	–	(15)	–	(3,365)
Equity-settled share option arrangements	–	–	–	–	–	6,773	–	–	–	–	–	6,773
Final 2013 dividend declared	–	–	–	–	–	–	–	–	–	–	(57,288)	(57,288)
Transfer from/(to) reserves	–	–	–	14,206	–	–	–	–	–	(14,206)	–	–
At June 30, 2014 (unaudited)	9,331	–	536,773	116,266	59,906	26,378	62,825	15	(2,668)	1,324,418	–	2,133,244
At January 1, 2015	11,125	(23)	1,066,879*	139,803*	59,906*	30,779*	62,825*	15*	(6,702)*	1,566,760*	–	2,931,367
Profit for the Period	–	–	–	–	–	–	–	–	–	148,296	–	148,296
Other comprehensive income for the Period:												
Exchange difference on foreign currency translation	–	–	–	–	–	–	–	–	(760)	–	–	(760)
Total comprehensive income for the Period	–	–	–	–	–	–	–	–	(760)	148,296	–	147,536
Cancellation of repurchased shares	(23)	23	–	–	–	–	–	23	–	(23)	–	–
Exercise of share options	275	–	37,306	–	–	–	–	–	–	–	–	37,581
Transfer of share option reserve upon the exercise of share options	–	–	16,145	–	–	(16,145)	–	–	–	–	–	–
Equity-settled share option arrangements (note 17)	–	–	–	–	–	2,911	–	–	–	–	–	2,911
Transfer from/(to) reserves	–	–	–	13,467	–	–	–	–	–	(13,467)	–	–
At June 30, 2015 (unaudited)	11,377	–	1,120,330*	153,270*	59,906*	17,545*	62,825*	38*	(7,462)*	1,701,566*	–	3,119,395

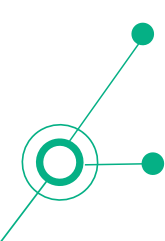
* These reserves accounts comprise the consolidated reserves of RMB3,108,018,000 (December 31, 2014: RMB2,920,265,000) in the consolidated statement of financial position.



Interim Consolidated Statement of Cash Flows

For the six months ended June 30, 2015

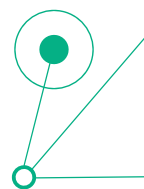
For the six months ended June 30,			
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		183,634	198,759
Adjustments for:			
Depreciation	8	48,641	41,347
Amortization of prepaid land lease payments	8	309	309
Loss on disposal and write-off of items of property, plant and equipment	5	79	–
Interest on bank loans	5	21,116	19,394
Equity-settled share option expense	5	2,911	6,773
Interest income	4	(12,291)	(7,564)
Deferred income released	4	(412)	(1,117)
		243,987	257,901
Increase in inventories		(10,136)	(96,760)
Increase in trade and notes receivables		(128,479)	(486,737)
Decrease/(increase) in prepayments, deposits and other receivables		(126,568)	107,480
Increase/(decrease) in trade and notes payables		90,838	(60,181)
Increase in other payables and accruals		41,394	81,390
		111,036	(196,907)
Cash generated from/(used in) operations		(17,838)	(18,392)
Interest paid		12,291	5,818
Interest received from bank balances and deposits		(14,109)	(15,217)
Income tax paid			
		91,380	(224,698)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from entrusted loans		–	1,746
Purchases of items of property, plant and equipment		(208,751)	(47,782)
Proceeds from disposal of items of property, plant and equipment		3,261	–
Decrease/(increase) in time deposits with original maturity of over three months when acquired		90,393	(136,500)
Decrease/(increase) in pledged bank balances		(9,773)	32,942
Receipt of government grants		649	8,960
		(124,221)	(140,634)



Interim Consolidated Statement of Cash Flows

For the six months ended June 30, 2015

For the six months ended June 30,			
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options		37,581	—
Payment for repurchase of ordinary shares		—	(3,365)
New bank loans		488,237	305,960
Repayment of bank loans		(215,324)	(305,098)
New other borrowings		30,639	—
Repayment of other borrowings		(3,226)	—
Dividends paid		—	(57,288)
Net cash flows from/(used in) financing activities		337,907	(59,791)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		305,066	(425,123)
Cash and cash equivalents at beginning of period		851,361	769,259
Effect of foreign exchange rate changes, net		(868)	372
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,155,559	344,508
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		826,914	269,036
Non-pledged time deposits		428,648	211,972
Cash and cash equivalents as stated in the consolidated statement of financial position	12	1,255,562	481,008
Non-pledged time deposits with original maturity of over three months when acquired	12	(100,003)	(136,500)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,155,559	344,508



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

1. CORPORATE INFORMATION

China Fiber Optic Network System Group Ltd. (the “Company”) is a limited liability company incorporated in the Cayman Islands on August 7, 2006 under the Companies Law of the Cayman Islands. The registered office address of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands. The Company’s principal place of business in Hong Kong is located at Office Suite 2001-02, 20th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

During the six months ended June 30, 2015 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the production and sale of fiber optic patch cords and other accessories. There were no significant changes in the nature of the Group’s principal activities during the Period.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2014.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014, except for the adoption of amendments to a number of International Financial Reporting Standards issued by the International Accounting Standards Board that are mandatory for the first time for the financial year beginning January 1, 2015. The adoption of these amendments has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is the Group’s turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

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

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

3. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

Entity-wide disclosures

Information about products

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

	For the six months ended June 30,			
	2015		2014	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Fiber optic patch cords	614,896	69.4	678,069	68.9
Connection and distribution product series	229,979	26.0	248,354	25.3
Equipment room accessories	40,503	4.6	57,164	5.8
	885,378	100	983,587	100.0

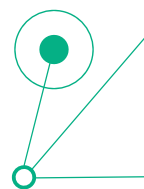
Geographical information

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

	For the six months ended June 30,	
	2015	2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Domestic*:		
— Mainland China	783,989	893,453
Overseas:		
— New Zealand	41,469	55,746
— Australia	28,668	31,706
— United Kingdom	31,252	2,682
	101,389	90,134
	885,378	983,587

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

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



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

3. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

Information about major customers

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

	For the six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Customer A	187,783	309,475

4. OTHER INCOME

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

	For the six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Government grants*	855	580
Deferred income released	412	1,117
Interest income	12,291	7,564
Rental income	748	643
Others	67	12
Total other income	14,373	9,916

* There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		For the six months ended June 30,	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories sold		618,735	719,792
Employee benefit expense (including Directors' remuneration):			
Wages and salaries		26,813	15,605
Equity-settled share option expense	16	2,911	6,773
Pension scheme contributions			
— Defined contribution fund		2,950	2,417
Housing fund			
— Defined contribution fund		727	420
Total employee benefit expense		33,401	25,215
Interest on bank loans		21,116	19,394
Auditors' remuneration		1,200	1,100
Depreciation of items of property, plant and equipment	8	48,641	41,347
Amortization of prepaid land lease payments	8	309	309
Operating lease rental in respect of buildings		2,839	998
Loss on disposal and write-off of items of property, plant and equipment		79	—
Research and development costs		13,689	226

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

6. INCOME TAX

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

	For the six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	33,949	34,005
Deferred	1,389	5,522
Total tax charge for the period	35,338	39,527

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits derived from or earned in Hong Kong during the Period.
- (c) No provision for Canadian profits tax has been made as the Group had no taxable profits derived from or earned in Canada during the Period.
- (d) Except for Sifang Telecom which is entitled to a preferential corporate income tax ("CIT") rate of 15% (six months ended June 30, 2014: 15%), other PRC subsidiaries are subject to the PRC CIT rate at 25% (six months ended June 30, 2014: 25%) during the Period.

In 2014, Sifang Telecom has renewed the high and new technology enterprise certificate and is entitled to a preferential CIT rate of 15% for three years commencing from January 1, 2014.

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

Pursuant to the resolution of the board of directors of Sifang Telecom dated July 1, 2015, Sifang Telecom will distribute dividends of not more than 25% of Sifang Telecom's distributable profit (after appropriation to the statutory reserve fund) in respect of the Period to the Company and the remaining distributable profit will be used for the business development of Sifang Telecom and will not be distributed to the Company. Therefore, a deferred tax liability of RMB3,030,000 (June 30, 2014: RMB3,197,000), representing 10% withholding tax on 25% of Sifang Telecom's distributable profit, has been provided for during the Period.

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

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

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,760,672,000 (six months ended June 30, 2014: 1,456,970,000) in issue during the Period.

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

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

For the six months ended June 30,		
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	148,296	159,232

For the six months ended June 30,		
	2015 '000 (Unaudited)	2014 '000 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,760,672	1,456,970
Effect of dilution — weighted average number of ordinary shares:		
Share options	23,813	45,342
	1,784,485	1,502,312

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment and prepaid land lease payments during the Period are as follows:

	Property, plant and equipment RMB'000 (note (a))	Prepaid land lease payments RMB'000 (note (b))
Carrying amount at January 1, 2015	1,088,820	24,210
Additions	416,465	—
Disposals	(3,340)	—
Depreciation/amortization charged for the Period (note 5)	(48,641)	(309)
Carrying amount at June 30, 2015 (unaudited)	1,453,304	23,901

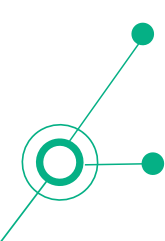
Notes:

- (a) At the end of the reporting period, certain of the Group's property, plant and equipment with a net carrying amount of RMB420,730,000 (December 31, 2014: RMB412,278,000) have been pledged to secure the Group's interest-bearing bank loans (note 15).
- (b) As at June 30, 2015, prepaid land lease payments with a net book amount of RMB15,601,000 (December 31, 2014: RMB20,246,000) have been pledged to banks for bank loans granted to the Group (note 15).

9. AVAILABLE-FOR-SALE INVESTMENT

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Unlisted equity investment, at cost	14,300	14,300

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



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

10. TRADE AND NOTES RECEIVABLES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Trade receivables	2,322,759	2,195,156
Notes receivable	2,282	1,590
Impairment	—	—
	2,325,041	2,196,746

Trade receivables are non-interest-bearing and are generally on terms of 30 to 360 days. The Group granted a qualified customer with credit terms up to 30 months.

The Group does not have any collateral or other credit enhancements over its trade receivable balances.

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

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Within 1 month	181,383	262,775
1 to 3 months	272,420	370,058
3 to 6 months	329,738	733,970
6 to 12 months	1,208,647	656,447
Over 12 months	332,853	171,906
	2,325,041	2,195,156

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

10. TRADE AND NOTES RECEIVABLES (continued)

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

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Neither past due nor impaired	1,843,253	1,971,272
Past due but not impaired		
Less than 1 month past due	164,305	119,164
Over 1 month but within 3 months past due	189,854	78,358
Over 3 months past due	127,629	26,362
	2,325,041	2,195,156

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

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

As at June 30, 2015, certain trade receivables with an aggregate amount of RMB279,771,000 (December 31, 2014: RMB80,521,000) have been pledged to secure the Group's interest-bearing bank loans and other borrowings (note 15).

At the end of the reporting period, trade receivables of the Group denominated in US\$ amounted to RMB256,805,000 (December 31, 2014: RMB208,072,000).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Prepayments for purchase of raw materials	133,830	26,534
Prepaid land lease payments to be amortized within one year	619	619
Input value-added tax	21,509	5,340
Deposits and other receivables	12,346	9,243
	168,304	41,736

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

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

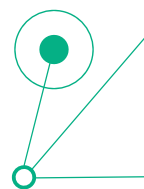
12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Cash and bank balances	881,422	466,193
Time deposits with original maturity of less than 3 months	328,645	429,903
Time deposits with original maturity of over 3 months	100,003	190,396
	1,310,070	1,086,492
Less: pledged bank balances for:		
— Issuance of notes payable	(53,235)	(41,586)
— Issuance of letter of credit	(1,076)	(1,078)
— Issuance of letter of guarantee	—	(1,860)
— Credit cards	(197)	(211)
	(54,508)	(44,735)
Cash and cash equivalents	1,255,562	1,041,757

Cash and cash equivalents are deposited with creditworthy banks with no recent history of default.

13. TRADE AND NOTES PAYABLES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Trade payables	260,398	209,806
Notes payable	124,869	84,623
	385,267	294,429



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

13. TRADE AND NOTES PAYABLES (continued)

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

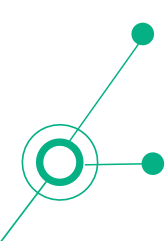
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Within 3 months	276,387	178,902
3 months to 6 months	60,797	82,739
6 months to 1 year	28,674	28,911
Over 1 year	19,409	3,877
	385,267	294,429

Notes payable are interest-free with terms of maturity of within 180 days. As at June 30, 2015, notes payable were secured by the pledge of cash at banks of RMB53,235,000 (December 31, 2014: RMB41,586,000) (note 12).

14. OTHER PAYABLES AND ACCRUALS

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
<i>Payables related to:</i>		
Taxes and surcharges	502,901	480,333
Payroll and welfare	12,593	11,263
Construction of property, plant and equipment	191,366	50,681
Professional fees	1,314	1,314
Others	20,549	11,898
	728,723	555,489
Accruals	16,362	5,710
	745,085	561,199

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

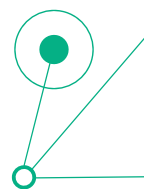


Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Notes	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Bank loans — secured	(a)	522,618	488,926
Bank loans — unsecured	(b)	445,947	205,547
Other borrowings — secured	(c)	27,413	—
		995,978	694,473
<i>Bank loans repayable:</i>			
Within one year		710,295	518,846
In the second year		151,931	174,168
In the third to fifth years, inclusive		95,369	710
Beyond five years		10,970	749
		968,565	694,473
<i>Other borrowings repayable:</i>			
Within one year		9,537	—
In the second year		10,560	—
In the third to fifth years, inclusive		7,316	—
		27,413	—
		995,978	694,473
Balances classified as current liabilities		719,832	518,846
Balances classified as non-current liabilities		276,146	175,627



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

Notes:

- (a) As at June 30, 2015, included in secured bank loans is a bank loan of RMB1,814,000 (December 31, 2014: RMB1,933,000) which is denominated in HK\$, bears interest at 3.1% below the Hong Kong dollar prime rate per annum and is repayable by 120 monthly equal installments commencing on March 3, 2013.

The bank loans were secured by:

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Secured by — net book amount of:		
Property, plant and equipment (note 8)	420,730	412,278
Prepaid land lease payments (note 8)	15,601	20,246
Trade receivables (note 10)	279,771	80,521

- (b) As at June 30, 2015, included in unsecured bank loans are bank loans of RMB290,504,000 (December 31, 2014: RMB117,960,000) which are denominated in US\$, bears interest at 2.75% to 3% above the prevailing London Interbank Offered Rate per annum repayable within three years by instalments, and a bank loan of RMB57,583,000 (December 31, 2014: RMB57,588,000) which is denominated in HK\$ and bears interest at 3% above the prevailing Hong Kong Interbank Offered Rate per annum repayable before July 3, 2015.
- (c) On December 31, 2014 and March 31, 2015, Hebei Smart Communication Co., Ltd. ("Smart Communication"), an indirectly held subsidiary of the Company, entered into two sale and leaseback agreements with an independent third party, pursuant to which, Smart Communication agreed to sell certain machinery to the third party for total consideration of RMB32,014,000, and lease them back at a fixed monthly rental for three years immediately after the sale. At the end of the lease term, Smart Communication has the option to acquire the underlying equipment at a nominal price of RMB2,000. The other borrowings are secured by underlying equipment with net book value of RMB33,077,000, and bear interest at fixed rates per annum of 6.19%.

As at June 30, 2015, except for the bank loans bearing interest at floating rates detailed in note (a) and (b) above, all bank loans bear interest at fixed rates per annum in the range of 2.01% to 7.28% (December 31, 2014: 3.39% to 7.80%).

As at June 30, 2015, except for the bank loans of RMB233,417,000 (December 31, 2014: RMB73,163,000) denominated in US\$, a bank loan of RMB14,847,000 (December 31, 2014: nil) denominated in CAD and bank loans detailed in note (a) and (b) above denominated in HK\$ and US\$, all other bank loans are denominated in RMB.

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



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

16. ISSUED CAPITAL

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

17. SHARE OPTION SCHEMES

On June 3, 2011, the Company adopted a share option scheme (the "Old Option Scheme") for the purpose of providing incentives and rewards to three directors of the Group, who had contributed to the success of the Group's operations. On July 14, 2011, in consideration of HK\$1.00 from each grantee, options to subscribe for an aggregate of 21,600,000 ordinary shares of US\$0.001 each in the share capital of the Company (the "Shares") at a subscription price per share equal to the offer price of HK\$1.2 had been granted to three grantees under the Old Option Scheme.

The Old Option Scheme remained in force for a period commencing on June 3, 2011 and expiring on the day immediately prior to July 14, 2011 (the "Listing Date"), the date on which the Shares were initially listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") after which period no further options would be granted under the Old Option Scheme, but the provisions of the Old Option Scheme shall in all other respects remain in full force and effect and options granted under the Old Option Scheme during their lives may continue to be exercisable in accordance with the Old Option Scheme and their terms of issue.

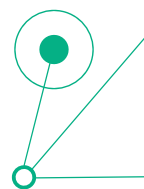
Options granted pursuant to the Old Option Scheme will vest over three years or at the rate of one-sixth of the options granted every six months from the date which the grantees may exercise the options granted to them.

Pursuant to relevant clauses of the Old Option Scheme, the grantees may not exercise the options that have been granted to them during any period after the Listing Date if such exercise by them would render the public float of the Company falling below 25%, or any other minimum public float percentage as prescribed under the Rules Governing the Listing of Securities on the Stock Exchange.

In addition, the Company adopted a new share option scheme (the "New Option Scheme") which has been conditionally approved by a resolution of the shareholders passed on June 3, 2011 and will remain in force for 10 years from that date. The Directors may, at their absolute discretion, invite any full-time or part-time employees, executives or officers of the Company or any member of the Group (including executive directors, non-executive directors and independent non-executive directors (the "INEDs")), advisors and consultants of the Group to take up options to subscribe for Shares.

On July 2, 2013, a total of 76,400,000 share options carrying the rights to subscribe for up to a total of 76,400,000 Shares were granted by the Company to certain grantees under the New Option Scheme. Among the share options granted, 27,900,000 share options were granted to executive directors and INEDs of the Company.

Subject to the rules of the New Option Scheme, options granted will vest over three years or at the rate of one-sixth of the options granted every six months from the date which the grantees may exercise options granted to them with an exercise price of HK\$1.00 per share.



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

17. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised share options currently permitted to be granted under the schemes is an amount equivalent, upon their exercise, to 10% of the issued Shares immediately following the commencement of dealings in the Shares on the Stock Exchange. The maximum number of Shares issuable under share options to each eligible participant in the schemes within any 12-month period is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company (other than a proposed INED) or to any of their associates, are subject to approval in advance by the INEDs, other than the INED who is offered the option in question (if applicable). In addition, any share options granted to a substantial shareholder or an INED, or to any of their respective associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the price of the Shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1.00 in total by the grantee.

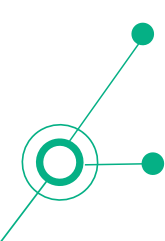
The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Old Option Scheme as at June 30, 2015 and December 31, 2014:

June 30, 2015

Exercise price HK\$ per share*	Number of options '000	Exercise period
1.2	3,600	January 14, 2014 to July 11, 2021
1.2	3,600	July 14, 2014 to July 11, 2021
	7,200	



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

17. SHARE OPTION SCHEMES (continued)

December 31, 2014

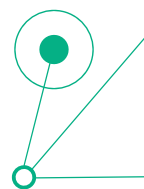
Exercise price HK\$ per share*	Number of options '000	Exercise period
1.2	3,600	January 14, 2012 to July 11, 2021
1.2	3,600	July 14, 2012 to July 11, 2021
1.2	3,600	January 14, 2013 to July 11, 2021
1.2	3,600	July 14, 2013 to July 11, 2021
1.2	3,600	January 14, 2014 to July 11, 2021
1.2	3,600	July 14, 2014 to July 11, 2021
21,600		

The fair value of the share options granted in 2011 under the Old Option Scheme was HK\$11,684,000 (equivalent to approximately RMB9,473,000) or HK\$0.54 each (equivalent to approximately RMB0.44 each), of which the Group is not required to recognize a share option expense during the Period. (six months ended June 30, 2014: HK\$382,000 (equivalent to approximately RMB310,000)).

The following share options were outstanding under the New Option Scheme as at June 30, 2015 and December 31, 2014:

June 30, 2015

Exercise price HK\$ per share*	Number of options '000	Exercise period
1.0	7,935	January 2, 2015 to July 1, 2023
1.0	12,733	July 2, 2015 to July 1, 2023
1.0	12,733	January 2, 2016 to July 1, 2023
1.0	12,735	July 2, 2016 to July 1, 2023
46,136		



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

17. SHARE OPTION SCHEMES (continued)

December 31, 2014

Exercise price HK\$ per share*	Number of options '000	Exercise period
1.0	12,733	January 2, 2014 to July 1, 2023
1.0	12,733	July 2, 2014 to July 1, 2023
1.0	12,733	January 2, 2015 to July 1, 2023
1.0	12,733	July 2, 2015 to July 1, 2023
1.0	12,733	January 2, 2016 to July 1, 2023
1.0	12,735	July 2, 2016 to July 1, 2023
	76,400	

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted in 2013 under the New Option Scheme was HK\$33,660,000 (equivalent to approximately RMB26,806,000) or HK\$0.44 each (equivalent to approximately RMB0.35 each), of which the Group recognized a share option expense of HK\$3,655,000 (equivalent to approximately RMB2,911,000) for the Period (six months ended June 30, 2014: HK\$8,115,000 (equivalent to approximately RMB6,463,000)).

The Company had 15,135,000 share options exercisable as at June 30, 2015 (December 31, 2014: 47,066,000 shares) with a weighted average exercise price of HK\$1.10 per Share (December 31, 2014: HK\$1.10 per Share).

The fair values of equity-settled share options granted under the Old Option Scheme and the New Option Scheme were estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Old Option Scheme	New Option Scheme
Exit rate (%)	10.00	10.00
Dividend yield (%)	Nil	1.13
Expected volatility (%)	49.90	54.00
Risk-free interest rate (%)	2.27	3.05

No other feature of the options granted was incorporated into the measurement of fair value.

The 14,400,000 share options under the Old Option Scheme and 30,264,000 share options under the New Option Scheme exercised during the Period resulted in the issue of 44,664,000 Shares and new share capital of US\$44,664 (equivalent to approximately RMB275,000) before issue expenses, as further detailed in note 16 to the financial statements.



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

17. SHARE OPTION SCHEMES *(continued)*

As at June 30, 2015, the Company had 7,200,000 share options outstanding under the Old Option Scheme and 46,136,000 share options outstanding under the New Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 53,336,000 additional Shares and additional share capital of US\$53,336 (equivalent to approximately RMB326,000) and share premium of US\$7,012,000 (equivalent to approximately RMB42,871,000) (before issue expenses).

Immediately after the completion of the two-for-ten bonus issue of Shares on July 17, 2015, the number of share options outstanding under each of the Old Option Scheme and the New Option Scheme was adjusted.

At the date of approval of these financial statements, the Company had 64,003,200 share options outstanding under the share option schemes, which represented approximately 2.98% of the Company's shares in issue as at that date.

18. DIVIDENDS

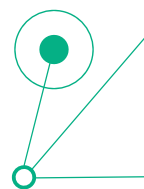
Pursuant to the resolutions of the board of directors dated August 28, 2015, the Directors resolved not to pay an interim dividend to shareholders for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

19. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Contracted, but not provided for:		
— Property, plant, and machinery	269,919	29,273



Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

19. COMMITMENTS (continued)

(b) Operating lease arrangements — as lessor

As lessor, the Group leases certain part of its office buildings under operating lease arrangements with lease terms ranging from one to five years. As at June 30, 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Within one year	6,933	7,402
In the second to fifth years, inclusive	3,585	4,676
After five years	238	253
	10,756	12,331

(c) Operating lease arrangements — as lessee

The Group leases certain of its office buildings under operating lease arrangements for terms of three years. As at June 30, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000
Within one year	4,395	4,135
In the second to fifth years, inclusive	5,111	3,717
	9,506	7,852

Notes to Interim Condensed Financial Information

For the six months ended June 30, 2015

20. RELATED PARTY TRANSACTIONS

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

On February 1, 2014 and April 1, 2015, the Group entered into two tenancy agreements with Steel Magnolia Investment Ltd. ("Steel Magnolia"), a company controlled by Mr. Zhao Bing's wife, Ms. Du Lixia. Mr. Zhao Bing is the chairman of and executive Director of the Company. Pursuant to the tenancy agreements, the Group leased from Steel Magnolia a building with a total floor area of 377.74 square metres for five years ending February 1, 2019 at a fixed monthly rental of approximately Canadian dollars 4,358 (equivalent to approximately RMB21,000), and offices with a total floor area of 1,840 square metres for five years ending April 1, 2020 at a monthly rental of approximately Canadian dollars 9,507 (equivalent to approximately RMB47,000). During the Period, the rental paid by the Group to Steel Magnolia amounted to RMB271,000 (six months ended June 30, 2014: RMB122,000). The Directors considered that the rental expenses charged under the tenancy agreements were based on the market rate for similar premises in nearby locations.

- (b) As at 30 June 2015, the other borrowings of RMB27,413,000 was guaranteed by Mr. Zhao Bing for nil consideration.

- (c) Compensation of key management personnel of the Group:

For the six months ended June 30,		
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Basic salaries and other benefits	3,924	2,467
Equity-settled share option expense	2,892	6,731
Pension scheme contributions	111	78
	6,927	9,276

21. EVENT AFTER THE REPORTING PERIOD

On July 17, 2015, a rights issue of two rights shares for every ten existing shares held by the shareholders of the Company on July 10, 2015 was made, at an issue price of US\$0.001 per rights share, resulting in the issue of 357,415,200 shares which will be credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares in the share premium account of the Company.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorized for issue by the board of directors on August 28, 2015.