Yangtze Optical Fibre and Cable Joint Stock Limited Company*
長飛光纖光纜股份有限公司

(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 2016

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, the Group's operating results were as follows:

- Total revenue was approximately RMB3,677.6 million, increased by approximately RMB628.1 million, representing a 20.6% increase as compared to the same period of last year.
- Gross profit was approximately RMB807.3 million, increased by approximately RMB219.3 million, representing a 37.3% increase as compared to the same period of last year.
- Profit for the period attributable to equity shareholders of the Company was approximately RMB354.5 million, increased by approximately RMB49.8 million, representing a 16.3% increase as compared to the same period of last year.
- The Group's revenue from domestic customers increased by approximately 17.1%, as compared with the same period of last year. The Group's overseas revenue from overseas customers increased by approximately 67.1%, as compared with the same period of last year.
- No interim dividend was declared.

* *For identification purposes only*

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**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with the relevant comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

*(Expressed in Renminbi ("**RMB**"))*

		For the six months ended 30 June	
	Notes	**2016**	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**3,677,647**	3,049,579
Cost of sales		**(2,870,334)**	(2,461,546)
Gross profit		**807,313**	588,033
Other income	*5*	**17,257**	16,263
Selling expenses		**(84,861)**	(63,318)
Administrative expenses		**(298,582)**	(231,641)
Profit from operations		**441,127**	309,337
Finance income	*6*	**7,863**	40,536
Finance costs	*6*	**(108,209)**	(36,028)
Net finance (costs)/income		**(100,346)**	4,508
Share of results of associates		**703**	282
Share of results of joint ventures		**54,357**	33,012
Profit before taxation	*7*	**395,841**	347,139
Income tax	*8*	**(51,982)**	(46,781)
Profit for the period		**343,859**	300,358

	Notes	For the six months ended 30 June **2016** *RMB'000* **(Unaudited)**	2015 *RMB'000* (Unaudited)
Other comprehensive income (item that may be reclassified subsequently to profit or loss):			
Available-for-sale securities		**12,456**	46,859
Income tax relating to available-for-sale securities		**(1,868)**	(7,029)
Exchange differences on translation of financial statements of overseas subsidiaries		**6,041**	–
Other comprehensive income for the period		**16,629**	39,830
Total comprehensive income for the period		**360,488**	340,188
Profit for the period attributable to:			
Equity shareholders of the Company		**354,514**	304,736
Non-controlling interests		**(10,655)**	(4,378)
Profit for the period		**343,859**	300,358
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**369,371**	344,566
Non-controlling interests		**(8,883)**	(4,378)
Total comprehensive income for the period		**360,488**	340,188
Earnings per share (RMB)			
Basic and diluted	*9*	**0.52**	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

(Expressed in RMB)

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,061,356**	982,027
Construction in progress		**128,147**	88,743
Intangible assets		**183,261**	146,300
Lease prepayments		**234,492**	166,225
Interest in associates		**10,970**	10,747
Interest in joint ventures		**862,113**	720,312
Other non-current assets		**272,227**	429,670
Deferred tax assets		**7,538**	10,442
Total non-current assets		**2,760,104**	2,554,466
Current assets			
Inventories	*11*	**733,457**	678,062
Trade and bills receivables	*12*	**2,654,136**	2,119,178
Deposits, prepayments and other receivables		**303,048**	177,117
Other financial assets	*13*	**237,944**	6,861
Cash and cash equivalents		**1,502,400**	2,047,125
Total current assets		**5,430,985**	5,028,343
Current liabilities			
Bank loans	*14*	**2,019,743**	1,636,609
Trade and bills payables	*15*	**908,700**	852,334
Accrued expenses and other payables		**598,474**	468,047
Income tax payable		**29,859**	19,877
Total current liabilities		**3,556,776**	2,976,867
Net current assets		**1,874,209**	2,051,476

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total assets less current liabilities		**4,634,313**	4,605,942
Non-current liabilities			
Bank loans	*14*	**552,769**	820,820
Deferred income		**80,321**	53,447
Total non-current liabilities		**633,090**	874,267
Net assets		**4,001,223**	3,731,675
Capital and reserves			
Share capital	*16*	**682,115**	682,115
Reserves		**3,143,425**	2,892,744
Total equity attributable to equity shareholders of the Company		**3,825,540**	3,574,859
Non-controlling interests		**175,683**	156,816
Total equity		**4,001,223**	3,731,675

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

2. BASIS OF PREPARATION

The interim condensed financial information for the Period has neither been audited nor reviewed by the Company's auditors, but has been reviewed by the Company's audit committee, which has been prepared in accordance with the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Hong Kong Listing Rules**"), including compliance with International Accounting Standard 34 "Interim Financial Reporting" adopting by the International Accounting Standard Board. It was authorised for issue on 26 August 2016.

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 report for the year ended 31 December 2015.

3. 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 31 December 2015, except for the adoption of new amendments issued by the International Accounting Standards Board that are mandatory for annual periods beginning on or after 1 January 2016. The adoption of these new amendments has had no significant financial effect on the financial position performance of the Group.

4. 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.

* *For identification purposes only*

5. OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend income from available-for-sale equity securities	**5,405**	156
Royalty fees	**2,950**	2,950
Government grants	**6,795**	13,177
Rental income from operating leases	**400**	422
Gain on disposal of available-for-sale equity securities	**2,897**	–
Net loss on disposal of property, plant and equipment	**(938)**	(854)
Net realised and unrealised loss on trading securities	**(252)**	–
Others	**–**	412
	17,257	16,263

6. NET FINANCE (COSTS)/INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance income		
Interest income	**7,863**	15,191
Net foreign exchange gains	**–**	25,345
Finance income	**7,863**	40,536
(b) Finance costs		
Interest on bank loans	**(24,613)**	(33,383)
Less: interest expenses capitalised into construction in progress	**381**	1,276
	(24,232)	(32,107)
Other finance costs	**(409)**	(1,526)
Net foreign exchange losses	**(78,511)**	–
Bank charges	**(5,057)**	(2,395)
Finance costs	**(108,209)**	(36,028)

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**212,644**	168,214
Contributions to defined contribution retirement plan	**22,685**	18,643
	235,329	186,857

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participated in defined contribution retirement scheme (the "**Scheme**") organised by the relevant local government authority for their employees. The Company and its subsidiaries in the PRC are required to make contributions to the Scheme at 20% of basic salaries of the employees. The local government authority is responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

(b) Other items

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation		
– lease prepayments	**2,037**	1,217
Depreciation		
– property, plant and equipment held for use under operating leases	**434**	171
– other property, plant and equipment	**65,605**	55,676
Research and development costs	**101,357**	83,245
Cost of inventories	**2,875,276**	2,469,975

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statements of comprehensive income represents:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	**49,078**	42,679
Deferred tax		
Origination and reversal of temporary differences	**2,904**	4,102
	51,982	46,781

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

Pursuant to the corporate income tax law and the relevant approval documents, the Company was qualified as an approved high-tech enterprise and is entitled to a preferential income tax rate of 15% during the Period, subject to the fulfillment of the recognition criteria. An approval document was issued by the relevant authority in 2014 which stated that the Company is qualified as an approved high-tech enterprise for another three years from 2015 to 2017.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries and regions.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB354,514,000 (six months ended 30 June 2015: RMB304,736,000) and the weighted average of 682,114,598 ordinary shares (six months ended 30 June 2015: 639,462,598 shares) in issue during the Period.

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the Period. Accordingly, diluted earnings per share are the same as basic earnings per share.

10. SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments for the Period. No operating segments have been aggregated to form the following reportable segments.

- Optical fibres and preforms: this segment produces optical fibres and optical fibre preforms which are sold to external parties.

- Optical fibre cables: this segment produces optical fibre cables which are sold to external parties.

The Group combined other business activities that are not reportable in "Others". Revenue included in this category is mainly from sales of equipment, raw materials and other related products.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross profit.

The Group's assets, liabilities, other operating expenses, such as selling and administrative expenses, finance income and finance costs, and share of results of associates and joint ventures, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expense, etc. is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Period is set out below:

	For the six months ended 30 June 2016 (Unaudited)			
	Optical fibres and preforms *RMB'000*	**Optical fibre cables** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Reportable segment revenue				
Gross revenue from external customers	**1,920,608**	**1,574,229**	**174,489**	**3,669,326**
Elimination of revenue relating to downstream transactions with joint ventures	**8,576**	**–**	**(255)**	**8,321**
Revenue from external customers	**1,929,184**	**1,574,229**	**174,234**	**3,677,647**
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	**669,559**	**109,821**	**30,566**	**809,946**
Elimination of unrealised profits on downstream transactions with joint ventures	**(2,633)**	**–**	**–**	**(2,633)**
Reportable segment profit (gross profit)	**666,926**	**109,821**	**30,566**	**807,313**

	For the six months ended 30 June 2015 (Unaudited)			
	Optical fibres and preforms *RMB'000*	Optical fibre cables *RMB'000*	Others *RMB'000*	Total *RMB'000*
Reportable segment revenue				
Gross revenue from external customers	1,871,222	1,047,541	141,524	3,060,287
Elimination of revenue relating to downstream transactions with joint ventures	(11,175)	–	467	(10,708)
Revenue from external customers	1,860,047	1,047,541	141,991	3,049,579
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	509,167	74,496	5,549	589,212
Elimination of unrealised profits on downstream transactions with joint ventures	(1,179)	–	–	(1,179)
Reportable segment profit (gross profit)	507,988	74,496	5,549	588,033

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**3,320,265**	2,835,767
Others	**357,382**	213,812
	3,677,647	3,049,579

The geographical location of the Group's non-current assets is in the PRC, The Republic of Indonesia and The Republic of South Africa during the Period.

11. INVENTORIES

The Group's inventories in the consolidated statement of financial position comprise:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials and spare parts	**339,740**	330,155
Work in progress	**58,596**	56,346
Finished goods	**335,121**	291,561
	733,457	678,062

12. TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– related parties	**319,105**	227,179
– third parties	**2,119,805**	1,732,005
Bills receivable	**225,990**	174,051
Less: allowance for doubtful debts	**(10,764)**	(14,057)
	2,654,136	2,119,178

All of the trade and bills receivables are expected to be recovered within one year.

Ageing analysis

The ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, of the Group is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,878,777**	1,671,587
3 to 6 months	**398,455**	176,609
6 months to 1 year	**284,659**	142,975
1 to 2 years	**68,162**	111,313
2 to 3 years	**23,484**	12,146
Over 3 years	**599**	4,548
	2,654,136	2,119,178

During the Period, the Group's customers included certain joint ventures, three state-owned telecommunications network operators (the "**Three State-owned Telecommunications Operators**") and other third parties. The Group generally required the Three State-owned Telecommunications Operators to make 70%-80% payment upon receipt of goods and pay the remaining balance in one year. In addition, the Group granted credit periods of 30 to 90 days to those long standing third party customers with good payment history and the joint ventures. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Normally, the Group does not obtain collateral from customers.

13. OTHER FINANCIAL ASSETS

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trading securities		
– listed in the PRC	**8,158**	1,861
Available-for-sale debt securities		
– unlisted	**15,050**	5,000
Time deposits with original maturity within one year	**214,736**	–
	237,944	6,861

Available-for-sale debt securities represents wealth management products issued by certain stated-owned or listed commercial banks in the PRC. As at 30 June 2016, the available-for-sale debt securities were neither past due nor impaired.

14. BANK LOANS

The Group's bank loans are unsecured and they are repayable as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**2,019,743**	1,636,609
After 1 year but within 2 years	**39,894**	325,012
After 2 years but within 5 years	**470,875**	453,808
After 5 years	**42,000**	42,000
	552,769	820,820
	2,572,512	2,457,429

Certain of the Group's bank loans are subject to the fulfillment of covenants relating to the Group's assets/liabilities ratio, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2016, none of the covenants relating to bank loans had been breached.

15. TRADE AND BILLS PAYABLES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Trade payables		
– related parties	**141,984**	132,460
– third parties	**654,113**	658,254
Bills payable	**112,603**	61,620
	908,700	852,334

All trade and bills payables are expected to be settled within one year or are repayable on demand.

Ageing analysis

The ageing analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Within 1 year	**903,022**	846,567
Over 1 year but within 2 years	**1,892**	2,685
Over 2 years but within 3 years	**1,130**	534
Over 3 years	**2,656**	2,548
	908,700	852,334

16. SHARE CAPITAL

On 10 December 2014, the Company issued a total number of 159,870,000 H shares to Hong Kong and overseas investors with a par value of RMB1.00 each through global initial public offering at a price of HK$7.39 per share. The aggregate net proceeds from the global initial public offering amounted to RMB892,409,000 (equivalent to HK$1,130,633,000). Accordingly, the Company's paid-up capital and capital reserves increased by RMB159,870,000 and RMB732,539,000, respectively, net of all relevant share issuing expenses.

On 18 December 2015, the Company completed (i) the issuance of 30,783,000 domestic shares to a limited partnership, which is wholly and beneficially owned by four directors and certain senior management members of the Company, and three other limited partnerships owned by selected employees of the Company, and the issuance of 1,205,000 H shares to two directors of the Company under the 2015 Core Employee Stock Ownership Scheme adopted by the Company (the "**Employee Stock Ownership Scheme**"); and (ii) the private placement of 10,664,000 H shares to four independent professional institutional investors, at a subscription price of HK$7.15 per share, all with the par value of RMB1.00 per share. The aggregate net proceeds from the above mentioned issuances and the private placement amounted to RMB189,512,000 (equivalent to HK$228,578,000) and RMB61,777,000 (equivalent to HK$73,892,000), respectively. Accordingly, the Company's paid-up capital and capital reserves increased by RMB42,652,000 and RMB208,637,000 respectively, net of all relevant share issuing expenses.

17. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the Period:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year and approved during the Period RMB0.174 per share (six months ended 30 June 2015: RMB0.166 per share)	**118,688**	106,151

Dividends payable to equity shareholders of the Company attributable to the previous financial period and paid during the Period were RMB Nil (six months ended 30 June 2015: Nil).

The Board did not declare any interim dividend for the current and prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of 2016, being one of the global leading optical fibre preform, optical fibre and optical fibre cable suppliers, the Group's revenue reached approximately RMB3,677.6 million for the Period, increased by approximately 20.6% as compared to the same period of 2015 of approximately RMB3,049.6 million. The Group's gross profit reached approximately RMB807.3 million, increased by approximately 37.3% as compared to the same period of 2015 of approximately RMB588.0 million. The Group's profit for the Period attributable to the equity shareholders of the Company amounted to approximately RMB354.5 million, increased by approximately 16.3% as compared to the same period of 2015 of approximately RMB304.7 million.

Basic earnings per share was RMB0.52 per share (six months ended 30 June 2015: RMB0.48 per share).

Revenue

The Group's revenue for the Period was approximately RMB3,677.6 million, representing an increase of 20.6% as compared to the same period of 2015 of approximately RMB3,049.6 million.

By product segment, revenue of approximately RMB1,929.2 million was contributed from the Group's optical fibre preform and optical fibre segment, representing a growth of 3.7% as compared to the same period of 2015 of approximately RMB1,860.0 million and accounting for 52.5% of the Group's total revenue; while revenue of RMB1,574.2 million was contributed from the optical fibre cable segment, representing a growth of 50.3% as compared to the same period of 2015 of approximately RMB1,047.5 million and accounting for 42.8% of the Group's total revenue. The substantial growth in the Group's total revenue was mainly due to the ramp up of 4G infrastructure construction by the Three State-owned Telecommunications Operators and the ongoing national initiatives such as "Broadband China", "Internet plus" announced by the PRC government, which provide positive catalysts and bring in additional momentum, in particular, the demand for optical fibres and optical fibre cables.

Revenue of approximately RMB174.2 million was contributed from others, representing an increase of 22.7% as compared to the same period of 2015 of approximately RMB142.0 million and accounting for 4.7% of the Group's total revenue because of the development of the Company's new business including indoor cabling, cloud computing and network construction and services.

By geographical segment, revenue of approximately RMB3,320.3 million was from customers in the PRC, representing an increase of 17.1% as compared to the same period of 2015 of approximately RMB2,835.8 million and accounting for 90.3% of the Group's total revenue, while revenue of approximately RMB357.3 million was from customers in overseas, representing an increase of 67.1% as compared to the same period of 2015 of approximately RMB213.8 million and accounting for approximately 9.7% of the Group's total revenue. The increase in oversea sales was mainly driven by the increase of optical cables and indoor wiring, mainly from the Company continued to steadily implement the internationalisation strategy.

Cost of sales

The Group's cost of sales for the Period was approximately RMB2,870.3 million, representing an increase of 16.6% as compared to the same period of 2015 of approximately RMB2,461.5 million and accounting for 78.0% of the Group's revenue. The increase in cost of sales was in line with the increase in the Group's revenue.

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

For the Period, the Group's total raw material costs was approximately RMB2,619.2 million, representing an increase of 16.5% as compared to approximately RMB2,247.7 million during the first half of 2015.

For the Period, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB251.1 million, representing an increase of 17.4% as compared to RMB213.8 million during the first half of 2015.

Gross profit and gross profit margin

For the Period, the Group reported a gross profit of RMB807.3 million, representing an increase of 37.3% as compared to RMB588.0 million during the first half of 2015, the gross profit margin slightly increased from 19.3% during the first half of 2015 to 22.0% during the first half of 2016. The increase in gross profit margin was mainly due to the changes in sales structure and the increase in average selling price of optical fibres and optical fibre preforms from the fourth quarter of 2015.

Selling expenses

The Group's selling expenses for the Period were approximately RMB84.9 million, representing an increase of 34.1% as compared to RMB63.3 million during the first half of 2015. The increase was mainly due to more optical fibres and optical fibre cables were sold during the Period which resulted in much more transportation costs both domestically and globally.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB298.6 million, representing an increase of 28.9% as compared to RMB231.6 million during the first half of 2015. The increase was mainly because the subsidiaries that founded in the past 12 months started their construction or official operation during the first half of 2016 which resulted in much more administrative expenses.

Net finance (costs)/income

The Group's net finance costs for the Period increased by RMB104.9 million compared to the same period of last year, of which an increase of RMB103.9 million was due to the foreign exchange losses of the re-measurement of foreign currency debt, mainly in foreign currency bank loans. Since January 2016, the depreciation in exchange rate of RMB against the US Dollar and the Euro is 2.1% and 3.9% respectively, however, during the same period of last year, the exchange rate of RMB against the US Dollar is basically stable, while the appreciation in exchange rate of RMB against the Euro is 7.9%. During the Period, the Group has restructured its bank loan by borrowing more RMB loans in order to decrease the foreign exchange losses from the exchange depreciation of RMB against the US Dollar and the Euro. As at 30 June 2016, 35.8% of the bank loans are in form of RMB, 54.9% are in Euro and 9.3% are in US Dollar.

The effective interest rates of the Group's bank loans during the Period ranged from 0.77% to 3.92% per annum (the first half of 2015: 0.91% to 4.50% per annum).

Share of results of associates and joint ventures

During the Period, there was a substantial improvement in the share of profits from the associates and joint ventures, which increased from approximately RMB33.3 million in the first half of 2015 to approximately RMB55.1 million in the first half of 2016, the increase was mainly due to the significant growth in the Chinese market for the optical fibre demands.

Income tax

The Group's income tax for the Period was RMB52.0 million, increased by approximately 11.1% as compared to RMB46.8 million during the first half of 2015. Besides, the effective tax rate decreased from 13.5% in 2015 to 13.1% in 2016. In 2014, the Company continued to be recognised as an approved high-tech enterprise for another three years starting from 2015 to 2017 and was entitled to a preferential tax rate of 15%.

Production capacities

During the Period, the wholly-owned optical fibre cable subsidiary established in Lanzhou with an initial designed annual production capacities of 2 million fkm has entered into full production, which further enhanced our production capacity of optical fibre cables.

Capital expenditures

For the Period, the Group incurred a total capital expenditure of approximately RMB355.6 million for the purchases of property, plant and equipment, intangible assets and lease prepayments, which were primarily related to the expansion of our production capacity in the three main products both domestically and overseas as well as the improvement in production efficiency of our existing production capacity in optical fibre preforms and optical fibres.

Use of proceeds from the global offering

On 10 December 2014, the Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange. A total of 159,870,000 H Shares with nominal value of RMB1.00 each of the Company were issued at HK$7.39 per share for a total of approximately RMB932.5 million (equivalent to approximately HK$1,181.4 million). The net proceeds from the abovementioned offering of the Company's H shares (after deducting underwriting fees and related listing expenses) amounted to approximately RMB892.4 million (equivalent to approximately HK$1,130.6 million). Up to the end of 30 June 2016, the net proceeds from the initial public offering had been fully utilised in accordance with the percentage of uses as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 November 2014.

Use of proceeds from the global offering	Planned Percentage	Planned use of net proceeds	Actual use of net proceeds Up to 31 December 2015	Up to 24 March 2016[#]	Up to 30 June 2016	Unused proceeds as at 30 June 2016
		(in RMB millions, except for percentage)				
Global purchase of raw materials and equipment	20%	178.5	178.5	178.5	178.5	–
Constructing the phase I project of YOFC Science & Technology Park in Wuhan to expand production capacity	27%	241.0	186.8	239.9	241.0	–
Research and development projects on alternative optical fibre preform production processes	13%	116.0	116.0	116.0	116.0	–
Establishment of overseas production bases	10%	89.2	56.2	56.2	89.2	–
Repayment of bank loans	20%	178.5	178.5	178.5	178.5	–
Replenishment of working capital to improve the liquidity and gearing ratio of the Company	10%	89.2	89.2	89.2	89.2	–
Total	100%	892.4	805.2	858.3	892.4	–

date of 2015 annual report

Use of proceeds from the private placement

The Company issued an aggregate of 11,869,000 H shares and 30,783,000 domestic shares by way of private placement on 18 December 2015. The aggregate net proceeds from the private placement (after deducting underwriting fees and related issuing expenses) amounted to approximately RMB251.3 million (equivalent to approximately HK$302.5 million). As stated in the circular and announcements of the Company in relation to the private placement, the aggregate net proceeds from the Subscription of H Shares and domestic shares by the connected persons and employees' limited partnerships amounted to (i) RMB189.5 million (equivalent to approximately HK$228.6 million) would be used to construct the Phase II project of YOFC Science & Technology Park in Qianjiang to expand the optical fibre preform production capacity of the Group, and the aggregate net proceeds from the placing of H Shares amounted to (ii) RMB61.8 million (equivalent to approximately HK$73.9 million) would be used to support the development of the business of the Group, in particular, to expand the production capacity both domestically and overseas, and as general working capital, respectively.

Up to the end of 30 June 2016, the aggregate net proceeds from the private placement amounting to RMB91.0 million (equivalent to approximately HK$109.6 million) has been used to (i) contribute capital of RMB63.0 million (equivalent to approximately HK$76.0 million) to Yangtze Optical Fibre (Qianjiang) Co., Ltd., a wholly owned subsidiary, which is responsible for the Phase II project of YOFC Science & Technology Park in Qianjiang, as at 30 June 2016, the paid-up capital has been used to purchase land and building plant; (ii) for capacity expansion in overseas (a) contribute capital of RMB10.5 million (equivalent to approximately HK$12.6 million) to PT. Yangtze Optical Fibre Indonesia, a non-wholly owned subsidiary in Indonesia, as at 30 June 2016, the paid-up capital has been used to purchase fibre drawing equipment; (b) contribute capital of RMB16.5 million (equivalent to approximately HK$19.8 million) to Yangtze Optics Africa Holdings Proprietary Limited, a non-wholly owned subsidiary in South Africa, as at 30 June 2016, the paid capital has not been used; and (iii) pay RMB1.0 million (equivalent to approximately HK$1.2 million) as general working capital for operating expenses. The unutilised net proceeds of RMB160.3 million (equivalent to approximately HK$192.9 million) have been deposited into short-term demand deposits in a bank account maintained by the Group. Going forward, the Company will continue to utilise the remaining net proceeds for the purposes consistent with those set out in the circular and announcements, and make disclosure on the detail of usage.

Use of proceeds from the private placement	Planned Percentage	Planned use of net proceeds	Actual use of net proceeds: As at 31 December 2015	Actual use of net proceeds: As at 24 March 2016#	Actual use of net proceeds: As at 30 June 2016	Actual use of net proceeds: As at 26 August 2016 (as at date of this announcement)	Unused proceeds as at 30 June 2016/ as at date of this announcement
		(in RMB millions, except for percentage)					
Constructing the phase II project of YOFC Science & Technology Park in Qianjiang to expand preform capacity	75%	189.5	–	63.0	63.0	63.0	126.5/126.5
Supporting the development and capacity expansion of the Group and supplement working capital	25%	61.8	–	–	28.0	28.0	33.8/33.8
Total	100%	251.3	–	63.0	91.0	91.0	160.3/160.3

date of 2015 annual report

Gearing ratio

The Group monitors its leverage using a 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 2016 was 26.7% (31 December 2015: 11.0%).

Cash flow analysis

The following table sets forth the selected cash flow data derived from the consolidated cash flow statement for the six months ended 30 June 2016.

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(140,315)**	(380,719)
Net cash used in investing activities	**(469,250)**	(317,391)
Net cash generated from financing activities	**54,638**	55,756
Net decrease in cash and cash equivalents	**(554,927)**	(642,354)

The Group's net cash used in operating activities decreased by approximately RMB240.4 million, which was mainly because the increase in revenue was greater than the increase in trade and bills receivables.

The Group's net cash used in investing activities increased by approximately RMB151.9 million, which was mainly due to the construction of Phase II project of YOFC Science & Technology Park in Qianjiang as well as several other domestic and overseas projects.

The Group's net cash generated from financing activities was stable, which was mainly because the increase of the Group's borrowing level during the first half of 2016 was comparable with the increase recorded during the same period in 2015.

Net current assets

As at 30 June 2016, the Group's net current assets was RMB1,874.2 million, representing a decrease of RMB177.3 million from RMB2,051.5 million as at 31 December 2015. The decrease in net current assets was mainly due to the repayment of part of our long term loans denominated in US Dollar during the Period for the purpose of minimizing the exchange risk exposure.

Bank loans

As at 30 June 2016, the Group's bank loans were RMB2,572.5 million, representing an increase of RMB115.1 million from approximately RMB2,457.4 million as at 31 December 2015. Most of the Group's bank loans were floating rate loans and were either denominated in US Dollars or Euro or RMB, of which US Dollars and Euro loans accounted for 64.2% of the Group's bank loans as at 30 June 2016.

After the Renminbi fixing reform on 11 August 2015, the RMB was getting weaker against US Dollars and Euro. The Group lowered the proportions of US Dollars and Euro loans by way of replacing US Dollar and Euro loans with RMB loans. As a result, the proportions of US Dollars and Euro loans decreased from 92.4% as at 31 December 2015 to 64.2% as at 30 June 2016, while the proportion of RMB loans increased from 7.6% as at 31 December 2015 to 35.8% as at 30 June 2016.

Commitments and contingencies

As at 30 June 2016, the Group had the following outstanding commitments:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Contracted for		
– property, plant and equipment	**465,142**	202,009
– investment in joint ventures	**142,383**	226,840
Authorised but not contracted		
– property, plant and equipment	**452,575**	741,881
– lease prepayments	**–**	43,950
	1,060,100	1,214,680

As at 30 June 2016, the Group did not have any material contingent liability.

CHARGE ON ASSETS

As at 30 June 2016, the Group did not pledge any of its assets to secure any banking facility or bank loan.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

Owing to the RMB devaluation since August 2015 and RMB's weakness has been gathering speed, RMB against other foreign currencies was no longer as strong as in the past. As a result, this might bring up cost of purchases and the re-measurement of our foreign currency liabilities would result in foreign exchange losses. During the Period, the Group suffered from the unfavourable fluctuations in exchange rate movements between RMB and US Dollars or Euro, which resulted in net foreign exchange losses of RMB78.5 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 to minimise our foreign currency exposures in 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 3,282 full-time employees (31 December 2015: 2,802 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 promotion. The salaries and bonuses that the employees receive 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 the PRC.

To further enhance the Company's corporate structure, incentivise the Company's management and core personnel team as well as establish a sound mid-to-long-term incentive plan, the Company implemented the 2015 Core Employees Stock Ownership Scheme on 18 December 2015. The target participants are core personnel playing a crucial role in the Company's overall operation and mid-to-long term development, including directors, supervisors, senior management personnel, middle-level cadres and key employees of the Group (excluding independent non-executive directors and external supervisors).

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2016, the Company entered into non-recourse trade receivables factoring arrangements with commercial banks in the PRC with a carrying amount of approximately RMB4.0 million (31 December 2015: RMB62.8 million). In addition, as at 30 June 2016, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB247.5 million (31 December 2015: RMB245.4 million) to certain commercial banks in the PRC and its suppliers.

FORMATION OF JOINT VENTURES IN THE PRC

Cloud Terminal Business JV

On 2 March 2016, the Company established a joint venture namely Wuhan E3cloud Information Technologies Co., Ltd. ("**E3cloud**") in Wuhan, Hubei with EverPro Technologies Company Limited ("**EverPro**"), a non-wholly owned subsidiary of the Company. The main products and services of E3cloud include developing, manufacturing, sales, rental of cloud-client multi-user software and hardware system (including cloud-client hardware, cloud-client virtualization OS, cloud-client controlling platform, server/PC, and network equipment, etc), software and hardware development and service of the industrial applications based on the cloud-client multi-user OS. The total paid-up capital of this joint venture was RMB82.5 million and this joint venture is held as to 36% by the Company and 64% by Everpro. For the Period, a total of RMB5 million was contributed by the Company to E3cloud. The joint venture plans to introduce strategic investors to strengthen its software development ability. The financial results of E3cloud have been consolidated in the Group's financial statements as a non-wholly owned subsidiary since its commencement of operation.

The establishment of E3cloud did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

Other than those mentioned above, there were no other significant investments held, material acquisitions, or disposal of subsidiaries during the Period. Save as those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

OUTLOOK

In 2016, the launch of the "Broadband China" national strategy by the Chinese Government and fibre-to-the-home (FTTH) by the State-owned Telecommunications Operators are still continuing. Together with some other new initiatives announced by the Chinese Government during 2015 such as "Internet +", raising network speed, lowering data tariffs, the enhancement of network capabilities as well as the anti-dumping duties imposed on imported preforms against those foreign suppliers from Japan and United States since August 2015, China market is in shortage of supply in optical fibre preforms and optical fibres starting from the last few months of 2015. Currently, the shortage situation has not been mitigated. As a result, the Company expects that the optical fibres and optical fibre cables market in the PRC in the second half of 2016 will remain promising.

In the second half of 2016, the Company will try its best endeavour to ensure the operation of PT. Yangtze Optical Fibre Indonesia, Yangtze Optical Fibre (Qianjiang) Co., Ltd. and the Ally First Optical Fibre and Cable Co., Ltd. as or ahead of scheduled, and to ensure the successful implementation of the capacity expansion projects, in order to seize the domestic and overseas market opportunities.

At the same time, the Group has participated in network construction projects and the provision of technological services on cabling network, and has entered into other business segments with potential for growth.

Our strategic goal remains unchanged, which is to become the market leader of the industry and to solidify our existing leading market position. The Group will focus on its four key strategies namely value chain extension, the continuous development of multi-processes production technologies on optical fibre preforms, internationalisation, and diversification in order to have a continuous success in our businesses. All of these can enhance our competitiveness in the market as well as enrich our product mix and then ultimately raise our profitability and hence create higher value for shareholders.

DIVIDEND

The Board resolved not to declare any interim dividend for the Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Corporate Governance 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. Ngai Wai Fung, Mr. Ip Sik On Simon and Mr. Li Zhuo, the independent non-executive directors of the Company. Mr. Ngai Wai Fung is the chairman of the audit committee.

The audit committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group as well as the internal controls and financial report matters, including the review of unaudited interim results of the Group for the six months ended 30 June 2016.

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 Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules (the "**CG Code**"). The Company has complied with all the code provisions under the CG Code for the six months ended 30 June 2016.

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

The Company has adopted the Company Securities Dealing Regulations on Directors, Supervisors and Related Employees (the "**Company's Code**") as its own code regarding securities transactions by directors and supervisors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries in writing 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 2016.

INTERIM REPORT

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

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
Wen Huiguo
Chairman

Wuhan, Hubei, PRC, 26 August 2016

As at the date of this announcement, the Board comprises Wen Huiguo and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Yeung Kwok Ki Anthony, Xiong Xiangfeng and Zheng Huili, as non-executive directors; Ngai Wai Fung, Ip Sik On Simon, Li Ping and Li Zhuo, as independent non-executive directors.