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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Total revenue was RMB8,102.3 million (2015: RMB6,731.1 million), increased by approximately 20.4% (2015: 18.6%).
- Gross profit and gross profit margin were RMB1,675.1 million (2015: RMB1,304.2 million) and 20.7% (2015: 19.4%), respectively.
- Profit before interests (net finance costs) and tax ("**EBIT**") were RMB887.8 million (2015: RMB756.9 million), increased by approximately 17.3% (2015: 30.1%).
- Profit for the year attributable to equity shareholders of the Company was RMB701.4 million (2015: RMB570.7 million), increased by approximately 22.9% (2015: 22.4%).
- The Group's revenue from domestic business increased by approximately 19.3% (2015: 17.5%), when compared with the prior year. The Group's overseas revenue increased by approximately 32.7% (2015: 33.0%), when compared with the prior year.
- The board of directors of the Company (the "**Board**") recommended a final dividend of RMB0.255 (2015: RMB0.174) (before tax) per share.

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 consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, extracted from the audited consolidated financial statements of the Group as set out in its 2016 annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and audited by KPMG, the auditors of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Note	2016 RMB'000	2015 RMB'000
Revenue	*3*	**8,102,313**	6,731,114
Cost of sales		**(6,427,238)**	(5,426,904)
Gross profit		**1,675,075**	1,304,210
Other income	*4*	**39,572**	87,196
Selling expenses		**(199,432)**	(162,994)
Administrative expenses		**(732,447)**	(551,452)
Profit from operations		**782,768**	676,960
Finance income	*5*	**18,182**	31,475
Finance costs	*5*	**(130,320)**	(156,371)
Net finance costs		**(112,138)**	(124,896)
Share of results of associates		**820**	268
Share of results of joint ventures		**104,221**	79,690
Profit before taxation	*6*	**775,671**	632,022
Income tax	*7*	**(96,953)**	(73,788)
Profit for the year		**678,718**	558,234
Other comprehensive income for the year (items that may be reclassified subsequently to profit or loss):			
Available-for-sale securities: net movement in the fair value reserve		**8,880**	51,065
Income tax relating to available-for-sale securities		**(1,352)**	(7,660)
Exchange differences on translation of financial statements of overseas subsidiaries		**14,424**	2,566
Other comprehensive income for the year		**21,952**	45,971
Total comprehensive income for the year		**700,670**	604,205

	Note	2016	2015
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Equity shareholders of the Company		**701,381**	570,722
Non-controlling interests		**(22,663)**	(12,488)
Profit for the year		**678,718**	558,234
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**719,277**	615,923
Non-controlling interests		**(18,607)**	(11,718)
Total comprehensive income for the year		**700,670**	604,205
Earnings per share *(RMB)*			
Basic and diluted	*8*	**1.03**	0.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

(Expressed in Renminbi)

	Note	2016 *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,321,032**	982,027
Construction in progress		**466,281**	88,743
Intangible assets		**211,432**	146,300
Lease prepayments		**231,734**	166,225
Interest in associates		**11,088**	10,747
Interest in joint ventures		**1,041,507**	720,312
Other non-current assets		**203,511**	429,670
Deferred tax assets		**55,956**	10,442
Total non-current assets		**3,542,541**	2,554,466
Current assets			
Inventories		**644,378**	678,062
Trade and bills receivable	*10*	**2,072,305**	2,119,178
Deposits, prepayments and other receivables		**238,183**	177,117
Income tax recoverable		**4,831**	–
Other financial assets		**248,801**	6,861
Cash and cash equivalents		**1,427,575**	2,047,125
Total current assets		**4,636,073**	5,028,343
Current liabilities			
Bank loans	*11*	**886,870**	1,636,609
Trade and bills payable	*12*	**880,481**	852,334
Accrued expenses and other payables		**802,574**	468,047
Income tax payable		**65,839**	19,877
Total current liabilities		**2,635,764**	2,976,867
Net current assets		**2,000,309**	2,051,476
Total assets less current liabilities		**5,542,850**	4,605,942

	Note	**2016**	2015
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	*11*	**869,579**	820,820
Deferred income		**237,453**	53,447
Total non-current liabilities		**1,107,032**	874,267
Net assets		**4,435,818**	3,731,675
Capital and reserves			
Share capital	*13*	**682,115**	682,115
Reserves		**3,494,961**	2,892,744
Total equity attributable to equity shareholders of the Company		**4,177,076**	3,574,859
Non-controlling interests		**258,742**	156,816
Total equity		**4,435,818**	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, further details of which are set out in note 13 to the financial information as set out in this announcement.

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. **ACCOUNTING POLICIES**

This financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations promulgated by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. **REVENUE**

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

4. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants	**25,947**	47,788
Royalty fees	**5,900**	5,900
Dividend income from available-for-sale equity securities	**5,405**	156
Gain on disposal of available-for-sale equity securities	**2,897**	4,915
Rental income from operating leases	**1,603**	822
Net loss on disposal of property, plant and equipment	**(2,081)**	(2,189)
Net realised and unrealised loss on trading securities	**(99)**	(595)
Gain on the remeasurement to fair value of pre-existing interest	**–**	425
Gain on a bargain purchase	**–**	29,974
	39,572	87,196

5. NET FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
(a) Finance income		
Interest income	**18,182**	31,475
(b) Finance costs		
Interest on bank loans	**(57,543)**	(64,786)
Less: interest expenses capitalised into construction in progress*	**5,655**	1,087
	(51,888)	(63,699)
Net foreign exchange losses	**(68,334)**	(84,664)
Other finance costs	**(533)**	(1,099)
Bank charges	**(9,565)**	(6,909)
Finance costs	**(130,320)**	(156,371)

* The borrowing costs have been capitalised at a rate of 2.85% (2015: 2.52%) per annum.

6. PROFIT BEFORE TAXATION

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

(a) Staff costs

	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**590,160**	425,802
Contributions to defined contribution retirement plan	**54,328**	41,710
	644,488	467,512

(b) Other items

	2016	2015
	RMB'000	*RMB'000*
Amortisation		
– lease prepayments	**5,294**	3,733
– intangible assets	**21,777**	4,719
Depreciation		
– property, plant and equipment held for use under operating leases	**1,679**	345
– other property, plant and equipment	**130,849**	115,687
Research and development costs	**235,915**	196,891

7. INCOME TAX

(a) Taxation in the consolidated statement of comprehensive income represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**143,819**	66,635
Deferred tax		
Origination and reversal of temporary differences	**(46,866)**	7,153
	96,953	73,788

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**775,671**	632,022
Notional tax on profit before taxation at PRC corporate income tax rate of 25%	**193,918**	158,006
Tax rate differentials	**(65,456)**	(47,042)
Effect of non-deductible expenses	**5,891**	199
Effect of non-taxable income	**(1,924)**	(7,639)
Effect attributable to the additional qualified tax deduction relating to research and development costs	**(25,762)**	(21,011)
Effect of share of results of associates and joint ventures	**(26,260)**	(19,990)
Effect of unused tax losses not recognised	**16,546**	11,265
Actual tax expense	**96,953**	73,788

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 and a PRC subsidiary obtained the "high-tech enterprise" status in 2014 and 2015. According to the approval documents, the Company and that PRC subsidiary have been approved as high-tech enterprises and are entitled to a preferential income tax rate of 15% for a period of 3 years, subject to the fulfilment of the recognition criteria.

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

8. 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 RMB701,381,000 (2015: RMB570,722,000) and the weighted average of 682,114,598 ordinary shares (2015: 640,981,710 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares	**2016**	2015
Issued ordinary shares at 1 January	**682,114,598**	639,462,598
Effect of new shares issued – note 13	**–**	1,519,112
Weighted average number of ordinary shares at 31 December	**682,114,598**	640,981,710

(b) Diluted earnings per share

The Company did not have any potential dilutive shares during both the current and prior years. Accordingly, diluted earnings per share are the same as basic earnings per share.

9. 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. No operating segments have been aggregated to form the following reportable segments.

- Optical fibres and optical fibre 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.

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 bases:

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 year is set out below:

	Year ended 31 December 2016			
	Optical fibres and optical fibre preforms	**Optical fibre cables**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment revenue				
Gross revenue from external customers	**4,090,678**	**3,580,739**	**448,661**	**8,120,078**
Elimination of revenue relating to downstream transactions with joint ventures	**(17,533)**	**–**	**(232)**	**(17,765)**
Revenue from external customers	**4,073,145**	**3,580,739**	**448,429**	**8,102,313**
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	**1,386,781**	**219,088**	**72,353**	**1,678,222**
Elimination of unrealised profits on downstream transactions with joint ventures	**(3,147)**	**–**	**–**	**(3,147)**
Reportable segment profit (gross profit)	**1,383,634**	**219,088**	**72,353**	**1,675,075**

	Year ended 31 December 2015			
	Optical fibres and optical fibre preforms	Optical fibre cables	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	3,756,593	2,643,275	332,102	6,731,970
Elimination of revenue relating to downstream transactions with joint ventures	(116)	–	(740)	(856)
Revenue from external customers	3,756,477	2,643,275	331,362	6,731,114
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	1,113,007	158,497	36,235	1,307,739
Elimination of unrealised profits on downstream transactions with joint ventures	(3,529)	–	–	(3,529)
Reportable segment profit (gross profit)	1,109,478	158,497	36,235	1,304,210

10. TRADE AND BILLS RECEIVABLE

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
– related parties	**168,538**	227,179
– third parties	**1,757,382**	1,732,005
Bills receivable	**176,071**	174,051
Less: allowance for doubtful debts	**(29,686)**	(14,057)
	2,072,305	2,119,178

As of the end of the reporting period, the ageing analysis of the Group's trade and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**1,696,918**	1,671,587
3 to 6 months	**148,389**	176,609
6 months to 1 year	**159,374**	142,975
1 to 2 years	**53,462**	111,313
2 to 3 years	**13,813**	12,146
Over 3 years	**349**	4,548
	2,072,305	2,119,178

During the years ended 31 December 2015 and 2016, the Group's customers included state-owned telecommunication network operators (the "**State-owned Telecommunication Operators**"), other independent third parties and certain joint ventures. The Group generally required the State-owned Telecommunication Operators to make 70%-80% payment upon delivery 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 customer 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.

11. BANK LOANS

At 31 December 2016, the Group's bank loans were unsecured and repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**886,870**	1,636,609
After 1 year but within 2 years	**600,579**	325,012
After 2 years but within 5 years	**227,000**	453,808
After 5 years	**42,000**	42,000
	869,579	820,820
	1,756,449	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 31 December 2015 and 2016, none of the covenants relating to bank loans had been breached.

12. TRADE AND BILLS PAYABLE

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
– related parties	**186,610**	132,460
– third parties	**608,588**	658,254
Bills payable	**85,283**	61,620
	880,481	852,334

As at 31 December 2016, the ageing analysis of the Group's trade and bills payable, based on invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**873,730**	846,567
Over 1 year but within 2 years	**3,516**	2,685
Over 2 years but within 3 years	**594**	534
Over 3 years	**2,641**	2,548
	880,481	852,334

13. EMPLOYEE STOCK OWNERSHIP SCHEME AND PRIVATE PLACEMENT OF DOMESTIC SHARES AND H SHARES

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, net of all relevant share issuing expenses.

14. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Final dividend proposed after the end of reporting period of RMB0.255 per ordinary share (2015: RMB0.174 per ordinary share)	**173,939**	118,688

The final dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2016	2015
	RMB'000	*RMB'000*
Final dividend declared in respect of the previous financial year	**118,688**	106,151

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 2016, whilst consolidating its advantage in optical fibre preforms, optical fibres and optical cables, and maintaining its leading position in domestic telecommunications market, the Group had also been deepening the internationalisation strategy and constantly expanding overseas markets. Meanwhile, the Group continued to extend to both upstream and downstream of the industry chain, actively expand diversified services, promote its new products and increase the scope of customers and market place enthusiastically.

During the year under review, the Group's revenue reached another year of record high to approximately RMB8,102.3 million, increased by approximately 20.4% as compared to 2015 of approximately RMB6,731.1 million. The Group reported a gross profit of RMB1,675.1 million, increased by approximately 28.4% as compared to 2015 of approximately RMB1,304.2 million. Excluding the net finance costs and tax, the Group's EBIT increased significantly from RMB756.9 million in 2015 to RMB887.8 million in 2016, representing an increase of approximately 17.3%. The Group's profit for the year attributable to the equity shareholders of the Company amounted to approximately RMB701.4 million, increased by approximately 22.9% as compared to 2015 of approximately RMB570.7 million.

Basic earnings per share was RMB1.03 per share (2015: RMB0.89 per share), which was calculated based on the weighted average number of shares issued, further details of which are set out in note 8 to the financial information as set out in this announcement.

On the other hand, the Company managed to generate positive cash flows from operating activities, further details of which are explained in the section headed "cash flow analysis" below.

Apart from the satisfactory financial results, the Group also made some great achievements and earned certain recognitions during 2016. The "independent preform and optical fibre industrialisation intelligent manufacturing project" of the Company was approved by Ministry of Industry and Information Technology and Ministry of Finance in China as intelligent manufacturing comprehensive standardisation and new mode application project. The "YOFC intelligent manufacturing" won widespread social recognition, and was repeatedly reported by "Xinwen Lianbo", "Half-Hour Economy" and as headline news of "People's Daily". The Company is practising and leading the transformation from "made in Hanyang" to "optical valley dream". During 2016, the Company, as the only industry representative successively won "Single Champion Demonstration Enterprise" within the category of 2016 Manufacturing Single Champion of Ministry of Industry and Information Technology (the first batch) and Strong Industrial Base Project. This shows the Company's comprehensive strength and industrial status. During 2016, the brand influence of the Company had progressed further. We had successfully hosted CRU World Optical Fibre and Cable Conference, one of the three major events in the industry, and won ICQCC International Quality Management Gold Award for three consecutive years. On top of these achievements, the Company had received numerous domestic and overseas quality awards such as award nomination for China Quality Award and International Star for Leadership in Quality.

Revenue

The Group's revenue for the year ended 31 December 2016 was approximately RMB8,102.3 million, representing an increase of 20.4% as compared to 2015 of approximately RMB6,731.1 million.

By product segment, a total revenue of approximately RMB4,073.1 million was contributed from our optical fibre preform and optical fibre segment, representing a growth of 8.4% as compared to 2015 of approximately RMB3,756.5 million and accounting for 50.3% (2015: 55.8%) of the Group's revenue; while a total revenue of RMB3,580.7 million was contributed by our optical fibre cable segment, representing a much higher growing momentum of 35.5% as compared to 2015 of approximately RMB2,643.3 million and accounting for 44.2% (2015: 39.3%) of the Group's 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 Telecommunication 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.

A total revenue of approximately RMB448.5 million was contributed by others, representing an increase of 35.3% as compared to 2015 of approximately RMB331.4 million and accounting for 5.5% (2015: 4.9%) of the Group's revenue. The significant increase mainly came from the consolidation of the full year's electric cable revenue of NK Wuhan Cable Co., Ltd. ("**NK Wuhan**") in 2016 since the completion of the acquisition of this entity on 25 December 2015.

By geographical segment, a total revenue of approximately RMB7,399.3 million was contributed by domestic customers, representing an increase of 19.3% (2015: 17.5%) as compared to 2015 of approximately RMB6,201.5 million and accounting for 91.3% of the Group's revenue. During 2016, the domestic revenue for optical fibre cables grew by 36.4% while the optical fibre preforms and optical fibres grew by 8.0%. For overseas market, a total revenue of approximately RMB703.0 million was reported in 2016, representing an increase of 32.7% (2015: 33.0%) as compared to 2015 of approximately RMB529.6 million and accounting for approximately 8.7% of the Group's revenue. The growth in overseas revenue was mainly driven by optical fibre cables and electric cables, among which optical fibre cables showed an increase of 28.5% in revenue.

During 2016, the Group had achieved strong business development in both local and overseas telecommunications operator market, which is one of the key stimulators for the significant growth in the Group's revenue.

Cost of sales

The Group's cost of sales for the year ended 31 December 2016 was approximately RMB6,427.2 million, representing an increase of 18.4% as compared to 2015 of approximately RMB5,426.9 million and accounting for 79.3% of the Group's revenue. The increase in cost of sales was in line with the increase in sales volume.

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.

In 2016, the Group's total raw material costs was approximately RMB5,797.4 million, representing an increase of 17.9% as compared to approximately RMB4,918.4 million in 2015.

For the year ended 31 December 2016, the Group's manufacturing overheads and direct labour costs amounted to approximately RMB629.8 million, representing an increase of 23.9% as compared to RMB508.5 million in 2015.

Gross profit and gross profit margin

For the year ended 31 December 2016, the Group reported a gross profit of RMB1,675.1 million, representing an increase of 28.4% as compared to RMB1,304.2 million in 2015 and the gross profit margin increased to 20.7% in 2016 (2015: 19.4%). 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.

Other income

Other income was RMB39.6 million in 2016, representing a decrease of 54.6% as compared to RMB87.2 million in 2015. The decrease was mainly because the government grants recognised during the year decreased by approximately RMB21.8 million compared to that of last year, and the gain on a bargain purchase of RMB30.0 million was recognised from the acquisition of NK Wuhan during 2015.

Selling expenses

The Group's selling expenses for the year ended 31 December 2016 were RMB199.4 million, representing an increase of 22.4% as compared to RMB163.0 million in 2015. The increase was mainly due to more optical cables were sold during the year which resulted in a higher transportation costs.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 were RMB732.4 million, representing an increase of 32.8% as compared to RMB551.5 million in 2015. The increase was mainly because of the increase in research and development expenses, staff costs, as well as administrative expenses incurred by the newly established subsidiaries.

Net finance costs

The Group's net finance costs for the year ended 31 December 2016 were RMB112.1 million, representing a decrease of 10.2% as compared to RMB124.9 million in 2015, which was mainly because of foreign exchange loss from the re-measurement of those foreign currency liabilities, mostly in foreign currency denominated bank loans which, decreased by approximately RMB16.3 million. During the year, the Group continued to restructure its bank loan by borrowing more RMB loans in order to decrease the net foreign exchange losses from the exchange depreciation of RMB against the US Dollar and the Euro. As at 31 December 2016, 63.7% of the bank loans was in RMB, 32.9% was in Euro and 3.4% was in US Dollar.

The interest rates of the bank loans in 2016 ranged from 0.10% to 4.75% per annum (2015: 0.72% to 3.92% per annum), while the annual effective interest rate for the borrowings in 2016 was 2.48% (2015: 2.57%).

Income tax

The Group's income tax for the year ended 31 December 2016 was RMB97.0 million, representing an increase of 31.4% as compared to RMB73.8 million in 2015. On the other hand, the effective tax rate increased from 11.7% in 2015 to 12.5% in 2016. In 2014 and 2015, the Company and a PRC subsidiary have been approved as high-tech enterprise for a period of 3 years and were entitled to a preferential tax rate of 15%.

Capital expenditures

During the year, the Group incurred a total capital expenditure of approximately RMB977.5 million (2015: RMB322.3 million) for the purchases of property, plant and equipment, construction in progress, lease prepayments and intangible assets, which were primarily related to the production capacity expansion of our three major products and the improvement in production efficiency of our existing production capacity on optical fibre preforms and optical fibres both locally and globally.

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 above mentioned 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 31 December 2016, the net proceeds from the Global Offering had been fully utilised in accordance with the uses as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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 "**Private Placement**"). Details of the Private Placement of shares are set out in note 13 to the financial information as set out in this announcement. 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 31 December 2016, the aggregate net proceeds from the Private Placement amounting to RMB242.3 million (equivalent to approximately HK$291.8 million) has been used to (i) contribute capital of RMB189.5 million (equivalent to approximately HK$228.6 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 31 December 2016, the paid-up capital has been used to purchase land and build 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 31 December 2016, the paid-up capital has been used to purchase fibre drawing equipment; (b) contribute capital of RMB33.1 million (equivalent to approximately HK$39.6 million) to Yangtze Optics Africa Holdings Proprietary Limited, a non-wholly owned subsidiary in South Africa, as at 31 December 2016, the paid capital has been partly used to purchase optical cable equipment; and (c) pay RMB9.2 million (equivalent to approximately HK$11.0 million) as general working capital for operating expenses. The unutilized net proceeds of RMB9.0 million (equivalent to approximately HK$10.7 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 of the Company in relation to the Private Placement, and make disclosure on the details of usage.

Use of proceeds from the Private Placement	Planned Percentage	Planned use of net proceeds	Actual use of net proceeds: Up to 31 December 2015	Actual use of net proceeds: Up to 31 December 2016	Actual use of net proceeds: Up to 24 March 2017 (the date of this announcement)	Unused proceeds: As at 31 December 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	–	189.5	189.5	–/–
Supporting the development and capacity expansion of the Group and supplement working capital	25%	61.8	–	52.8	52.8	9.0/9.0
Total	100%	251.3	–	242.3	242.3	9.0/9.0

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 31 December 2016 was 7.4% (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 year ended 31 December 2016.

	2016	2015
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,303,377**	550,820
Net cash used in investing activities	**(1,097,196)**	(507,833)
Net cash used in financing activities	**(857,817)**	(33,179)
Net (decrease)/increase in cash and cash equivalents	**(651,636)**	9,808

The Group's net cash generated from operating activities increased by approximately RMB752.6 million, which was mainly due to the increase in profit before taxation by RMB143.6 million and the positive change in working capital of RMB657.3 million.

The Group's net cash used in investing activities increased by approximately RMB589.4 million, which was mainly due to the investments on local and overseas projects in order to expand production capacity of the Group.

The Group's net cash used in financing activities increased by approximately RMB824.6 million, which was mainly due to the repayment of bank loans in 2016.

Cash and cash equivalents as at 31 December 2016 were cash at banks and in hand, which were mainly in Renminbi, US Dollars, South African Rand, Euro and HK Dollars.

Net current assets

As at 31 December 2016, the Group's net current assets was RMB2,000.3 million, decreased slightly by RMB51.2 million from RMB2,051.5 million as at 31 December 2015. The slight decrease in net current assets was mainly due to the combined effect of (i) increase in deposits, prepayments and other receivables by approximately RMB61.1 million; (ii) increase in other financial assets by approximately RMB241.9 million; (iii) decrease in cash and cash equivalents by approximately RMB619.6 million; (iv) decrease in bank loans by approximately RMB749.7 million; (v) increase in accrued expenses and other payables by approximately RMB334.5 million; and (vi) increase in income tax payable by approximately RMB46.0 million..

Bank loans

As at 31 December 2016, the Group's bank loans were RMB1,756.4 million, representing a significant decrease of RMB701.0 million from approximately RMB2,457.4 million as at 31 December 2015. As at 31 December 2016, 69.8% of the Group's bank loans were fixed rate loans and 30.2% were floating rate loans. Out of the Group's bank loans, 32.9% was Euro loans, 3.4% was US Dollars loans, and the remaining balance of 63.7% was Renminbi loans.

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 36.3% as at 31 December 2016, while the proportion of RMB loans increased from 7.6% as at 31 December 2015 to 63.7% as at 31 December 2016.

Commitments and contingencies

As at 31 December 2016, the Group's outstanding capital commitments in relation to property, plant and equipment amounted to approximately RMB928.5 million (2015: approximately RMB943.9 million), lease prepayment amounted to RMB16.9 million (2015: approximately RMB44.0 million), and investment in equity securities amounted to approximately RMB16.7 million (2015: approximately RMB226.8 million). Out of total outstanding commitments as at 31 December 2016 of approximately RMB962.1 million (2015: RMB1,214.7 million), a total amount of approximately RMB196.3 million (2015: approximately RMB428.9 million) had been contracted for and the remaining balance of approximately RMB765.8 million (2015: approximately RMB785.8 million) had been authorised by the Board but not yet contracted for.

As at 31 December 2016, the Group did not have any material contingent liability.

CHARGE ON ASSETS

As at 31 December 2016, the Group did not charge any of its assets to secure any banking facility or bank loan.

FUNDING AND TREASURY POLICY

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the revenues and expenses are settled in RMB while some of the Group's sales, purchases and financial liabilities are denominated in US Dollars 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 currency losses. During the year, 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 RMB68.3 million.

During the year, the Group entered into several currency structured forward contracts to reduce our foreign currency risks. The Group will closely monitor the ongoing movements on exchange rates and will consider entering into other hedging arrangements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 3,500 full-time employees (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 promotions. 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 China.

The Group arranges external training courses, seminars and technical courses for employees to enhance their professional knowledge and skills, their understanding of market development and management and operational skills.

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 Employee 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, and key employees of the Group (excluding independent non-executive directors and external supervisors). Details of the Private Placement in connection with the Employee Stock Ownership Scheme are set out in note 13 to the financial information as set out in this announcement.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2016, the Company did not enter into any non-recourse trade receivables factoring arrangements with a commercial bank in China (2015: RMB62.8 million). In addition, as at 31 December 2016, the Company discounted and endorsed certain bank bills receivable with a carrying amount of approximately RMB293.8 million (2015: RMB245.4 million) to certain commercial banks in China and its suppliers.

FORMATION OF NEW OVERSEAS PRESENCES

In November 2016, the Board approved the establishment of an optical cable plant in Indonesia via a joint venture. The paid-up capital of the joint venture is US Dollars 14 million and the joint venture is held as to 70% by the Company and 30% by the local partner in Indonesia. The financial results of the joint venture will be consolidated in the Group's financial statements as a non-wholly owned subsidiary from the date of its establishment.

FORMATION OF NEW PRESENCES IN CHINA

On 2 March 2016, the Company established a joint venture namely Wuhan E3cloud Information Technologies Co., Ltd. ("**E3cloud**") in Wuhan, Hubei with Everpro Technologies Co., Ltd. ("**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 operating system, 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 operating system. To strengthen software development ability, the joint venture introduced a strategic investor namely China Standard Software Co., Ltd. ("**CS2C**") during the year, and then the joint venture was held as to 26.93% by the Company, 47.14% by EverPro and 25.93% by CS2C. The total paid-up capital was RMB111.4 million and a total of RMB30 million was contributed by the Company to E3cloud during the year ended 31 December 2016.

The establishment of all the above joint ventures and subsidiaries as disclosed under the sections headed "Formation of New Overseas Presences" and "Formation of New Presences in China" did not constitute notifiable transactions or connected transactions of the Company under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

OUTLOOK

The Group continues to set its strategic goal on becoming the leader of the industry and consolidating its current leading position in the market. In 2017, the Group will adhere to its mid-to-long term development strategies by promoting the organic growth of optical fibre preform, optical fibre and optical cable businesses, deepening the implementation of internationalisation strategies, strengthening technological innovation and intelligent manufacturing, actively exploring diversified development and increasing its working capital, so as to promote rapid corporate development and create higher value for its shareholders and customers.

In January 2017, the National Development and Reform Commission and Ministry of Industry and Information Technology jointly issued the "3-Year Action Plan for Major Constructions of Information Infrastructure" (信息基礎設施重大工程建設三年行動方案); under such plan, the construction of communication networks will be further expanded with 92 information infrastructure projects, involving total investment amount of RMB1.2 trillion, set to get off the drawing board during the period from 2016 to 2018. During the same period, the Ministry of Industry and Information Technology issued the "Development Plan for Information and Communication Industry 2016-2020 (信息通信行業發展規劃(2016-2020年))", which confirms that, during the later stage of the 13th Five-Year Plan, the infrastructure of the national information and communication networks covering land, sea and air will be further perfected and 5G will be applied in business-related services.

In view of the attractive market opportunity right in front of us, the Group has set out a comprehensive plan in advance. In March 2017, Ally First Optical Fibre and Cable Co., Ltd. successfully commenced operation and will be developed into the most influential fibre optics supplier in Eastern China. YOFC Qianjiang Science & Technology Park, which is built along the Jianhan Plain and integrated the advantages and resources of the global industrial chain of optical fibres and optical fibre cables, has started trial production. It will also, without doubt, become a shining star in the global industry of optical fibres and optical fibre cables. The Group will ensure the stable operation of projects that commenced production lately in China and overseas, enhance the advantage in supply, strive for more market sales and share, consolidate the market leading position and recover its investment in projects as soon as possible.

While maintaining the leading position in the domestic market, the Group will deepen the implementation of internationalisation strategies. On one hand, we ensure the stable operation of YOFC-Yadanarbon Fibre Co., Ltd., PT. Yangtze Optical Fibre Indonesia and Yangtze Optics Africa Holdings Proprietary Limited, speed up the construction of the Indonesia Optical Fibre Cables Project and actively look for investment opportunities in other emerging markets to optimise the plan of overseas localized production. On the other hand, we will strengthen the layout of overseas sales by enhancing the capacity of localized sales services and accelerating the expansion of export scale in optical fibres and optical fibre cables.

The Group will continue to strengthen technological innovation and intelligent manufacturing, build a research and development platform for the Group, innovate a system of product research and development and introduce more products and solutions with market potentials and competitive advantages. Meanwhile, we will integrate internal and external resources to actively promote a series of intelligent manufacturing projects, establish intelligent manufacturing plans of optical fibres and optical fibre cables and enhance the advantage in production cost. We will also actively pursue diversification by seeking new opportunities of entry regarding specific products and devices, materials and application and consultation services, with a view to boosting the continuous growth in revenue and profit of the Group.

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 year ended 31 December 2016.

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 (the "**CG Code**"). 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 the annual results of the Group for the year ended 31 December 2016. The audit committee has also reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 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 CG Code and has complied with all the code provisions under the CG Code during the year ended 31 December 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 year ended 31 December 2016.

PROPOSED FINAL DIVIDEND

The Board proposed the distribution of a final dividend for the year ended 31 December 2016 of RMB0.255 (2015: RMB0.174) (before considering any tax effect) per share totaling RMB173,939,000 (2015: RMB118,688,000) (the "**2016 Final Dividend**"), which will be subject to the approval of shareholders of the Company at the forthcoming 2016 annual general meeting ("**AGM**"). Dividend payable to holders of domestic shares will be paid in Renminbi, whereas dividend payable to holders of the H shares will be declared in Renminbi and paid in Hong Kong dollars (other than dividends in respect of the H shares held by Draka, which will be paid in Euro), the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China during the week prior to the AGM. Subject to the approval of the AGM, the 2016 Final Dividend will be paid on 28 July 2017. Further announcement containing the information in relation to the book closure period for determining entitlement to receive the 2016 Final Dividend will be published by the Company in due course.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the final dividend as enterprise income tax, distribute the final dividend to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) (the "**Tax Treaties Notice**"), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

The Company will identify the country of domicile of the individual holders of H shares according to their registered address on the H share register of members of the Company (the "**Registered Address**"). If the domicile of an individual holders of H shares is not the same as the Registered Address or if the individual holders of H shares would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual holders of H shares shall notify and provide relevant supporting documents to the Company. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement the relevant tax withholding provisions and arrangements. Individual holders of H shares may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notice if they do not provide the relevant supporting documents to the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from or in connection with any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

Shareholders are recommended to consult their tax advisors regarding the PRC, Hong Kong and other tax implications arising from or in connection with their holding and disposal of the H shares of the Company.

The Board is not aware that any shareholder of the Company has waived or agreed to waive any dividends.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 will be despatched to shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yofc.com) in due course.

FORWARD-LOOKING STATEMENTS

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

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

Wuhan, PRC, 24 March 2017

As at the date of this announcement, the Board comprises Zhuang Dan and Frank Franciscus Dorjee, as executive directors; Ma Jie, Yao Jingming, Philippe Claude Vanhille, Pier Francesco Facchini, 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.

* *For identification purposes only*