Putian Communication Group Limited
普天通信集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1720)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022, the Group's operating results were summarised as follows:

- Total revenue increased by approximately 3.5% to approximately RMB646.3 million (2021: approximately RMB624.5 million).
- Gross profit increased by approximately 1.8% to approximately RMB147.0 million (2021: approximately RMB144.4 million).
- Gross profit margin decreased by approximately 0.3% to approximately 22.8% (2021: approximately 23.1%).
- Profit for the year attributable to the owners of the Company decreased by approximately 43.9% to approximately RMB24.7 million (2021: approximately RMB44.0 million).
- Revenue from sale of optical fibers and optical fiber cables recorded an increase of approximately 71.9% to approximately RMB201.5 million (2021: approximately RMB117.2 million); revenue from sale of communication copper cables decreased by approximately 15.9% to approximately RMB296.8 million (2021: approximately RMB353.1 million); revenue from sale of structured cabling system products decreased by approximately 4.1% to approximately RMB147.9 million (2021: approximately RMB154.2 million).
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Putian Communication Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures for the year ended 31 December 2021 (the "**Last Year**"). The annual results have been reviewed by the audit committee of the Company and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	**646,253**	624,540
Cost of sales		**(499,219)**	(480,158)
Gross profit		**147,034**	144,382
Other income		**2,278**	3,073
Selling and distribution expenses		**(45,963)**	(44,584)
Administrative expenses		**(48,709)**	(45,336)
(Provision for)/reversal of expected credit losses on financial assets		**(750)**	1,156
Finance costs	5	**(19,037)**	(2,516)
Profit before income tax	6	**34,853**	56,175
Income tax expense	7	**(10,173)**	(12,172)
Profit for the year		**24,680**	44,003
Profit for the year attributable to the owners of the Company		**24,680**	44,003
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**2,940**	(1,452)
Other comprehensive income/(loss) for the year, net of tax		**2,940**	(1,452)
Total comprehensive income for the year attributable to the owners of the Company		**27,620**	42,551
Earnings per share	8		
Basic and diluted		**RMB0.022**	RMB0.040

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**431,785**	455,736
Intangible assets	10	**10,283**	–
Prepayments for property, plant and equipment and intangible assets	12	**63,769**	7,088
Deferred tax assets		**7,268**	7,733
		513,105	470,557
Current assets			
Inventories		**78,278**	80,857
Trade and bills receivables	11	**382,985**	274,392
Deposits, prepayment and other receivables	12	**100,105**	90,028
Restricted cash	13	**37,719**	25,846
Cash and cash equivalents		**69,389**	65,404
		668,476	536,527
Current liabilities			
Trade and bills payables	14	**170,518**	101,256
Contract liabilities		**19,421**	5,626
Lease liabilities		**1,482**	1,059
Accruals and other payables		**50,469**	69,170
Current tax liabilities		**4,463**	3,694
Bank and other borrowings	15	**234,323**	173,200
		480,676	354,005
Net current assets		**187,800**	182,522
Total assets less current liabilities		**700,905**	653,079

	Notes	**2022** RMB'000	2021 RMB'000
Non-current liabilities			
Bank and other borrowings	*15*	**104,358**	86,300
Lease liabilities		**658**	354
Deferred tax liabilities		**25,477**	23,633
		130,493	110,287
NET ASSETS		**570,412**	542,792
EQUITY			
Share capital		**9,361**	9,361
Reserves		**561,051**	533,431
TOTAL EQUITY		**570,412**	542,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Putian Communication Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies laws. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9 November 2017. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's headquarters and principal place of business is located at the People's Republic of China (the "**PRC**"). The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together referred to as the "**Group**") are production and sales of optical fibers and optical fiber cables, communication copper cables and structured cabling system products in the PRC.

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") as explained in Note 2.1 below.

2. ADOPTION OF NEW AND AMENDED HKFRS

2.1 Adoption of amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2022, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group has adopted the Amendments to AG 5 (Revised) – Merger Accounting for Common Control Combination.

The application of the amendments to HKFRSs in the year has had no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* in the previous financial year.

2.2 New and amendments to HKFRSs not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

3.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company and certain of its subsidiaries is Hong Kong dollars ("**HKD**"). As the major operations of the Group are within the PRC, the Group presents its consolidated financial statements in Renminbi ("**RMB**") and are rounded to the nearest thousand except where otherwise indicated.

4. REVENUE

The principal activities of the Group are the production and sales of optical fibers and optical fiber cables, communication copper cables and structured cabling system products.

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**646,253**	624,540

(i) Business results

Segment profit represents the profit earned by each segment without allocation of central administrative expenses (including emoluments of directors and senior management), other income and gains and finance cost. This is the measure reported to the Group's chief operating decision-maker for the purposes of resource allocation.

	Optical fibers and optical fiber cables *RMB'000*	**Communication copper cables** *RMB'000*	**Structured cabling system products** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2022				
Revenue from external customers and reportable segment revenue				
– Point in time	**201,531**	**296,803**	**147,919**	**646,253**
Reportable segment profit	**9,728**	**26,788**	**48,798**	**85,314**
Year ended 31 December 2021				
Revenue from external customers and reportable segment revenue				
– Point in time	117,235	353,122	154,183	624,540
Reportable segment profit	7,432	32,057	44,027	83,516

Reportable segment revenue is revenue from contracts with customers within the scope of HKFRS 15.

(ii) Geographic information

The following table provides an analysis of the Group's revenue generated from external customers by geographical market.

	2022 *RMB'000*	2021 *RMB'000*
The PRC	**645,323**	624,540
Overseas	**930**	–
	646,253	624,540

(iii) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue during the year then ended, is set out below:

	2022	2021
	RMB'000	*RMB'000*
Customer A *(Note 1)*	**65,293**	92,626
Customer B *(Note 2)*	**94,386**	136,477
Customer C *(Notes 3 and 4)*	**91,107**	38,197

Notes:

1. Revenue from optical fiber cables, communication copper cables and structure cabling system products

2. Revenue from communication copper cables and structure cabling system products

3. Revenue from optical fibers and optical fiber cables

4. Revenue from relevant customer was less than 10% of the Group's total revenue for the year ended 31 December 2021

5. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interests and finance charges on bank and other borrowings	**18,927**	10,185
Interests on lease liabilities	**110**	70
Less: Amount capitalised *(Note)*	**–**	(7,739)
	19,037	2,516

Note: Borrowing costs capitalised for the year ended 31 December 2021 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.26% per annum to expenditure on qualifying assets.

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	2022	2021
	RMB'000	*RMB'000*
Auditors' remuneration	**865**	1,180
Cost of inventories recognised as expenses *(Note (i))*	**499,219**	480,158
Transportation expenses (included in selling and distribution expenses)	**8,992**	13,761
Research expenditures (included in administrative expenses)	**15,757**	16,283
Depreciation of property, plant and equipment and right-of-use assets *(Notes (ii) and Note 9)*	**33,856**	22,788
Amortisation of intangible assets (included in cost of sales) *(Note 10)*	**1,038**	–
(Reversal of)/write-down of inventories	**(1,090)**	2,433
Provision for/(reversal of) expected credit losses on financial assets	**750**	(1,156)
Interests on lease liabilities	**110**	70
Short-term lease expenses *(Note (iii))*	**122**	1,562
Employee benefit expenses (including directors' emoluments – (*Note (iv))*:		
– Salaries and wages, allowances and bonus	**54,857**	43,038
– Defined contribution schemes *(Note (v))*	**5,788**	5,294
	60,645	48,332

Notes:

(i) Amounts included materials consumption of approximately RMB441,829,000 (2021: RMB453,316,000).

(ii) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB24,684,000 (2021: RMB16,209,000), RMB256,000 (2021: RMB350,000) and RMB8,916,000 (2021: RMB6,229,000) are included in cost of sales, selling and distribution expenses and administrative expenses, respectively.

(iii) These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

(iv) Employee benefit expenses (including directors' remuneration) of approximately RMB26,878,000 (2021: RMB22,439,000), RMB17,672,000 (2021: RMB16,962,000) and RMB16,095,000 (2021: RMB8,931,000) were included in selling and distribution expenses, administrative expenses and cost of sales, respectively.

(v) The Group participates in the schemes, whereby subsidiaries of the Group in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the schemes to fund their retirement benefits. The only obligation of the Group with respect to the schemes is to pay the ongoing required contributions under the schemes. There are no provisions under the schemes whereby forfeited contributions may be used to reduce future contributions.

7. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax – the PRC Enterprise Income Tax ("EIT")		
Charge for the year	**7,864**	9,932
Deferred tax		
Charge for the year	**2,309**	2,240
Income tax expense	**10,173**	12,172

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2021: Nil).

No provision for income tax in the Cayman Islands and the British Virgin Islands (the "**BVI**") has been made as the Company's subsidiaries had no assessable income in these jurisdictions during the year (2021: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25% (2021: 25%) except as described below. Provision for the EIT for the year then ended was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Putian Cable Group Co., Ltd., one of the subsidiaries of the Company, was approved to be a high and new technology enterprise ("**HNTE**") and is entitled to a preferential income tax rate of 15% (2021: 15%) for the year according to the PRC tax law, as it was awarded high-technology status by tax authority with a validity period of three years expiring in 2025. The HNTE certificate needs to be renewed every three years so as to enable Putian Cable Group Co., Ltd. to enjoy the reduced tax rate and additional 100% (2021: 100%) tax deduction ("**Tax Deduction**") based on the eligible research and development expenses.

Income tax expense for the year can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before income tax	**34,853**	56,175
Tax calculated at the applicable tax rate of 25% (2021: 25%)	**8,713**	14,044
Effect of different tax rates	**(8,120)**	(5,638)
Tax effect of expenses not deductible for tax purposes	**360**	799
Effect attributable to the Tax Deduction relating to research expenditures	**(2,361)**	(1,830)
Deferred tax on undistributed earnings of the PRC subsidiaries	**1,844**	2,513
Effect of tax losses not recognised	**9,737**	2,284
Income tax expense	**10,173**	12,172

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB24,680,000 (2021: RMB44,003,000) and the weighted average of 1,100,000,000 shares (2021: 1,100,000,000 shares) in issue during the year, calculated as follows:

	2022	2021
	RMB	*RMB*
Earnings per share		
Basic and diluted	**0.022**	0.040

There were no potential ordinary shares in issue during the years ended 31 December 2022 and 2021 and, therefore, diluted earnings per share are the same as the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
COST						
At 1 January 2021	217,197	90,832	135,337	2,272	19,929	465,567
Additions	80,876	7,252	27,894	314	1,198	117,534
Transferred (from)/to	(194,390)	141,808	52,582	–	–	–
Disposals	–	(234)	–	–	–	(234)
At 31 December 2021	103,683	239,658	215,813	2,586	21,127	582,867
Additions	–	5,850	2,839	380	836	9,905
Transferred (from)/to	(102,023)	12,255	89,768	–	–	–
Disposals	–	(1,942)	–	–	–	(1,942)
At 31 December 2022	**1,660**	**255,821**	**308,420**	**2,966**	**21,963**	**590,830**
ACCUMULATED DEPRECIATION						
At 1 January 2021	–	26,661	65,197	2,049	10,670	104,577
Depreciation	–	6,699	12,440	142	3,507	22,788
Disposals	–	(234)	–	–	–	(234)
At 31 December 2021	–	33,126	77,637	2,191	14,177	127,131
Depreciation	–	9,423	21,465	208	2,760	33,856
Disposals	–	(1,942)	–	–	–	(1,942)
At 31 December 2022	**–**	**40,607**	**99,102**	**2,399**	**16,937**	**159,045**
NET BOOK VALUE						
At 31 December 2022	**1,660**	**215,214**	**209,318**	**567**	**5,026**	**431,785**
At 31 December 2021	103,683	206,532	138,176	395	6,950	455,736

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values.

Buildings and structures which are held for own use are situated in the PRC. At 31 December 2022, land and buildings with carrying amounts of approximately RMB203,421,000 (2021: RMB186,813,000) were pledged as collateral for Group's bank and other borrowings (Note 15).

Certain items of buildings with an aggregate net carrying amount of approximately RMB157,834,000 (2021: RMB142,135,000) as at 31 December 2022 are under title certificate application. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned properties and therefore the aforesaid matter does not affect the ownership rights of the Group over these assets and hence did not have any significant impact on the Group's consolidated financial position as at 31 December 2022.

The Group leases a number of properties for the purpose of office use in the PRC and Hong Kong and has the ownership interest in the prepaid land lease in the PRC. The Group's interests in these right-of-use assets, which are included in "Land and buildings" class of property, plant and equipment, is set out below:

Right-of-use assets

	Land and buildings *RMB'000*
At 1 January 2021	12,856
Addition	1,951
Depreciation	(2,253)
At 31 December 2021 and 1 January 2022	12,554
Addition	2,409
Depreciation	(2,020)
Exchange realignment	34
At 31 December 2022	**12,977**

	2022 ***RMB'000***	2021 *RMB'000*
Ownership interests in prepaid land lease, carried at depreciation cost with remaining lease term of:		
Between 10 and 50 years	**10,833**	11,121
Other properties leased for own use, carried at depreciated cost	**2,144**	1,433
Carrying amount	**12,977**	12,554

10. INTANGIBLE ASSETS

	Patents
	RMB'000
COST	
At 1 January 2022	–
Additions	11,321
At 31 December 2022	11,321
ACCUMULATED AMORTISATION	
At 1 January 2022	–
Amortisation	(1,038)
At 31 December 2022	(1,038)
NET BOOK VALUE	
At 31 December 2022	10,283
At 31 December 2021	–

Patents have finite useful lives over which the assets are amortised. Amortisation of patents is amortised on the straight-line basis over 10 years.

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**386,500**	279,783
Bills receivables *(Note)*	**4,047**	1,421
	390,547	281,204
Less: Loss allowance	**(7,562)**	(6,812)
	382,985	274,392

Note: Bills receivables represented outstanding commercial acceptance bills.

Based on the invoice dates, the ageing analysis of the Group's net amount of trade and bills receivables is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**94,514**	81,701
More than 1 month but within 2 months	**80,889**	76,889
More than 2 months but within 3 months	**39,488**	39,325
More than 3 months but within 6 months	**99,904**	57,458
More than 6 months but within 1 year	**55,079**	18,217
More than 1 year	**13,111**	802
	382,985	274,392

The credit term granted by the Group to its trade customers is normally ranged from 60 days to 365 days.

12. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Current		
Deposits	**33,697**	34,362
Prepayments to suppliers	**41,550**	43,992
Prepayments	**4,335**	3,197
Valued added tax receivables	**15,811**	6,132
Other receivables	**4,712**	2,345
	100,105	90,028
Non-current		
Prepayments for property, plant and equipment and intangible assets *(Note)*	**63,769**	7,088

Note:

During the year, the Group made certain prepayments to certain independent third parties for purchases of equipment of an optical fiber production line (2021: for purchases of equipment and patents for an optical fiber production line). As at 31 December 2022, the relevant capital commitment for the new phase of production line is approximately RMB39,916,000 (2021: RMB8,400,000).

13. RESTRICTED CASH

Bank deposits have been pledged as security for bills payables (*Note 14*) and bank borrowings (*Note 15*). The restricted cash will be released upon the settlement of relevant bills payables and bank borrowings.

Restricted cash carry interests at prevailing market rates ranging from 0.25% to 2.00% per annum.

14. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**83,579**	59,399
Bills payables	**86,939**	41,857
	170,518	101,256

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range from 30 days to 90 days, and bills payables maturity periods are normally range from 180 days to 360 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade and bills payables as at the end of each reporting period is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**60,218**	33,622
More than 1 month but within 2 months	**14,543**	19,684
More than 2 months but within 3 months	**42,026**	4,912
More than 3 months but within 6 months	**30,031**	20,598
More than 6 months but within 1 year	**21,817**	21,011
More than 1 year	**1,883**	1,429
	170,518	101,256

The trade and bills payables are short-term in nature and hence the carrying values of the Group's trade and bills payables are considered to be a reasonable approximation of fair value.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

At 31 December 2022, bills payables of approximately RMB61,837,000 (2021: RMB41,857,000) were secured by pledged bank deposits (*Note 13*).

15. BANK AND OTHER BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Bank borrowings – Secured *(Notes (i), (ii) and (iv))*:		
Secured by the property, plant and equipment of the Group	**64,400**	30,000
Secured by the properties owned by the controlling shareholders and their associates	**20,000**	38,000
Secured jointly by the property, plant and equipment of the Group and the controlling shareholders	**111,000**	96,000
Secured by personal guarantee *(Note (iii))*	**70,000**	12,000
Secured by personal bank balances of the controlling shareholder	**9,500**	9,500
Bank borrowings – Unsecured *(Note (iv))*	**–**	9,000
	274,900	194,500
Other borrowings – Secured *(Notes (i) and (iv)):*		
Secured by the Group's property, plant and equipment *(Note (ii))*	**30,781**	32,000
Secured by the Company's certain shareholding in its two PRC subsidiaries	**33,000**	33,000
	63,781	65,000
	338,681	259,500
Less: amount classified as non-current liabilities	**(104,358)**	(86,300)
Current liabilities	**234,323**	173,200
Borrowings fall due :		
– Within one year	**234,323**	173,200
– Between one and two years	**63,066**	26,700
– Between two to five years	**15,984**	59,600
– Over five years	**25,308**	–
Total bank and other borrowings	**338,681**	259,500

Notes:

(i) Bank borrowings of approximately RMB101,400,000 (2021: RMB61,000,000), bear variable interests at the bank's loan prime rate plus a premium. The effective interest rates of these borrowings are ranging from 5.00% to 5.65% (2021: 5.20% to 5.70%) per annum as at 31 December 2022.

Bank borrowings of approximately RMB173,500,000 (2021: RMB133,500,000), bear interest at fixed rates, ranging from 4.22% to 5.66% (2021: 4.35% to 5.66%) per annum as at 31 December 2022.

Other borrowings bear interests at fixed rates, ranging from 0.00% to 8.41% (2021: 0.00% to 6.10%) per annum as at 31 December 2022. The weighted average effective interest rate on these borrowings is 5.56% (2021: 4.70%) per annum as at 31 December 2022.

(ii) The bank and other borrowings are secured by the assets of the Group, the carrying amounts of these assets are set out as follows:

	2022	2021
	RMB'000	*RMB'000*
Property, plant and equipment (*Note 9*)		
– Land and buildings	**203,421**	186,813
– Machinery	**67,472**	51,441
Bank deposits (*Note 13*)	**37,719**	25,846
	308,612	264,100

(iii) As at 31 December 2022 and 2021, guarantees were provided by the controlling shareholders and the family members of the controlling shareholders for the bank and other borrowings.

(iv) A summary of facilities granted by banks and other borrowers and the amounts utilised by the Group at 31 December 2022 and 2021 is set out as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts granted	**402,281**	259,500
Amounts utilised	**338,681**	259,500

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a total revenue of approximately RMB646.3 million for the Year, which represented an increase of approximately 3.5% as compared with the one for the Last Year. The Group realised a gross profit of approximately RMB147.0 million for the Year, which represented an increase of approximately 1.8% as compared with the one for the Last Year. Profit for the Year attributable to the owners of the Company was approximately RMB24.7 million, which represented a decrease of approximately 43.9% as compared with the one for the Last Year.

The increase in revenue was mainly attributable to the increase sale of optical fibers and optical fiber cables increased by approximately 71.9% to approximately RMB201.5 million for the Year (the Last Year: approximately RMB117.2 million). Sale of communication copper cables decreased by approximately 15.9% to approximately RMB296.8 million for the Year (the Last Year: approximately RMB353.1 million). The sale of structured cabling system products decreased by approximately 4.1% to approximately RMB147.9 million (the Last Year: approximately RMB154.2 million).

In 2022, the overall market was under pressure from the economic downturn in the face of repeated impacts of the COVID-19 epidemic and the complex international market competition environment. Benefiting from the country's all-out efforts to promote the construction of Network Power and Digital China, new information infrastructure construction has made a new progress. Traditional industries are accelerating their digital transformation. More and more domestic enterprises are deeply integrating building technology with data transmission network cabling, and network structured cabling system products are being widely used in construction fields such as data centers, IoT networks, smart cities and intelligent buildings. The demand for the Group's structured cabling system products has maintained strong.

Putian Cable Group Co., Ltd* (普天綫纜集團有限公司) ("**Putian Cable**"), a wholly-owned subsidiary of the Company, won the annual centralized procurement of power cables and digital communication cables of China Telecom and China Mobile again with a large share in 2022, maintaining a stable cooperation with the three major telecommunication operators in China. In addition, Putian Cable has also made breakthroughs in rail transportation projects. Communication optical cables, data cables and intelligent control cables have won the bids of many rail transit construction projects in Shenzhen, Chongqing, Chengdu and Dalian. Meanwhile, based on the smooth cooperation with China Railway Group, Power China, China Railway Construction, Sinopec and China Broadcasting Network, the Group is actively expanding its business cooperation with China Communications Construction, CNOOC and other state-owned groups to further strengthen the Group's customer base. Step by step, the Group is realizing a diversified industrial layout in the application field of information products in China.

The first phase of the Group's optical fiber plant construction project was officially put into production in February 2022, which aims to realize self-produced and self-used optical fiber, optimize the Group's production cost of optical cable, and enhance the production efficiency and product competitiveness of the enterprise in the optical fiber and cable industry chain. During the year, the communication cables industry gradually recovered and the demand for optical fiber and cable increased significantly. The Company's optical fiber production line has continued to expand its production capacity and achieved near full capacity since it started production.

In the communication copper cables business, the market demand for digital communication cables products is strong, with the proportion of Category 6, Ultra Category 6, and above data cable businesses gradually increasing. The market demand for customized products such as mask weaving, low smoke zero halogen, and corrosion protection has increased, and the 10G and 40G 10G data transmission index features have become the mainstream of sales. The Group continues to deepen cooperation with customers in smart cities, data centers, industrial Ethernet, and other fields, increase the expansion of new customers, maintain the stable growth of industrial links, high-speed interconnection cables, and connection components products, and make good progress in comprehensive wiring system link product solutions. It provides product and technical support for the "Mass Security Control Project (雪亮工程)" of public security systems in Shenzhen, Changzhou, Kunming, Yulin, Nanchang, and other parts of the country, and has been widely praised.

Overall, adhering to the core strategic positioning of "stability first, progress in stability", the Group insists on investment in research and development, continuously enhance the competitiveness of key technologies and products, and controls operational risks to achieve steady business growth.

In terms of research and development, Putian Cable has obtained four optical fiber and cable invention patents this year, including "New type of ultra-low loss G654E optical fiber and its production method (《新型超低損耗 G654E 光纖及其製作方法》)", "Ultra-low loss G.654E optical fiber and its production method (《超低損耗G.654E光纖及其製作方法》)", "Low loss G.652D optical fiber and its production method (《低損耗 G.652D 光纖及其製作方法》)", and "Anti-collision type material storage traction device for cable processing (《線纜加工用防撞型儲料牽引裝置》)", with remarkable achievements. In addition, Putian Cable participated in the preparation of seven national standards for cabling applications, which were officially published this year. From building construction, data centers, industrial Internet, to all-optical networks in smart parks, it sets technical standards and implementation specifications for the current construction and application of various Chinese communication cabling fields, purifying the market environment, and promoting healthy and orderly development. It will enable Putian Cable's scale production effectiveness to be better released, and improve the market operation resilience in terms of soft power, and also has a positive promotion for the original business, ensuring the stability of market competitiveness.

With the gradual completion of industrial optimization and upgrading, Putian Cable is also expanding its business boundaries and actively seeking cooperation with leading companies in different industries to join the supply system in the industrial chain.

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from sales of optical fibers and optical fiber cables, communication copper cables and structured cabling system products, which represent three reportable segments of the Group. Total revenue of the Group increased by approximately 3.5% from approximately RMB624.5 million for the Last Year to approximately RMB646.3 million for the Year. Among which, revenue derived from sale of optical fibers and optical fiber cables increased by approximately 71.9% from approximately RMB117.2 million for the Last Year to approximately RMB201.5 million for the Year; revenue derived from sale of communication copper cables decreased by approximately 15.9% from approximately RMB353.1 million for the Last Year to approximately RMB296.8 million for the Year; revenue derived from sale of structured cabling system products decreased by approximately 4.1% from approximately RMB154.2 million for the Last Year to approximately RMB147.9 million for the Year.

Gross profit and margin

Gross profit increased by approximately 1.8% from approximately RMB144.4 million for the Last Year to approximately RMB147.0 million for the Year. The Group's gross profit margin decreased from approximately 23.1% for the Last Year to approximately 22.8% for the Year. The decreased in gross profit margin was primarily due to the first phase of the Group's optical fiber production line commenced into operation during the Year, which absorbed a large construction costs arising on common areas and facilities and that impaired its profitability. The management is in an opinion that the performance could be improved when the second phase of the optical production line complete and put into production to share the fixed construction costs.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 3.0% from approximately RMB44.6 million for the Last Year to approximately RMB46.0 million for the Year, primarily due to the increase of approximately RMB4.0 million in salaries expenses for the selling and marketing staff and RMB3.4 million in the entertainment expenses and a decrease of approximately RMB4.8 million in transportation expenses. Selling expenses as a percentage of the Group's revenue remained stable, which was approximately 7.1% for the Year as compared to the one of approximately 7.1% for the Last Year.

Administrative expenses

Administrative expenses amounted to approximately RMB48.7 million for the Year, which increased by approximately 7.5% as compared to approximately RMB45.3 million for the Last Year due to the increase of approximately RMB2.7 million of depreciation arising from the office building's improvement work incurred in late 2021 and during the Year.

Finance costs

Finance costs increased by approximately 660% from approximately RMB2.5 million for the Last Year to approximately RMB19.0 million for the Year. The increase was due to that the Group has financed more bank and other borrowings which increased by approximately 30.5% from RMB259.5 million as at 31 December 2021 to RMB338.7 million as at 31 December 2022. Also, the first phase of the Group's "new-dispersive single-mode optical fiber and optical cable production line" construction project was officially completed by the end of the Last Year and thus there was no finance cost capitalised for the Year.

Income tax expense

Income tax expense decreased by approximately 16.4% from approximately RMB12.2 million for the Last Year to approximately RMB10.2 million for the Year, primarily due to the decreased in profit before income tax expense. The effective tax rate was approximately 21.7% for the Last Year and approximately 29.2% for the Year.

Profit for the Year

Profit for the Year decreased by approximately 43.9% from approximately RMB44.0 million for the Last Year to approximately RMB24.7 million for the Year.

Cash position

As at 31 December 2022, the Group had an aggregate of restricted cash, cash and cash equivalents of approximately RMB107.1 million (2021: approximately RMB91.3 million), representing an increase of approximately 17.3% as compared to that as at 31 December 2021. As at 31 December 2022, the Group had restricted cash of approximately RMB37.7 million (2021: approximately RMB25.8 million) that was pledged to banks for various banking facilities.

Borrowings and charges on the Group's assets

As at 31 December 2022, the Group had bank and other borrowings of approximately RMB338.7 million (2021: approximately RMB259.5 million) and all the balances (2021: approximately RMB250.5 million) were secured by legal charge over the properties of the Group and the controlling shareholders of the Company and their associates. Bank and other borrowings of approximately RMB234.3 million will be repayable within one year.

Pledge of assets

As at 31 December 2022, the carrying amounts of the Group's pledged assets were approximately RMB308.6 million (2021: approximately RMB264.1 million)

Save as disclosed in this announcement, the Group did not have any charges of assets as at 31 December 2022 (2021: Nil).

Significant investments

The Group did not hold any significant investments during the Year (2021: Nil).

Material acquisitions or disposals

During the Year, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures (2021: Nil).

Gearing ratio

As at 31 December 2022, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 1.07 (2021: approximately 0.86).

Total debt to total asset ratio

As at 31 December 2022, the total debt to total asset ratio of the Group, calculated by having the total liabilities divided by the total assets, was approximately 0.52 (2021: approximately 0.46).

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank and other borrowings. The Group does not have an interest rate hedging policy. However, the Directors will monitor interest rate exposure from time to time and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Group's bank and other borrowings.

The Group's interest rate risk mainly arises from bank and other borrowings. Bank and other borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank and other borrowings of the Group as at 31 December 2022 and 2021 bore interest at floating rates. The interest rate and repayment terms of bank and other borrowings at the end of each reporting period are disclosed in note 15 to this announcement.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group was due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. In addition, the Directors review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the credit risk of the Group is significantly reduced.

The Directors consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 31 December 2022 and 2021 amounted to approximately RMB147.3 million and approximately RMB112.7 million respectively, and accounted for approximately 38.1% and 40.1% of the Group's gross trade and bills receivables. In order to minimise the credit risk, the Directors continuously monitor the level of exposure by frequent review of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group measures expected credit losses for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. In measuring the expected credit losses, the trade and bills receivables have been assessed on a collective basis and debtors ageing is applied to assess expected credit losses for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms. They have been grouped based on the days past due. The estimated ECL loss rates are estimated based on the Group's estimates of the market borrowing rates for each of the groupings, less risk-free rate, which reflect the credit risk of the debtors, over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

Capital Commitments

As at 31 December 2022, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment and intangible assets amounting to approximately RMB39.9 million (2021: approximately RMB8.4 million). The capital commitments incurred at the end of the Year were mainly contracted for the purchase of equipment for an optical fiber production line.

Future plans for material investments

The Group will continue to invest in its development projects and acquire suitable plant and machinery, if it thinks fit.

Employees and remuneration policies

As at 31 December 2022, the Group had 585 employees (2021: 469 employees). For the Year, the Group incurred staff costs of approximately RMB60.6 million (2021: approximately RMB48.3 million). As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance and medical insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

OUTLOOK

The 20th National Congress of the CPC proposed to "accelerate the development of the digital economy and promote the deep integration of the digital economy and the real economy". Information communication is the backbone of promoting the development of the digital economy, to continue to release new momentum, play a fundamental and pioneering role, and fully solidify the digital economy bearing base. At the critical moment of the 14th Five-Year Plan, on 19 January 2023, China's Ministry of Industry and Information Technology published the "Communications Industry Statistical Bulletin 2022", which clearly shows that China's communications industry as a whole is improving, and the construction of communications network infrastructure is being accelerated. A series of national policies such as "Made in China 2025", "Guiding Opinions on Actively Promoting "Internet+" Action" and "14th Five-Year Plan" have been promoted and implemented thoroughly, which will accelerate the penetration of new communication infrastructure into various areas of economic and social life, and the trend of demand for construction of large data transmission, high-frequency and high-speed network design is more obvious. On February 27, the Central Committee of the CPC and the State Council issued the "Overall Layout Plan for the Construction of Digital China", which clearly points out that building digital China is an important engine for promoting Chinese modernization in the digital era. The plan aims to open up the main artery of digital infrastructure, accelerate the collaborative construction of 5G networks and gigabit optical networks, further promote the large-scale deployment and application of IPv6, and drive the comprehensive development of the mobile Internet of Things. It provides a guidance for the rational hierarchical layout of general data centers, supercomputing centers, intelligent computing centers, and edge data centers, etc., improving the overall level of application infrastructure, to enhance the digitalization and intelligent transformation of traditional infrastructure.

As the policies related to digital China are gradually implemented, the government shows its determination and efforts to vigorously accelerate the construction of digital China and drive the development of digital economy from the top planning to institutional settings. As an important component of the domestic digital economy, the construction of basic communications and industrial digital transformation tend to develop with optimized structure and enhanced momentum. A stream of achievements are made in convergence applications of 5G, gigabit optical fiber network, IOT, data center and other areas.

China has built the largest optical fiber and mobile broadband network in the world. By the end of 2022, the total length of China's optical cables reached 59.58 million kilometers, a net increase of 4.77 million kilometers over the end of the last year, and the network capacity was continuously enhanced. The fixed network gradually made a leap from 100 megabit to gigabit. By the end of 2022, the number of 10G PON ports with gigabit service capacity had reached 15.23 million, nearly doubling from the end of last year, and 110 cities nationwide had fulfilled the standard for gigabit construction. The mobile network maintained the global leadership in 5G construction. By the end of 2022, China had built and opened a total of 2.312 million 5G base stations, accounting for more than 60% of the total number of base stations in the world. While continuing to expand the coverage in urban areas at the prefecture level, it is gradually extending to towns and rural areas as needed.

In 2023, the digital economy will become the "stabilizer" and " accelerator " of economic recovery and high-quality development. The era of digital transformation has arrived. This will lead to increased demand for 5G "small base stations" and bring high-speed development opportunities for network applications of structured cabling system. With the establishment of communication network ecology, the development of industrial Internet and Internet of Things will also enter the fast lane. The gigabit optical fiber networks covering campuses, airports, hospitals and parks will connect to the internal networks of homes and buildings, drive the technological innovation and industrial upgrading of the intelligent industry in the parks, and facilitate the rapid growth of digital home and digital city business.

The Group will keep pace with the changes of the times and continue to promote the optimization of industrial structure by leveraging its advantages in technology research and development, core processes, industrial cooperation and production management. It will also strengthen industrial chain synergy through industrial cooperation, technological innovation, production capacity enhancement, resource integration and management optimization. The Group insists on the diversified development by actively laying out optical communication networks and digital communication networks. Focusing on the application and service of link products with structured cabling of optical fiber and cable, digital communication cable and communication networks, the Group accelerates international development while expanding its domestic business, fully explores the market opportunities in each business to achieve strategic extension and new growth in performance, continuously improving its core competitiveness and creating sustainable and stable value for the Group, shareholders and customers.

The Group plans to start the construction of the second phase of the "new non-dispersive single-mode optical fiber and optical cable production line" in mid-2023, aiming to achieve an annual production capacity of 10 million core kilometers of optical fibers, which will consolidate the foundation of the optical fiber industry segment, build the core advantage of large-scale cost of optical fiber and cable products and enhance market competitiveness. At the same time, we will focus on product development, technological innovation and application promotion of optical fiber and cables, data cables, specialized cables, and optoelectronic hybrid cables with high-frequency, high-speed and high-density. In addition, the Group will increase investment in optical fiber connection components and products represented by MPO optical fiber systems, and plan to extend the industrial chain to align with policies and market trends, further expand our competitive advantage, and boost our business development.

The Group strives to expand and deepen its global business layout. Through participation in communication exhibitions in India, Singapore, Dubai and other countries, we are facing the needs of our customers, complementing each other's strengths in manufacturing, production capacity, technology and products and seeking multi-dimensional opportunities for cooperation. At the same time, we are improving customer understanding and connectivity, responding to the individual needs of overseas customers to improve the support rate of key customer relationship and business completion rate.

In addition, the Group will further enhance operation efficiency and move from effectiveness to efficiency; provide more attractions and motivations to core talents; improve the compliance system, strengthen internal control and prevent corporate risks; and precisely allocate resources to support the long-term development of the Company.

The Group will leverage its extensive customer resources, R&D technology advantages and management base to optimize its product structure and realize the horizontal and vertical structural development of the industrial chain, guided by market demand and industry trends. We will make new contributions to the high-quality development of the economy and society.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (2021: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained sufficient public float throughout the Year as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time (the "**Listing Rules**").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company (the "**Shareholders**") and the Company as a whole.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices. Save for the deviation as disclosed herein below, the Company has complied with the applicable code provisions as set out in the CG Code during the Year.

Chairman of the Board and Chief Executive Officer

Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Ms. Wang Qiuping ("**Ms. Wang**") is the chairlady of the Board and the chief executive officer of the Company. This deviates from the practice under provision C.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals. However, as Ms. Wang has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board believes that it is in the best interest of the Company and the Shareholders as a whole to continue to have Ms. Wang as the chairlady of the Board so that the Board can benefit from her knowledge of the business and her capability in leading the Board in the long-term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting of the Board. The Board considers that the balance of power between the Board and the senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiries to all Directors regarding any non-compliance with the Model Code.

All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Year.

Audit committee

The Company established an audit committee (the "**Audit Committee**") on 21 October 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the financial statements, the annual report and accounts and the half-year report, and reviewing significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. The terms of reference of the Audit Committee are currently made available on the websites of the Stock Exchange and the Company.

The Audit Committee consists of three independent non-executive Directors, namely, Ms. Cheng Shing Yan, Mr. Liu Guodong and Mr. Xie Haidong. Ms. Cheng Shing Yan who possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules is the chairlady of the Audit Committee. The quorum of meetings of the Audit Committee shall be any two members.

The Audit Committee will hold at least two meetings a year and will also meet the external auditor at least twice a year without the presence of the executive Directors. Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

Since 1 January 2022 and up to the date of this announcement, the Audit Committee had held four meetings, together with the management of the Company and external independent auditor, reviewed the Group's consolidated financial statements for the Year and this announcement, and considered that they were prepared in compliance with the relevant accounting standards and that the Company has made appropriate disclosure thereof.

Remuneration committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 21 October 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board of the remuneration of the independent non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company.

The Remuneration Committee consists of Mr. Liu Guodong, Ms. Cheng Shing Yan and Mr. Xie Haidong. Mr. Liu Guodong is the chairman of the Remuneration Committee. The quorum of meetings of Remuneration Committee shall be any two members.

The Remuneration Committee will meet at least once a year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management of the Group and other related matters. Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

Since 1 January 2022 and up to the date of this announcement, the Remuneration Committee held two meetings which had been supplied with the necessary information of the Group for members to consider, review and access significant issues arising from the work conducted.

Nomination committee

The Company established a nomination committee (the "**Nomination Committee**") on 21 October 2017 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The duties of the Nomination Committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company.

The Nomination Committee consists of Mr. Xie Haidong, Ms. Cheng Shing Yan and Mr. Liu Guodong. Mr. Xie Haidong is the chairman of the Nomination Committee. The quorum of meetings of the Nomination Committee shall be any two members.

The Nomination Committee will meet at least once a year to review the structure, size and diversity of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at annual general meetings. Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code.

Since 1 January 2022 and up to the date of this announcement, the Nomination Committee held two meetings which had been supplied with the necessary information of the Group for members to consider, review and access significant issues arising from the work conducted.

COMPETING BUSINESS

The Company received confirmations from the controlling Shareholders in March 2022 on their compliance of the non-competition undertaking under the deed of non-completion as disclosed in the section headed "Relationship with Controlling Shareholders" in the prospectus of the Company dated 27 October 2017 (the "**Deed of non-competition**") for the Year. The independent non-executive Directors have reviewed the confirmations and evaluated the effectiveness of the implementation of the Deed of non-competition and concluded that none of the controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules and pursuant to the Deed of non-competition during the Year.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the Year.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a shareholder written resolution passed on 21 October 2017. From the date of the adoption of the Share Option Scheme and up to the end of the Year, no share option has been granted, or agreed to be granted, under the Share Option Scheme and therefore, there were no outstanding options as at 31 December 2022 (2021: Nil).

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

ANNUAL REPORT

The annual report of the Company for the Year will be despatched to the Shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.potel-group.com) in due course.

By order of the Board
Putian Communication Group Limited
Wang Qiuping
Chairlady

The PRC, 31 March 2023

As at the date of this announcement, the Board comprises Ms. Wang Qiuping, Mr. Zhao Xiaobao and Ms. Zhao Moge as executive Directors; and Ms. Cheng Shing Yan, Mr. Liu Guodong and Mr. Xie Haidong as independent non-executive Directors.