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 2023

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023, the Group's operating results were summarised as follows:

- Total revenue decreased by approximately 4.8% to approximately RMB615.5 million (2022: approximately RMB646.3 million).
- Gross profit decreased by approximately 8.0% to approximately RMB135.3 million (2022: approximately RMB147.0 million).
- Gross profit margin decreased by approximately 0.8% to approximately 22.0% (2022: approximately 22.8%).
- Profit for the year attributable to the owners of the Company decreased by approximately 69.2% to approximately RMB7.6 million (2022: approximately RMB24.7 million).
- Revenue from sale of optical fibers and optical fiber cables recorded a decrease of approximately 44.1% to approximately RMB112.7 million (2022: approximately RMB201.5 million); revenue from sale of communication copper cables increased by approximately 15.1% to approximately RMB341.6 million (2022: approximately RMB296.8 million); revenue from sale of structured cabling system products increased by approximately 9.0% to approximately RMB161.2 million (2022: approximately RMB147.9 million).
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Putian Communication Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**"), together with the comparative figures for the year ended 31 December 2022 (the "**Last Year**"). The annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**") and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**615,504**	646,253
Cost of sales		**(480,193)**	(499,219)
Gross profit		**135,311**	147,034
Other income and gains		**4,463**	2,278
Selling and distribution expenses		**(40,708)**	(45,963)
Administrative expenses		**(59,183)**	(48,709)
Provision for expected credit losses on financial assets		**(12,126)**	(750)
Finance costs	*5*	**(19,704)**	(19,037)
Profit before income tax	*6*	**8,053**	34,853
Income tax expense	*7*	**(405)**	(10,173)
Profit for the year attributable to the owners of the Company		**7,648**	24,680
Other comprehensive (loss)/income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(1,061)**	2,940
Other comprehensive (loss)/income for the year, net of tax		**(1,061)**	2,940
Total comprehensive income for the year attributable to the owners of the Company		**6,587**	27,620
Earnings per share	*8*		
Basic and diluted		**RMB0.007**	RMB0.022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**418,765**	431,785
Intangible assets	*10*	**9,151**	10,283
Prepayments for property, plant and equipment	*12*	**15,051**	63,769
Deferred tax assets		**7,946**	7,268
		450,913	513,105
Current assets			
Inventories		**60,818**	78,278
Trade and bills receivables	*11*	**445,710**	382,985
Deposits, prepayments and other receivables	*12*	**153,747**	100,105
Current tax recoverable		**2,991**	—
Restricted cash	*13*	**23,782**	37,719
Cash and cash equivalents		**27,281**	69,389
		714,329	668,476
Current liabilities			
Trade and bills payables	*14*	**136,367**	170,518
Contract liabilities		**34,262**	19,421
Accruals and other payables		**49,505**	50,469
Current tax liabilities		**—**	4,463
Lease liabilities		**708**	1,482
Bank and other borrowings	*15*	**248,196**	234,323
		469,038	480,676
Net current assets		**245,291**	187,800
Total assets less current liabilities		**696,204**	700,905

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**48**	658
Bank and other borrowings	*15*	**93,000**	104,358
Deferred tax liabilities		**26,157**	25,477
		119,205	130,493
NET ASSETS		**576,999**	570,412
EQUITY			
Share capital		**9,361**	9,361
Reserves		**567,638**	561,051
TOTAL EQUITY		**576,999**	570,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 (the "**Stock Exchange**") 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 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 2023 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2022, 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 HKFRSS

2.1 Adoption of new and amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2023, the Group has applied the following new and amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — *Disclosure of Accounting Policies*

The Group has adopted the amendments to HKAS 1 for the first time in the Year. The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.2 Amendments to HKFRSs not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of the 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 HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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.

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**615,504**	646,253

(i) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors, who are the chief operating decision makers ("**CODM**"), for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the CODM are determined following the Group's major operations. The measurement policies of the Group uses for reporting segment results under HKFRS 8 *Operating Segments* are the same as those used in its financial statements prepared under HKFRSs.

Operating segments are managed separately as each business offers different returns and requires different business strategies.

The Group divides its cable products into three main categories: (a) Communication copper cables; (b) Optical fibers and optical fiber cables; and (c) Structured cabling system products. As a result, the Group has three major operations, each of which constitute an operating segment.

(a) Communication copper cables

Communication copper cable is a general term for electric cables which are mainly made of copper as the main conductive body. These cables are used widely; it can be used in transmission and distribution of electric energy, which is normally used in cities' underground electric network, power station as an extraction line. Communication copper cable can also be found in the industrial and mining enterprises for internal power supply and over the river or sea of underwater transmission lines or used as the network cabling for residential and commercial buildings.

(b) Optical fibers and optical fiber cables

Optical fiber refers to the technology that transmits information as light pulses along a glass or plastic fiber. A fiber optic cable can contain a varying number of these glass fibers from a few up to a couple hundred.

Optical fiber cable is a similar product as communication copper cable, but in an enhanced version. The optical fiber cables are used in telecommunications, network operators, ratio network and etc., with the better useful life, safety conditions, speed and stability of transmission compared to communication copper cables. The weight and size of optical fiber cables are comparably smaller than communication copper cables, therefore they are considered as the new trend as a replacement of communication copper cable. However, communication copper cables are still widely use in connecting the personal computer and other electronic devices as optical fiber cables have not yet 100% replaced communication copper cables.

(c) ***Structured cabling system products***

Structured cabling system products primarily include optical and copper jumper wires and connection and distribution components such as distribution frames, wiring closets, as well as data and audio modules and faceplates. Commercial buildings and residential units are built in modern style nowadays, especially in developed cities, such as Beijing, Shanghai and etc. Structured cabling system products are widely used to meet the requirement of interior electronic applicable products and towards a more 'intelligent' way.

The CODM reviews the Group's assets and liabilities as a whole without allocation to each segment. In the opinion of the CODM, all strategic business units consume similar materials and their products are produced by same machinery and equipment and then they are sold to same customers. As a result, it is not necessary to monitor the assets and liabilities under different segments. No segment information on assets and liabilities is presented accordingly.

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following basis:

Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of central administrative expenses (including emoluments of Directors and senior management), other income and gains, provision for expected credit losses on financial assets and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation.

The following table set outs the breakdown of the revenue and segment (loss)/profit by reportable segments:

	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 2023				
Revenue from external customers and reportable segment revenue				
— Point in time	**112,671**	**341,608**	**161,225**	**615,504**
Reportable segment (loss)/profit	**(748)**	**35,419**	**45,849**	**80,520**
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

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 location. The geographical location of customers is based on the principal place of business of the customers.

	2023	2022
	RMB'000	*RMB'000*
The PRC	**605,242**	645,323
Overseas	**10,262**	930
	615,504	646,253

(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, is set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer A *(Notes (i) and (vi))*	**34,186**	65,293
Customer B *(Note (ii))*	**70,873**	94,386
Customer C *(Notes (iii) and (vi))*	**21,356**	91,107
Customer D *(Notes (iv) and (v))*	**96,868**	4,794

Notes:

(i) Revenue from optical fibers and optical fiber cables, and structured cabling system products segments.

(ii) Revenue from optical fibers and optical fiber cables, communication copper cables and structured cabling system products segments.

(iii) Revenue from optical fibers and optical fiber cables segment.

(iv) Revenue from communication copper cables segment.

(v) Revenue from relevant customer was less than 10% of the Group's total revenue for the year ended 31 December 2022.

(vi) Revenue from relevant customers was less than 10% of the Group's total revenue for the year ended 31 December 2023.

5. FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interests and finance charges on bank and other borrowings	**19,631**	18,927
Interests on lease liabilities	**73**	110
	19,704	19,037

6. PROFIT BEFORE INCOME TAX

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

	2023 *RMB'000*	2022 *RMB'000*
Auditor's remuneration	**907**	865
Cost of inventories recognised as expenses *(Note (i))*	**480,193**	499,219
Transportation expenses (included in selling and distribution expenses)	**9,050**	8,992
Research expenditures (included in administrative expenses)		
– Employee benefit expenses	**2,928**	3,574
– Materials consumed	**8,730**	11,347
– Others	**2,425**	836
	14,083	15,757
Depreciation of property, plant and equipment and right-of-use assets *(Notes (ii) and Note 9)*	**42,145**	33,856
Amortisation of intangible assets (included in cost of sales) *(Note 10)*	**1,132**	1,038
Reversal of inventories to net realisable value (included in cost of sales)	**(1,962)**	(1,090)
Provision for expected credit losses on financial assets	**12,126**	750
Short-term lease expenses *(Note (iii))*	**2,596**	122
Employee benefit expenses (including Directors' emoluments) *(Note (iv))*:		
— Salaries and wages, allowances and discretionary bonus	**52,568**	54,857
— Contribution to defined contribution schemes *(Note (v))*	**6,054**	5,788
	58,622	60,645

Notes:

(i) Amounts included materials consumption of approximately RMB432,534,000 (2022: RMB441,829,000). An amount of approximately RMB9,750,000 (2022: Nil) which related to the costs of the optical fibers production department during the period when production was suspended for installation and testing of newly constructed machineries, was included in administrative expenses for the year ended 31 December 2023.

(ii) Depreciation of property, plant and equipment and right-of-use assets of approximately RMB24,721,000 (2022: RMB24,684,000), RMB217,000 (2022: RMB256,000) and RMB17,207,000 (2022: RMB8,916,000) 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' emoluments) of approximately RMB12,959,000 (2022: RMB16,095,000), RMB26,242,000 (2022: RMB26,878,000) and RMB19,421,000 (2022: RMB17,672,000) were included in cost of sales, selling and distribution expenses and administrative expenses, respectively.

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

7. INCOME TAX EXPENSE

	2023 *RMB'000*	2022 *RMB'000*
Current tax — the PRC Enterprise Income Tax ("EIT")		
Charge for the year	**2,768**	7,864
Over-provision in respect of prior year	**(2,365)**	—
Deferred tax		
Charge for the year	**2**	2,309
Income tax expense	**405**	10,173

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2022: Nil).

No provision for income tax in the Cayman Islands and the British Virgin Islands (the "**BVI**") has been made as the Group had no assessable income in these jurisdictions during the year (2022: 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% (2022: 25%) except as described below. Provision for the EIT for the year 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% (2022: 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% (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**8,053**	34,853
Tax calculated at the applicable tax rate of 25% (2022: 25%)	**2,013**	8,713
Effect of different tax rates	**(5,367)**	(8,120)
Tax effect of expenses not deductible for tax purposes	**859**	360
Tax effect of income not taxable for tax purposes	**(115)**	—
Effect attributable to the Tax Deduction relating to research expenditures	**(2,112)**	(2,361)
Deferred tax on undistributed earnings of the PRC subsidiaries	**680**	1,844
Effect of tax losses not recognised	**6,812**	9,737
Over-provision in respect of prior year	**(2,365)**	—
Income tax expense	**405**	10,173

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB7,648,000 (2022: RMB24,680,000) and the weighted average of 1,100,000,000 shares (2022: 1,100,000,000 shares) in issue during the year.

There were no potential ordinary shares in issue during the years ended 31 December 2023 and 2022 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 2022	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 and 1 January 2023	1,660	255,821	308,420	2,966	21,963	590,830
Additions	26,410	1,348	198	396	773	29,125
Transferred (from)/to	(21,129)	—	21,129	—	—	—
Disposals	—	(1,194)	(245)	—	(38)	(1,477)
At 31 December 2023	**6,941**	**255,975**	**329,502**	**3,362**	**22,698**	**618,478**
ACCUMULATED DEPRECIATION						
At 1 January 2022	—	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 and 1 January 2023	—	40,607	99,102	2,399	16,937	159,045
Depreciation	—	15,017	24,929	268	1,931	42,145
Disposals	—	(1,194)	(245)	—	(38)	(1,477)
At 31 December 2023	**—**	**54,430**	**123,786**	**2,667**	**18,830**	**199,713**
NET CARRYING AMOUNT						
At 31 December 2023	**6,941**	**201,545**	**205,716**	**695**	**3,868**	**418,765**
At 31 December 2022	1,660	215,214	209,318	567	5,026	431,785

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 on land held under medium term leases in the PRC.

At 31 December 2023, property, plant and equipment with net carrying amount of approximately RMB244,038,000 (2022: RMB270,893,000) were pledged as collateral for the Group's bank and other borrowings (Note 15).

Certain items of buildings with an aggregate net carrying amount of approximately RMB152,737,000 (2022: RMB157,834,000) as at 31 December 2023 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 for the purposes for which the properties are being used by the Group for the remaining useful lives of the 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 2023 and 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 2022	12,554
Addition	2,409
Depreciation	(2,020)
Exchange realignment	34
At 31 December 2022 and 1 January 2023	12,977
Addition	113
Depreciation	(1,765)
Exchange realignment	3
At 31 December 2023	**11,328**

	2023	2022
	RMB'000	*RMB'000*
Ownership interests in prepaid land lease, carried at cost less depreciation with remaining lease term of:		
Between 10 and 50 years	**10,544**	10,833
Other properties leased for own use, carried at cost less depreciation	**784**	2,144
Net carrying amount	**11,328**	12,977

10. INTANGIBLE ASSETS

	Patents
	RMB'000
COST	
At 1 January 2022	—
Additions	11,321
At 31 December 2022, 1 January 2023 and 31 December 2023	**11,321**
ACCUMULATED AMORTISATION	
At 1 January 2022	—
Amortisation	1,038
At 31 December 2022 and 1 January 2023	1,038
Amortisation	1,132
At 31 December 2023	**2,170**
NET CARRYING AMOUNT	
At 31 December 2023	**9,151**
At 31 December 2022	10,283

Patents for optical fibers production 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

	2023	2022
	RMB'000	*RMB'000*
Trade receivables, gross	**457,062**	386,500
Less: Loss allowance	**(19,688)**	(7,541)
Trade receivables, net	**437,374**	378,959
Bills receivables, gross	**8,336**	4,047
Less: Loss allowance	**—**	(21)
Bills receivables, net *(Note)*	**8,336**	4,026
Trade and bills receivables, net	**445,710**	382,985

Note: Bills receivables represented outstanding bank and commercial acceptance bills.

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**119,744**	94,514
More than 1 month but within 2 months	**38,465**	80,889
More than 2 months but within 3 months	**45,353**	39,488
More than 3 months but within 6 months	**74,293**	99,904
More than 6 months but within 1 year	**63,421**	55,079
More than 1 year	**104,434**	13,111
	445,710	382,985

The credit term granted by the Group to its trade customers is normally ranged from 90 days to 365 days (2022: 60 days to 365 days).

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Current		
Deposits *(Note (i))*	**35,511**	33,697
Prepayments to suppliers	**90,885**	41,550
Prepayments	**2,317**	4,335
Valued added tax receivables	**15,898**	15,811
Other receivables	**9,136**	4,712
	153,747	100,105
Non-current		
Prepayments for property, plant and equipment *(Note (ii))*	**15,051**	63,769

Notes:

(i) The balance mainly comprises rental deposits, utility deposits and guarantee deposits for product supply projects. In the opinion of the Directors, these deposits would be refunded to the Group within 12 months.

(ii) As at 31 December 2022, the Group has made certain prepayments of approximately RMB63,769,000 to certain independent third parties for purchases of equipment and machineries for an optical fiber production line. During the year ended 31 December 2023, these prepayments of approximately RMB18,670,000 (2022: Nil) were utilised upon the delivery of the items of property, plant and equipment. Also, these prepayments amounting to approximately RMB33,309,000 (2022: Nil) which were paid to suppliers, which also supplied inventories to the Group were set off against the trade payables due to the same supplier during the year ended 31 December 2023, after both parties agreed to the setting off arrangement.

During the year ended 31 December 2023, the Group has further made certain prepayments of approximately RMB3,261,000 to certain independent third parties mainly for purchases of equipment and machineries for an optical fiber production line.

13. RESTRICTED CASH

Bank deposits have been pledged as security for letters of guarantee for product supply projects, bills payables (Note 14) and bank borrowings (Note 15). The restricted cash will be released upon the expiry of letters of guarantee or the settlement of relevant bills payables and bank borrowings.

Restricted cash carry interests at prevailing market rates ranging from 0.20% to 0.35% (2022: 0.25% to 2.00%) per annum.

14. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**92,381**	83,579
Bills payables	**43,986**	86,939
	136,367	170,518

The credit terms of trade payables vary according to the terms agreed with different suppliers, are normally ranging from 30 days to 90 days (2022: 30 days to 90 days), and bills payables maturity periods are normally ranging from 180 days to 360 days (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**48,936**	60,218
More than 1 month but within 2 months	**25,693**	14,543
More than 2 months but within 3 months	**32,002**	42,026
More than 3 months but within 6 months	**15,758**	30,031
More than 6 months but within 1 year	**8,896**	21,817
More than 1 year	**5,082**	1,883
	136,367	170,518

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 2023, bills payables of approximately RMB11,940,000 (2022: RMB61,837,000) were secured by pledged bank deposits (Note 13). At 31 December 2023, bills payables of approximately RMB12,000,000 (2022: Nil) were guaranteed by a subsidiary of the Company and the controlling shareholders.

15. BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank borrowings — Secured	**224,750**	204,900
Bank borrowings — Unsecured	**93,600**	70,000
	318,350	274,900
Other borrowings — Secured	**22,846**	63,781
	341,196	338,681
Less: amount of non-current liabilities	**(93,000)**	(104,358)
Current liabilities	**248,196**	234,323
Borrowings fall due:		
— Within one year	**248,196**	234,323
— Between one and two years	**12,000**	63,066
— Between two to five years	**36,000**	15,984
— Over five years	**45,000**	25,308
Total bank and other borrowings	**341,196**	338,681

Bank borrowings of approximately RMB165,750,000 (2022: RMB101,400,000) bear variable interests at the bank's loan prime rate plus a premium. The effective interest rates of these borrowings are ranging from 4.35% to 5.40% (2022: 5.00% to 5.65%) per annum as at 31 December 2023.

Bank borrowings of approximately RMB152,600,000 (2022: RMB173,500,000) bear interest at fixed rates, ranging from 2.60% to 5.66% (2022: 4.22% to 5.66%) per annum as at 31 December 2023.

Other borrowings bear interests at fixed rates, ranging from 0.00% to 6.88% (2022: 0.00% to 8.41%) per annum as at 31 December 2023. The weighted average effective interest rate on these borrowings is 4.45% (2022: 5.56%) per annum as at 31 December 2023.

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

	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment *(Note 9)*		
— Land and buildings	**192,774**	203,421
— Machinery	**51,264**	67,472
Trade receivables	**7,375**	—
Bank deposits *(Note 13)*	**12,375**	37,719

The bank borrowings are secured by the properties and pledged bank deposits of the controlling shareholders and the family members of the controlling shareholders.

As at 31 December 2023 and 2022, guarantees were provided by the Company, the subsidiaries of the Company, the controlling shareholders and the family members of the controlling shareholders for the bank and other borrowings.

A summary of facilities granted by banks and other creditors and the amounts utilised by the Group at 31 December 2023 and 2022 is set out as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts granted	**193,600**	402,281
Amounts utilised	**173,600**	338,681

16. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a total revenue of approximately RMB615.5 million for the Year, which represented a decrease of approximately 4.8% as compared with the one for the Last Year. The Group realised a gross profit of approximately RMB135.3 million for the Year, which represented a decrease of approximately 8.0% as compared with the one for the Last Year. Profit for the Year attributable to the owners of the Company was approximately RMB7.6 million, which represented a decrease of approximately 69.2% as compared with the one for the Last Year.

The decrease in revenue was mainly attributable to the decreased sale of optical fibers and optical fiber cables of approximately 44.1% to approximately RMB112.7 million for the Year (the Last Year: approximately RMB201.5 million). Sale of communication copper cables increased by approximately 15.1% to approximately RMB341.6 million for the Year (the Last Year: approximately RMB296.8 million). The sale of structured cabling system products increased by approximately 9.0% to approximately RMB161.2 million (the Last Year: approximately RMB147.9 million).

In 2023, the Chinese economy rebounded despite continued pressure, forging ahead with high-quality development. According to the 2023 Statistical Communique on the Telecommunications Industry released by the Ministry of Industry and Information Technology (MIIT) in January 2024, China's telecommunications industry adhered to the general principle of seeking progress while maintaining stability, actively contributing to the construction of China as a cyber superpower and the construction of Digital China, and promoting the in-depth integration of the digital economy and the real economy. Moreover, the major operating indicators grew steadily, with increasingly complete network infrastructure including 5G and gigabit optical networks and the speedy popularisation of various applications, which demonstrates the stable and high-quality development of the industry.

During the Year, Putian Cable Group Co., Ltd. ("**Putian Cable**"), a wholly-owned subsidiary of the Company, continued its stable partnership with the three major telecommunication operators in China, duly performing its purchase contracts with China Mobile, China Telecom (for data cable products) and China Unicom (for communication optical cable products). It also became the designated finalist unit for China Telecom's 2024 centralised procurement of data cables and communication optical cables. Meanwhile, its initial strategic planning in the rail transit industry was completed, with in-depth partnership formed with China Railway and China Railway Construction. Its products, including communication optical cables, communication cables and structured cabling systems, successively won bids for multiple rail transit construction projects across the country. It will also continue to be the designated finalist unit for China Railway's 2024 centralised procurement of data cables and communication optical cables, thus contributing to the construction of China's rail transit network in the future. During the Year, the Company's development strategy of channel diversification paid off, as we deepened our business cooperation with state-owned groups, including CNOOC. We also made breakthroughs in the expansion of power and energy channels, successively winning bids for communication optical cables and structured cabling applications in multiple energy construction projects, which further enhanced our sales depth and market position. In July 2023, Putian Cable was rated as a national-level specialised and new "little giant" company by the MIIT.

Our domestic marketing network continued to expand steadily, with branches in seven cities including Wuxi, Suqian, Xuzhou, Changzhou and Jining opened for business, which strengthened our regional coverage and market penetration. Our sales mix was also further optimised, as the sales percentages of data center products and structured cabling system products increased significantly, and the percentages of applications in medical, cultural, the industrial Internet and other projects soared. Our international business also made great progress and achieved remarkable results in 2023. The sales of optical fiber products achieved a breakthrough, while the sales of data cables and that of structured cabling system products saw year-on-year growth. The Company participated in influential international telecommunications exhibitions held in India, Singapore, Dubai and other regions, expanding its visibility and influence in the international market. We also established strategic cooperation with customers in many countries in Southeast Asia and the Middle East and secured small-scale orders from Europe and Africa, thereby laying a solid foundation for our overseas expansion.

For business development, the Group targeted market segments and high-end customers, actively developing its specialised data center business. The Group achieved initial results in the promotion of its data center business in financial and internet industries, reaching agency sales cooperation with 25 cooperative units. With the completion of its construction project of dust-free workshop for network link connectors, the Group comprehensively strengthened its capabilities to supply basic IDC, industrial links, high-speed interconnection cabling and high-frequency, high-speed and high-density MPO products.

The Group continued to focus on its two core businesses of digital communications and optical communications networks. Adhering to its philosophy of creating value for customers, the Group continuously optimised the industrial chain structure and built a full value chain business development system to achieve steady business growth.

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 decreased by approximately 4.8% from approximately RMB646.3 million for the Last Year to approximately RMB615.5 million for the Year. Among which, revenue derived from sale of optical fibers and optical fiber cables decreased by approximately 44.1% from approximately RMB201.5 million for the Last Year to approximately RMB112.7 million for the Year, as a result of suspension of optical fiber production due to installation and testing of newly constructed machineries; revenue derived from sale of communication copper cables increased by approximately 15.1% from approximately RMB296.8 million for the Last Year to approximately RMB341.6 million for the Year; revenue derived from sale of structured cabling system products increased by approximately 9.0% from approximately RMB147.9 million for the Last Year to approximately RMB161.2 million for the Year. The sales growth of copper cable products and structured cabling system products benefited from the China Mobile and China Railway projects awarded to the Group, which began to deliver goods in batches in 2023, as well as in-depth customer acquisition and business cooperation with state-owned groups in multiple fields.

Gross profit and margin

Gross profit decreased by approximately 8.0% from approximately RMB147.0 million for the Last Year to approximately RMB135.3 million for the Year. The Group's gross profit margin decreased from approximately 22.8% for the Last Year to approximately 22.0% for the Year. The decreased in gross profit margin was primarily due to the first phase of the Group's optical fiber production line 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 as a result of increased production capacity 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 decreased by approximately 11.5% from approximately RMB46.0 million for the Last Year to approximately RMB40.7 million for the Year, primarily due to the decrease of approximately RMB0.6 million in salaries expenses for the selling and marketing staff and decrease of approximately RMB5.0 million in the entertainment expenses. Selling and distribution expenses as a percentage of the Group's revenue decreased, which was approximately 6.6% for the Year as compared to the one of approximately 7.1% for the Last Year.

Administrative expenses

Administrative expenses amounted to approximately RMB59.2 million for the Year, which increased by approximately 21.6% as compared to approximately RMB48.7 million for the Last Year. It was because the depreciation of equipment and related staff costs for optical fiber production were included in administrative expenses during the second half of 2023, which resulted in an increase of approximately RMB9.8 million, as a result of suspension of optical fiber production due to installation and testing of newly constructed machineries.

Finance costs

Finance costs increased by approximately 3.7% from approximately RMB19.0 million for the Last Year to approximately RMB19.7 million for the Year.

Income tax expense

Income tax expense decreased by approximately 96.1% from approximately RMB10.2 million for the Last Year to approximately RMB0.4 million for the Year, primarily due to the decreased in profit before income tax expense. The effective tax rate in respect of current tax charged for the year was approximately 34.4% for the Year and approximately 22.6% for the Last Year.

Profit for the Year

Profit for the Year decreased by approximately 69.2% from approximately RMB24.7 million for the Last Year to approximately RMB7.6 million for the Year.

Cash position

As at 31 December 2023, the Group had an aggregate of restricted cash and cash and cash equivalents of approximately RMB51.1 million (2022: approximately RMB107.1 million) in aggregate, representing a decrease of approximately 52.3% as compared to that as at 31 December 2022. As at 31 December 2023, the Group had restricted cash of approximately RMB23.8 million (2022: approximately RMB37.7 million) that was pledged to banks for as security for letters of guarantee for product supply projects, bills payables and bank borrowings. The restricted cash will be released upon the expiry of letters of guarantee or the settlement of relevant bills payables and bank.

Borrowings and charges on the Group's assets

As at 31 December 2023, the Group had bank and other borrowings of approximately RMB341.2 million (2022: approximately RMB338.7 million), of which approximately RMB247.6 million were secured by legal charge over the property, plant and equipment, trade receivables and restricted cash of the Group and the properties and pledged bank deposits of the controlling shareholders of the Company and their family members, and the balances of RMB93.6 million were unsecured. Bank and other borrowings of approximately RMB238.2 million will be repayable within one year.

Pledge of assets

As at 31 December 2023, the carrying amounts of the Group's pledged assets were approximately RMB263.8 million (2022: approximately RMB308.6 million).

Save as disclosed in this announcement, the Group did not have any charges of assets as at 31 December 2023 (2022: Nil).

Significant investments

The Group did not hold any significant investments during the Year (2022: Nil).

Material acquisitions or disposals

During the Year, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures (2022: Nil).

Gearing ratio

As at 31 December 2023, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 1.02 (2022: approximately 1.07).

Total debt to total asset ratio

As at 31 December 2023, the total debt to total asset ratio of the Group, calculated by having the total liabilities divided by the total assets, was approximately 0.50 (2022: approximately 0.52).

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 rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. Certain bank and other borrowings of the Group as at 31 December 2023 and 2022 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 the consolidated financial statements.

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 credit risks on bank and restricted cash balances are considered to be insignificant because the counterparties are financial institutions with good reputation and high credit ratings assigned by international credit-rating agencies.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 31 December 2023 and 2022 amounted to approximately RMB149.9 million and approximately RMB147.3 million respectively, and accounted for approximately 32.2% and 38.1% 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 public financial information and credit quality of its customers to ensure that prompt actions will be taken to lower exposure. The two largest customers of the Group are listed companies in the PRC and Hong Kong, and both of them have good past credit repayment history and records with the Group.

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 has 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 2023, 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 RMB42.2 million (2022: approximately RMB39.9 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 2023, the Group had 453 employees (2022: 585 employees). For the Year, the Group incurred staff costs of approximately RMB58.6 million (2022: approximately RMB60.6 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, in January 2024, the MIIT released the 2023 Statistical Communique on the Telecommunications Industry, which states that in 2023 China's telecommunications industry adhered to the general principle of seeking progress while maintaining stability, actively contributing to the construction of China as a cyber superpower and the construction of Digital China, and promoting the in-depth integration of the digital economy and the real economy; moreover, the major operating indicators grew steadily, with increasingly complete network infrastructure including 5G and gigabit optical networks and the speedy popularisation of various applications, which demonstrates the stable and high-quality development of the industry. 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 highspeed network design is more obvious. 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 digitalisation 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 optimised 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.

At the beginning of 2024, 11 departments, including the MIIT and the National Development and Reform Commission, jointly issued the Notice on Initiating the Special Operation of "Signal Upgrades", which states that, by the end of 2024, the signals of China's mobile networks, including 4G and 5G, will be significantly enhanced so that the average downlink access rate of the mobile networks shall not be less than 200Mbps, the average uplink access rate shall not be less than 40Mbps, and the percentage of mobile networks reaching the standard rates shall not be less than 90% in order to meet the social development needs of a digital economy. With the advancement of a new round of 5G network construction, the pace of communication infrastructure construction will be further accelerated, and applications in areas such as smart city construction, the industrial Internet, and smart homes will also be further expanded.

In 2024, the development of new technologies such as edge computing, the Internet of Things and artificial intelligence will bring new growth points to the telecommunications industry, while the digital transformation of social structure will sufficiently safeguard and greatly drive the expansion of data center construction. In 2024, China's telecommunications industry will fully recover and see more opportunities for collaboration. In particular, the development potential of the data center business will be fully unleashed.

The Group will keep pace with the changes of the times and continue to promote the optimisation 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 optimisation. 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 continues to expand and deepen its global business presence. By participating in telecommunication exhibitions held in India, Singapore, Dubai and other regions, we meet customers face-to-face to better understand their needs. Complementing each other's advantages in manufacturing, production capacity, technology and products, we seek opportunities for collaboration with others in multiple aspects. We will enhance our understanding of customers' needs and our connection capabilities, respond to the customisation needs of overseas customers, and improve the approval rating in our key customer relationships as well as our business completion rates.

In addition, the Group will further enhance operation efficiency and move from effectiveness to high efficiency; Continuously 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 optimise its product structure and realise 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 (2022: 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 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 C1 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 C3 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 during the Year.

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 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 2023 and up to 31 December 2023, the Audit Committee had held two 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.

COMPETING BUSINESS

The Company received confirmations from the controlling Shareholders in March 2023 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 2023 (2022: Nil).

SCOPE OF WORK OF MOORE CPA LIMITED (FORMERLY KNOWN AS MOORE STEPHENS CPA LIMITED)

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Moore 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 CPA Limited on the preliminary announcement.

ANNUAL REPORT

The annual report of the Company for the Year will be made available to the Shareholders and made available on the website of the Stock Exchange (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, 28 March 2024

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.