南方通信
Nanfang Communication

Nanfang Communication Holdings Limited
南方通信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1617)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

For the year ended 31 December 2021, the Group's operating results were as follows:

- Total revenue increased by approximately 15.5% to approximately RMB438.3 million (2020: approximately RMB379.5 million)
- Gross profit decreased by approximately 66.6% to approximately RMB13.0 million (2020: approximately RMB38.7 million)
- Gross profit margin decreased by approximately 7.2% to approximately 3.0% (2020: approximately 10.2%)
- The recognition of one-off equity-settled share-based payment expenses of approximately RMB14.9 million (2020: nil) which led to an increase of staff costs by approximately 35.0% to approximately RMB50.5 million (2020: approximately RMB37.4 million)
- Loss and total comprehensive expense for the year attributable to owners of the Company of approximately RMB59.9 million (2020: approximately RMB19.2 million)
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil)

The board (the "**Board**") of directors (the "**Directors**") of Nanfang Communication Holdings Limited 南方通信控股有限公司 (the "**Company**") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**438,317**	379,521
Cost of sales		**(425,367)**	(340,793)
Gross profit		**12,950**	38,728
Other income, gains, expenses and losses, net	*5*	**23,000**	17,996
Impairment losses on trade and other receivables under expected credit loss model, net of reversal		**(3,084)**	(799)
Changes in fair value in financial assets through profit or loss ("**FVTPL**")		**1,417**	–
Selling and distribution expenses		**(18,017)**	(19,327)
Administrative expenses		**(53,425)**	(39,439)
Research costs		**(28,960)**	(22,820)
Finance costs	*6*	**(8,610)**	(4,993)
Share of profit of an associate		**77**	181
Share of profit of a joint venture		**4,579**	5,538
Loss before income tax	*8*	**(70,073)**	(24,935)
Income tax credit	*7*	**10,183**	5,753
Loss and total comprehensive expense for the year		**(59,890)**	(19,182)
Loss per share	*9*	**RMB(0.05)**	RMB(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		At 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**85,565**	97,167
Right-of-use assets		**29,480**	30,159
Interest in an associate		**89,240**	88,470
Interest in a joint venture		**84,624**	80,045
Financial assets at FVTPL		**153,016**	151,599
Prepayments for acquiring property, plant and equipment and prepaid expenses		**52**	701
Restricted bank deposits and balances	*11*	**1,763**	1,142
Bank deposits with original maturity more than three months	*11*	**–**	102,600
Deferred tax assets		**25,414**	11,836
		469,154	563,719
CURRENT ASSETS			
Inventories		**45,112**	25,630
Trade and bill receivables	*10*	**374,167**	391,430
Prepayments, deposits and other receivables		**34,048**	14,838
Tax recoverables		**2,944**	2,944
Restricted bank deposits and balances	*11*	**62,063**	66,533
Bank deposits with original maturity more than three months	*11*	**106,467**	–
Bank deposits, bank balances and cash	*11*	**265,639**	207,249
		890,440	708,624

	Notes	At 31 December **2021** **RMB'000**	2020 *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*12*	**207,063**	215,877
Other payables		**60,171**	50,896
Loan from a joint venture		**29,235**	28,000
Contract liabilities		**852**	400
Lease liabilities		**344**	849
Bank borrowings	*13*	**250,286**	172,276
Tax payables		**22,036**	27,332
		569,987	495,630
NET CURRENT ASSETS		**320,453**	212,994
TOTAL ASSETS LESS CURRENT LIABILITIES		**789,607**	776,713
CAPITAL AND RESERVES			
Share capital	*14*	**1,291**	997
Reserves		**765,817**	754,852
Equity attributable to owners of the Company		**767,108**	755,849
Non-controlling interest		**–**	151
		767,108	756,000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,267**	4,254
Deferred income – government grants		**15,665**	16,315
Lease liabilities		**567**	144
		22,499	20,713
		789,607	776,713

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 10 May 2016. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is 1 Cencun Road, Luoyang Town, Wujin District, Changzhou City, Jiangsu Province, the People's Republic of China (the "**PRC**"). The Company is an investment holding company and, through its operating subsidiaries, is principally engaged in the manufacturing and sales of optical fibre cables and optical distribution network devices, as well as processing and sales of prepainted steel sheet.

The Company's immediate and ultimate holding company is Pacific Mind Development Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements of the Group are presented in Renminbi ("**RMB**"). In the opinion of the Directors, the functional currency of companies comprising the Group is RMB.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") and International Financial Reporting Interpretations Committee for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	Covid-19-Related Rent Concessions

None of these amended IFRSs has a material impact on the Group's results and financial position for the current or prior period.

New and amendments to IFRSs in issue but not yet effective

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to IAS 16	Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
IFRS 17	Insurance Contracts and the related Amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IAS 37, Onerous Contracts − Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

IFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Annual Improvements to IFRSs 2018–2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements–Disclosure of Accounting Policies

The amendments change the requirements in IAS 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 directors of the Group do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors–Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates in the Standard was retained with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

Amendments to IAS 12 Income Taxes–Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. An entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

Amendments to IFRS 16–Covid-19-Related Rent Concessions beyond 30 June 2021

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

3. REVENUE

The Group's revenue represents amounts received and receivable from the sales of optical fibre cables and optical distribution network devices and prepainted steel sheet, net of discounts, customers' returns and sales related tax, that are recognised at a point in time as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Optical fibre cables	**345,470**	375,757
Optical distribution network devices	**11,284**	3,764
Prepainted steel sheet	**81,563**	–
	438,317	379,521

Sales of the Group's optical fibre cables, optical distribution network devices and prepainted steel sheet are principally made to customers located in the PRC.

4. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company (also general manager of the Group), being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sales of optical fibre cables, optical distribution network devices and prepainted steel sheet.

As the Group is principally engaged in the manufacturing and sales of optical fibre cables and optical distribution network device and is also engaged in processing and sales of prepainted steel sheet for which a new segment was created during the year, the chief operating decision maker assesses performance of the business based on a measure of operating results and consider the business from the product perspective. Information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified two operating segments as follows:

– Manufacturing and sales of optical fibre cables and optical distribution network devices

– Processing and sales of prepainted steel sheet

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The chief operating decision maker assesses the performance of the operating segments mainly based on segment revenue and gross profit/(loss) of each operating segment. Selling and distribution expenses, administrative expenses and research costs are not included in the measure of the segments' performance which is used by chief operating decision maker as a basis for the purpose of resource allocation and assessment of segment performance. Changes in fair value in FVTPL, impairment losses on trade and other receivables under expected credit loss model, net of reversal, share of profit of an associate, share of profit of a joint venture, other income, gains, expenses and losses, net, finance costs and income tax credit are also not allocated to individual operating segments. The following summary describes the operations in each of the Group's reportable segments:

	Year ended 31 December 2021		
	Manufacturing and sales of optical fibre cables and optical distribution network devices	**Processing and sales of prepainted steel sheet**	**Group**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**356,754**	**81,563**	**438,317**
Gross profit/(loss)	**18,628**	**(5,678)**	**12,950**

	Year ended 31 December 2020		
	Manufacturing and sales of optical fibre cables and optical distribution network devices	Processing and sales of prepainted steel sheet	Group
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	379,521	—	379,521
Gross profit	38,728	—	38,728

Geographical information

The Group's operation is principally in the PRC and all its non-current assets (other than financial assets and deferred tax assets) are situated in the PRC.

5. OTHER INCOME, GAINS, EXPENSES AND LOSSES, NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**8,155**	7,684
Other interest income	**–**	1,910
Foreign exchange gains(losses), net	**5,591**	(725)
Sale of electricity and gain on sales of other materials	**5,333**	3,176
Government grants recognised *(Note)*	**3,937**	5,489
Loss on disposal of property, plant and equipment	**—**	(1)
Others	**(16)**	463
Other income, gains, expenses and losses, net	**23,000**	17,996

Note: During the current year, the government grants mainly included subsidies in relation to various taxes paid and research and other expenses incurred in prior years. In addition, no government grants was recognised by the Group in respect of Covid-19-related subsidy relating to Employment Support Scheme provided by the Hong Kong government (2020: approximately RMB188,000).

The government grants recognised included the release of deferred income of approximately RMB650,000 (2020: approximately RMB423,000) during the year.

6. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest on bank borrowings	**8,587**	4,950
Interest on lease liabilities	**23**	43
Finance costs	**8,610**	4,993

7. INCOME TAX CREDIT

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	**(1,382)**	(3,745)
Withholding tax	**–**	(2,944)
Deferred tax	**11,565**	12,442
Income tax credit	**10,183**	5,753

No provision for income taxes of the Company and its certain subsidiaries was made as they did not earn assessable income during the year (2020: nil).

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, Jiangsu Nanfang Communication Technology Company Limited ("**Nanfang Communication**") and Jiangsu Yingke Communication Technology Company Limited ("**Yingke**"), subsidiaries of the Company, are recognised as "High and New Technology Enterprise" during the year. Accordingly, Nanfang Communication and Yingke are entitled to a reduced EIT rate of 15% for the year (2020: 15%).

8. LOSS BEFORE INCOME TAX

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of sales	**425,367**	340,793
Loss before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,501**	15,709
Less: Depreciation capitalised in inventories	**(11,105)**	(12,476)
Depreciation recognised as cost of sales	**3,396**	3,233
Depreciation of right-of-use assets	**1,219**	1,432
Auditor's remuneration	**650**	800
Staff costs (including the directors' remuneration):		
– Salaries, wages and allowances	**32,379**	35,733
– Retirement benefit scheme contributions	**3,191**	1,691
– Equity-settled share-based payment expenses	**14,934**	–
Total staff costs	**50,504**	37,424

9. LOSS PER SHARE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic earnings per share (Loss for the year attributable to owners of the Company)	**(59,890)**	(19,182)

	Year ended 31 December	
	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,195,424**	1,120,000

No diluted earnings per share is presented as there is no potential ordinary shares outstanding for both years.

10. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**381,069**	370,858
Less: allowance of credit losses	**(9,111)**	(6,446)
Trade receivable net	**371,958**	364,412
Bills receivable *(Note)*	**2,209**	27,018
Trade and bills receivables	**374,167**	391,430

Note: At the end of the reporting period, the Group's bills receivable were issued by banks and customers with maturity within six months.

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on invoice date:

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 6 months	**354,381**	344,066
More than 6 months, but less than 1 year	**11,343**	13,816
More than 1 year	**6,234**	6,530
Trade receivables, net	**371,958**	364,412

For the year ended 31 December 2021, 95.2% (2020: 94.9%) of the Group's sales of optical fibre cables, optical distribution network devices and other materials were made to the three state-owned telecommunication network operators in the PRC (the "**Major PRC Telecommunications Network Operators**") and the remainder was made to other third parties. The Group usually issues invoices in six months after completion of delivery of goods. According to the relevant sales agreements entered into between the Group and the Major PRC Telecommunications Network Operators, 70% − 90% of invoiced amounts is receivable upon issue of invoices. The Group allows credit period within six months to the Major PRC Telecommunications Network Operators for the receipt of the remaining balances. In addition, the Group granted credit periods of not more than one year after completion of delivery of goods to customers with good repayment history. The Group does not obtain collateral from customers.

11. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS, RESTRICTED BANK DEPOSITS AND BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH

Bank deposits with original maturity more than three months, restricted bank deposits and balances, bank deposits and bank balances carry interest at rates ranging from 0.3% to 4.2% per annum (2020: from 0.3% to 4.2% per annum) at the end of the reporting period.

As at 31 December 2021, bank deposits with original maturity more than three months amounting to approximately RMB106,467,000 (2020: approximately RMB102,600,000) are due for withdrawal in January 2022 (2020: January 2022).

As at 31 December 2021, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits and balances totalling approximately RMB51,147,000 (2020: approximately RMB152,025,000) to secure bank borrowings, performance bonds, bills payable and a letter of guarantee issued by a bank.

12. TRADE AND BILLS PAYABLES

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**112,492**	120,914
Bills payable	**94,571**	94,963
Trade and bills payables	**207,063**	215,877

The average credit period on purchases of materials was within four months upon receipts of the materials and the relevant VAT invoices.

The following is an ageing analysis of trade payables, presented based on the invoice date:

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Less than 6 months	**108,138**	118,177
More than 6 months, but less than 1 year	**1,756**	453
More than 1 year	**2,598**	2,284
Trade payables	**112,492**	120,914

At the end of the reporting period, the Group's bills payable were issued by banks with maturity within six months and were secured by the Group's certain restricted bank deposits and balances.

13. BANK BORROWINGS

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Secured and guaranteed bank borrowing	**40,286**	72,276
Unsecured and guaranteed bank borrowings	**210,000**	100,000
Bank borrowings	**250,286**	172,276

14. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK'000*
Ordinary share of HK$0.001 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 2021	8,000,000	8,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 1 January 2021	1,120,000	1,120
Shares issued upon the exercise of share options *(note a)*	112,000	112
Share issued upon placement *(note b)*	246,400	246
At 31 December 2021	1,478,400	1,478

Presented in the consolidated financial statements as

	RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	997
Shares issued upon the exercise of share options *(note a)*	93
Share issued upon placement *(note b)*	201
At 31 December 2021	1,291

Notes:

(a) On 11 June 2021, share options were exercised by the subscribers for 112,000,000 ordinary shares of the Company at a consideration of approximately RMB31,551,000 of which approximately RMB93,000 was credited to share capital and approximately RMB31,458,000 was credited to the share premium account. As a result of the exercise of share options, share option reserve of approximately RMB14,934,000 has been transferred to share premium account.

(b) On 26 November 2021, the Company entered into a placing agreement (the "**Placing Agreement**") with a placing agent, to procure not less than six placees who are independent third parties to the Company to subscribe 246,400,000 placing shares at the placing price of HK$0.125 per placing share (the "**Placing**"). All conditions of the Placing Agreement were fulfilled. The Placing was completed and fully subscribed on 13 December 2021. The gross proceeds from the Placing amounted to approximately HK$30,800,000 (equivalent to approximately RMB25,144,000) and related directly attributable expenses were approximately HK$772,000 (equivalent to approximately RMB631,000).

15. DIVIDENDS

The Directors have resolved not to declare a final dividend for the year ended 31 December 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading telecommunication manufacturer in the PRC. For the year ended 31 December 2021 with the introduction of processing and sales of prepainted steel sheet, the Group recorded an increase of total revenue by 15.5% to approximately RMB438.3 million (2020: approximately RMB379.5 million).

During the year ended 31 December 2021, the gross profit of the Group was approximately RMB13.0 million (2020: approximately RMB38.7 million), representing a reduction of approximately 66.6%.

During the year ended 31 December 2021, the Company recorded a loss and total comprehensive expense for the year attributable to owners of the Company of approximately RMB59.9 million (2020: approximately RMB19.2 million).

During the year ended 31 December 2021, the Company's basic loss per share was approximately RMB0.05 (2020: approximately RMB0.02).

The Group's operating revenue and net profit in 2021 decreased significantly as compared with 2020, mainly because:

1. Due to the further decline of approximately 30% in the average unit tender prices for optical fibre cables in the industry in the centralised procurement of common optical fibre cable products by Major PRC Telecommunications Network Operators in the second half of 2020, the awarded tender prices, which had been generally applicable since the fourth quarter of 2020, decreased significantly. Although the Group's awarded share and awarded price in the centralised procurement of common optical fibre cables carried out by China Mobile in 2021 both increased, the increased awarded price was not implemented until December 2021. As a result, the increased price did not have a positive impact on the Group's performance for the entire year, thereby leading to a decline in the Group's operating revenue;

2. Since the second half of 2020, especially since 2021, the cost of raw materials other than optical fibre (such as nonferrous metals, certain chemical raw materials and other bulk commodities) has continued to increase significantly. At the same time the Group had relatively low flexibility in the production cost of its products. This, coupled with the rapid decline in unit prices, has put great pressure on profit margins. As a result, the Group recorded a relatively greater loss compared to the previous financial year;

3. The Company recorded one-off equity-settled share-based payment expenses of approximately RMB14.9 million for the year ended 31 December 2021 as a result of granting share options to eligible participants under the share option scheme on 27 May 2021. The Company did not incur such expenses in the corresponding period last year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

FINANCIAL REVIEW

Revenue

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During the year ended 31 December 2021, the Group's total revenue was approximately RMB438.3 million, representing an increase of 15.5% from approximately RMB379.5 million for the year ended 31 December 2020.

By product segment, a total revenue of approximately RMB356.8 million was contributed by the optical fibre cables and optical distribution network devices segment, representing a decrease of approximately 6.0% as compared to 2020 of approximately RMB379.5 million. This accounted for 81.4% (2020: 100%) of the Group's revenue. On the other hand, a total revenue of approximately RMB81.5 million was contributed by prepainted steel sheet segment, which accounted for 18.6% of the Group's revenue.

Cost of sales

For the year ended 31 December 2021, the cost of sales of the Group amounted to approximately RMB425.4 million, representing an increase of approximately 24.8% from approximately RMB340.8 million for the year ended 31 December 2020.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 66.6 % to approximately RMB13.0 million for the year ended 31 December 2021 from approximately RMB38.7 million for the same period in 2020. During the Reporting Period, the Group's gross profit margin was approximately 3.0% as compared to a gross profit margin of approximately 10.2% for the year ended 31 December 2020. There was an overall decrease in tender prices for optical fibre cables in the industry, the Group's awarded tender prices have plummeted. Coupled with the significant increase in the costs of raw materials, it resulted in a material impact on the Group's gross profit and gross profit margin.

Other income, gains, expenses and losses, net

The Group recorded a net gain of approximately RMB23.0 million for the year ended 31 December 2021 as compared to approximately RMB18.0 million for the same period in 2020. The increase in net gain was mainly attributable to the recognition of net foreign exchange gains of approximately RMB5.6 million, whereas net foreign exchange loss of approximately RMB0.7 million was recorded for the year ended 31 December 2020.

Selling and distribution expenses

The Group incurred selling and distribution expenses of approximately RMB18.0 million for the year ended 31 December 2021 which has decreased moderately by approximately 6.8% compared to approximately RMB19.3 million for the same period in 2020. The decline in expenses was driven by the decrease in sales related manpower cost.

Administrative expenses

The Group's administrative expenses increased by approximately 35.5% to approximately RMB53.4 million for the year ended 31 December 2021 from approximately RMB39.4 million for the year ended 31 December 2020. The increase was due to a one-off equity-settled share-based payment expenses amounting to approximately RMB14.9 million for the year ended 31 December 2021 as a result of the share options granted to eligible participants pursuant to the share option scheme on 27 May 2021.

Research costs

The Group's research costs rose by approximately 26.9% to approximately RMB29.0 million for the year ended 31 December 2021 from approximately RMB22.8 million for the year ended 31 December 2020. The increase was mainly attributable to more resources were deployed to enhance product quality and structural transformation as well as development of new products.

Finance costs

During the year ended 31 December 2021, the Group's finance costs increased by approximately 72.4% to approximately RMB8.6 million from approximately RMB5.0 million for the year ended 31 December in 2020. The increase was in line with the increase in the average bank borrowings during the year ended 31 December 2021.

Share of profit of an associate

During the year ended 31 December 2021, the Group recorded a share of profit of an associate of approximately RMB0.1 million, representing a decrease of approximately 57.5% from approximately RMB0.2 million for the year ended 31 December 2020. The associate is engaged in the manufacturing and sales of optical fibre.

Share of profit of a joint venture

During the year ended 31 December 2021, the Group recorded a share of profit of a joint venture of approximately RMB4.6 million, representing a decrease of approximately 17.3% from approximately RMB5.5 million for the year ended 31 December 2020. The joint venture is engaged in the manufacturing and sale of optical fibre preforms.

Income tax credit

During the year ended 31 December 2021, the Group's income tax credit increased by approximately 77.0% to approximately RMB10.2 million from approximately RMB5.8 million for the year ended 31 December 2020. The increment is attributable to more available tax loss.

Loss and total comprehensive expense income attributable to owners of the Company

As a result of the foregoing, the Company incurred a loss and total comprehensive expense attributable to owners of approximately RMB59.9 million for the year ended 31 December 2021 as compared to approximately RMB19.2 million for the same period in 2020.

Liquidity, financial and capital resources

During the year ended 31 December 2021, the Group's operational and capital requirements were financed principally through share capital, reserves, bank borrowings, loan from a joint venture and an amount due to a director.

Cash and loan position

As at 31 December 2021, the Group had an aggregate of restricted bank deposits and balances, bank deposits with original maturity of more than three months, bank deposits, bank balances and cash of approximately RMB435.9 million (2020: approximately RMB377.5 million), representing a increase of approximately 15.5% as compared to that as at 31 December 2020.

As at 31 December 2021, the Group has interest-bearing bank borrowings amounted to approximately RMB250.3 million (2020: approximately RMB172.3 million) and loan from a joint venture of RMB29.2 million (2020: RMB28.0 million).

All interest-bearing bank borrowings were unsecured, guaranteed by group companies, repayable within one year and denominated in RMB, except for a bank borrowing of approximately RMB40.3 million (2020: approximately RMB72.3 million) which was secured by a letter of guarantee issued by a bank (that is, in turn, secured by certain bank deposits of the Group), guaranteed by a director of the Company, repayable after one year and denominated in Euro. The Group's bank borrowings of RMB180.0 million (2020: RMB70.0 million) carry fixed interest rates at rates range from 3.28% to 3.45% per annum (2020: range from 3.45% to 4.35% per annum) and bank borrowings of approximately RMB70.3 million (2020: approximately RMB102.3 million) carry variable market interest rates ranging from 0.74% to 3.60% per annum (2020: ranging from 1.86% to 4.35% per annum).

The loan from a joint venture is unsecured, interest bearing at 4.35% per annum and repayable within one year.

Charges on the Group's assets

As at 31 December 2021, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totaling approximately RMB51.1 million (2020: approximately RMB152.0 million) to secure bank borrowings, performance bonds, bills payable and a letter of guarantee issued by a bank.

Gearing ratio

As at 31 December 2021, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 77.2% (2020: approximately 68.3%).

Currency risk

While the Group's operations were principally conducted in the PRC during the year ended 31 December and it mainly recorded sales and incurred production costs and expenses in RMB, the Group has certain bank deposits and balances, advance from the ultimate holding company, amount due to a director and a bank borrowing denominated in foreign currencies other than RMB. The Group may use any contracts to hedge against its exposure to currency risk, as appropriate. The Directors have managed the foreign currency risk by closely monitoring the movement of the foreign currency rate.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits, loan from a joint venture, lease liabilities and fixed rate bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial instruments, mainly, restricted bank balances, bank balances and variable rate bank borrowings which carried at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and bills receivables arising from contracts with customers and other receivables. In order to minimise the credit risk, the Directors have delegated a team of staff responsible for determining credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debtors. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the management of the Group performs impairment assessment on individual debtor basis to estimate the amount of expected credit loss ("**ECL**") of trade, bills and other receivables based on internal credit ratings, ageing, collateral, repayment history and/or past due status of respective other receivables and adjusted for forward-looking information.

For bank deposits and balances, the management of the Group assessed that the Group's bank deposits with original maturity more than three months, restricted bank deposits and balances, bank deposits and bank balances are at low credit risk because they are placed with reputable banks with higher internal credit ratings with reference to either international or PRC credit-rating agencies, and ECL is insignificant.

The Group has concentration of credit risk because approximately 83.8% (2020: approximately 93.9%) of trade receivables as at 31 December 2021 were due from the Major PRC Telecommunications Network Operators with good repayment history and strong financial background.

Other than the above, the Group does not have significant concentration of credit risk.

Liquidity risk

The Group's management monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available and issue of new ordinary shares.

Capital commitments

As at 31 December 2021, the Group had no capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment (2020: approximately RMB1.1 million).

Future plans for material investments

The Group will continue to invest in its development projects and acquire suitable plant and machinery as it thinks fit. These investments will be funded by internal resources, external equity financing and/or borrowings. Save as disclosed in this announcement, the Group does not have any future plans for material investments as at the date of this announcement.

Employees, remuneration policies and Share Option Scheme

As at 31 December 2021, the Group had approximately 320 employees (2020: approximately 370). For the year ended 31 December 2021, the Group incurred staff costs of approximately RMB50.5 million (2020: approximately RMB37.4 million). As required by applicable laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury 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.

The Company granted a total of 112,000,000 share options under the share option scheme on 27 May 2021, which were exercisable from 27 May 2021 to 26 May 2031 by the relevant grantees (all being employees of the Group). All such options were exercised and the closing price on the date of exercising such options was HK$0.330 per share. During the year ended 31 December 2021, no share options under the share option scheme were cancelled or lapsed.

Equity-settled share-based payment expenses of approximately RMB14,934,000 (2020: nil) were recognised during the year.

OUTLOOK

According to the 2021 Statistical Communique on the Telecom Industry issued by the Ministry of Industry and Information Technology of the PRC, the length of new optical fibre cables in China amounted to 3.19 million km in 2021, with the country's total length of optical fibre cables reaching 54.88 million km. This means the total length of optical fibre cables in China grew by 6.17% in 2021. The deployment of 4G and FTTx in China is basically completed after 2019–2020, with the penetration rate of FTTH/B users in some cities exceeding 100%. As a result, the demand for optical fibre cables by Major PRC Telecommunications Network Operators slowed down significantly. Moreover, with the release of the upstream production capacity of optical fibre preforms, the production capacity of optical cables grew significantly, thereby leading to a change in supply and demand equilibrium.

The optical fibre and optical fibre cables market in 2021 saw rising demand against a backdrop of the large-scale deployment of 5G and gigabit optical fibre networks. The amount of centralised procurement of common optical fibre cables carried out and announced by China Mobile in October 2021 was equivalent to 143.2 million fkm, representing an increase of 20% compared to the size of its centralised procurement in 2020. In terms of prices, due to the improved supply and demand structure and the rise in raw material prices, the industry average price soared by 40%, rebounding successfully after bottoming out. Although the price rebounded significantly compared with 2020, the sharp rise in the prices of raw materials for optical fibre cables created some challenges.

In 2021, relevant national ministries and commissions successively issued favourable policies such as the "'Dual-gigabit' Network Synergetic Development Action Plan (2021–2023)" and the "5G Application 'Sailing' Action Plan (2021–2023)", with the goal of building a "dual-gigabit" network infrastructure that will fully cover urban areas and qualified townships within three years, thus ensuring that both wired and wireless networks generally enjoy the "gigabit-to-home" capability. By the end of 2023, gigabit optical fibre networks will be able to cover 400 million households, with the number of gigabit broadband users exceeding 30 million; 5G networks will basically achieve coverage of areas above township level and key administrative villages; 100 gigabit cities will be built, and 100 gigabit industry virtual private network benchmarking projects will be launched. Based on the prevailing market environment in China, CRU Group, a UK-based market research institute predicts that the demand for optical fibre and optical fibre cables in the Chinese market will reach 261 million fkm in 2022, representing a year-on-year increase of 6.5%. Meanwhile, under the construction plans of 5G and gigabit optical fibre networks, China's demand for optical fibre cables will maintain a compound annual growth rate of 2.9% from 2021 to 2026.

The Group will seek further opportunities for the integration of the industry chain of optical fibre and optical fibre cables, explore new ways and improve existing models for horizontal cooperation within the industry, and enhance its control on the prices of raw materials, thus strengthening the Company's cost control and improving its competitiveness and profitability.

In February 2022, four PRC governmental departments, including the National Development and Reform Commission and the Ministry of Industry and Information Technology, jointly issued a document, whereby they have agreed to start the construction of national computing hubs in 8 regions (including Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing, Inner Mongolia, Guizhou, Gansu and Ningxia), and approved plans on 10 national data centre mega clusters, which marks the official launch of China's "Eastern Data and Western Computing" initiative. With a new network system of computing resources that integrates data centres, cloud computing and big data, the demand for computing resources in the eastern regions can be channeled to the western regions in an orderly manner, the planning of data centre construction can be optimised, and the quality of network transmission can be improved, thereby reducing the cost of cloud data usage, accelerating the application and implementation of new technologies such as the industrial internet, telemedicine, virtual reality, and artificial intelligence. The Group will seize opportunities for development arising from the data centre market and the telecommunication market to promote the rapid development and breakthrough of its optical device and other related businesses.

While expanding its diversified businesses centred on the telecommunication industry, the Group strives to find new business growth points. New materials are essential for the hardware construction in new infrastructure construction, and are also an important strategic emerging industry. In the recently released "14th Five-Year Plan and the Long-Range Objectives Through the Year 2035 (Draft)", the in-depth implementation of the strategy of becoming a strong manufacturing country and the development and expansion of strategic emerging industries have been clearly put forward, and the goal of developing high-end new materials has also been stated. In 2021, leveraging the local industrial foundation and market environment, the Group invested in and launched the business of processing and sales of prepainted steel sheets, with a view to establishing new business growth points. The Group will also enhance its technological research and development as and when appropriate to optimise the technical level of these products. While maintaining steady growth in the traditional market, prepainted steel sheets have also become a key driver for the rapid development of the industry as they are widely used in new energy vehicles, high-end equipment manufacturing, aerospace and other related industries.

In 2022, the global macro economy still faces risks, as the impact of the pandemic persists and the international situation remains complicated. We believe that the impact of the pandemic on the Group's operations and prospects will depend on the policies imposed for the prevention and control of the pandemic and the relevant protective measures that may affect the business environment in which the Group operates. The development of communication technologies, whether the construction of 5G networks or the deployment of gigabit optical fibre networks, has brought opportunities for the development of the optical fibre and optical fibre cable industry. However, during the first quarter of 2022, the Brent crude oil price rose above US$100 a barrel for the first time in eight years owing to the Russian-Ukrainian conflict, which has led to a sharp rise in the prices of bulk raw materials. As a result, the prices of raw materials used for the manufacture of optical fibre and optical fibre cables also show an overall uptrend. Under the prevailing market environment, the operations of optical fibre and optical fibre cable enterprises still face challenges and uncertainties. The Group will pay close attention to the development of these matters, continue to assess their impact on the Group and take necessary measures to mitigate its business risks.

Facing these challenges, in 2022, we will actively engage in the optical fibre cable industry and the new hardware manufacturing segment of the telecommunication industry that cater for the needs of 5G and gigabit optical fibre network construction, in order to improve our competitiveness and increase our market share, and strive for satisfactory returns for our shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on 29 June 2022 (Wednesday) and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and believes that good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the management 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 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. The Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code for the year ended 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive directors, namely Mr. Lam Chi Keung, Mr. Chan Kai Wing, and Mr. Wu Wing Kuen. Mr. Lam Chi Keung is the chairman of the Audit Committee.

The Audit Committee had, together with the management of the Company and external independent auditor, reviewed the Group's consolidated financial statements for the year ended 31 December 2021 and this results announcement, and considered that they were prepared in compliance with the relevant accounting standards and that the Company has made appropriate disclosures thereof.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") consists of three members, namely Ms. Yu Rumin, Mr. Chan Kai Wing and Mr. Wu Wing Kuen. Mr. Wu Wing Kuen is the chairman of the Remuneration Committee. 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 the senior management of the Group and other related matters.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") consists of three members, namely, Mr. Yu Jinlai, Mr. Lam Chi Keung and Mr. Chan Kai Wing. Mr. Yu Jinlai is the chairman of the Nomination Committee. 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.

CLOSURE OF BOOK FOR REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 24 June 2022 (Friday) to 29 June 2022 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 23 June 2022 (Thursday).

In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the dates and times stated above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsnfgroup.com). The Company's 2021 annual report will be despatched to the Company's shareholders on or before 28 April 2022 (Thursday) and will be available at the websites of each of the Stock Exchange and the Company.

For and on behalf of the Board
Nanfang Communication Holdings Limited
Yu Jinlai
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the executive directors are Mr. Shi Ming (chief executive officer), Ms. Yu Rumin and Ms. Yu Ruping; the non-executive director is Mr. Yu Jinlai (chairman); and the independent non-executive directors are Mr. Wu Wing Kuen, Mr. Lam Chi Keung and Mr. Chan Kai Wing.