普天通信集團有限公司
PUTIAN COMMUNICATION GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock code: 1720

2018 INTERIM REPORT

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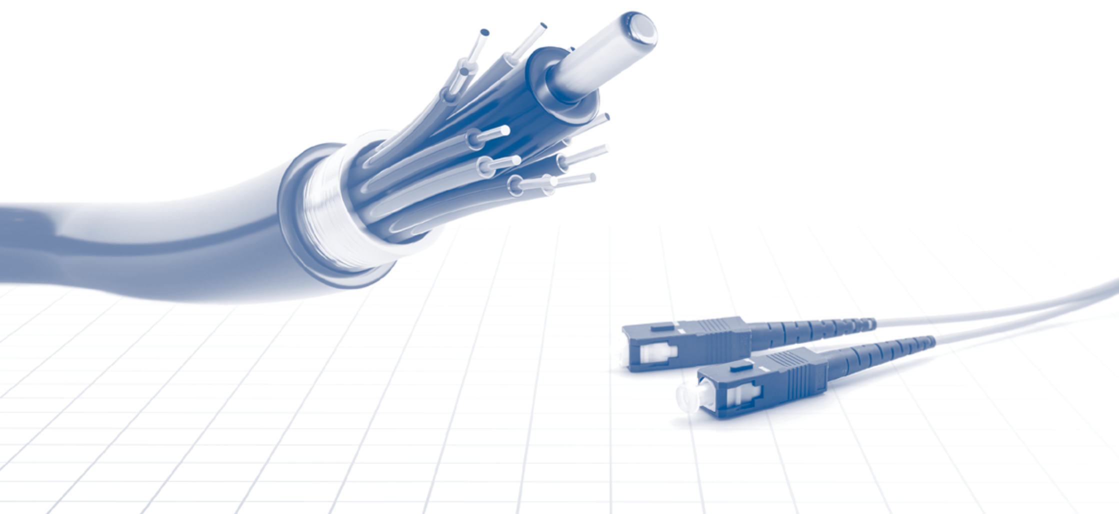

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Wang Qiuping
(Chairlady and Chief Executive Officer)
Mr. Zhao Xiaobao (alias Zhao Baohua)
Ms. Zhao Moge

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheng Shing Yan
Mr. Liu Guodong
Mr. Xie Haidong

AUDIT COMMITTEE

Ms. Cheng Shing Yan *(Chairlady)*
Mr. Liu Guodong
Mr. Xie Haidong

REMUNERATION COMMITTEE

Mr. Liu Guodong *(Chairman)*
Ms. Cheng Shing Yan
Mr. Xie Haidong

NOMINATION COMMITTEE

Mr. Xie Haidong *(Chairman)*
Ms. Cheng Shing Yan
Mr. Liu Guodong

COMPANY SECRETARY

Ms. Lai Yeung Fun

AUTHORISED REPRESENTATIVES

Ms. Wang Qiuping
Ms. Lai Yeung Fun

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 702, Golden Centre
188 Des Voeux Road Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8899 ChangDong Avenue
Hi-tech Development Zone
Nanchang, Jiangxi Province
The PRC

AUDITOR

BDO Limited

COMPLIANCE ADVISER

SPDB International Capital Limited

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKERS

Bank of Communication (Jiangxi Branch)
Bank of China (Nanchang Xihu Branch)
SPD Bank (Nanchang Bayi Branch)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.potel-group.com

STOCK CODE

1720

COMPANY PROFILE

Putian Communication Group Limited (the "**Company**") (Stock code: 1720) (together with its subsidiaries, collectively referred to as the "**Group**") is a well-established and fast-growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC.

The Group has commenced its communication cable manufacturing since 2001. It provides a wide range of optical fiber cables, communication copper cables and structured cabling system products under the brand names of "普天汉飞" and "Hanphy". Its optical fiber cables and communication copper cables are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. Its 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. Structured cabling systems products are components of the wiring system, including optical fiber-based cabling system and copper-based cabling system, within buildings for the information transmission. The Group is one of the most diversified suppliers in the communication cable industry in the PRC. Its superior product quality, constant availability, responsive customer services and competitive prices are well recognized by its customers.

The Group continues to strengthen its research and development capabilities which have enabled it to continuously develop new products and upgrade its existing products. Since 2006, one of the Group's major wholly-owned subsidiaries, Putian Cable Group Co., Ltd, has been consecutively recognized as a New High-tech Enterprise by Jiangxi Provincial Department of Science and Technology.

On 9 November 2017, the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"). As of 30 June 2018, the Company had 1,100,000,000 issued shares.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018 (the "**Period**"), the Group's operating results were as follows:

- Total revenue increased by approximately 50.7% to approximately RMB372.0 million (Six months ended 30 June 2017 (the "**Last Period**"): approximately RMB246.9 million).
- Gross profit increased by approximately 45.8% to approximately RMB89.2 million (the Last Period: approximately RMB61.2 million).
- Gross profit margin slightly decreased by approximately 0.8% to approximately 24.0% (the Last Period: approximately 24.8%).
- Profit for the Period attributable to owners of the Company increased by approximately 130.7% to approximately RMB40.6 million (the Last Period: approximately RMB17.6 million).
- The Group's revenue generated from sale of optical fiber cables increased by approximately 91.3% to approximately RMB163.9 million (the Last Period: approximately RMB85.7 million); revenue generated from sale of structured cabling system products increased by approximately 57.0% to approximately RMB70.0 million (the Last Period: approximately RMB44.6 million); and revenue generated from sale of communication copper cables increased by approximately 18.4% to approximately RMB138.1 million (the Last Period: approximately RMB116.6 million).
- The board of directors of the Company (the "**Board**") did not recommend the payment of an interim dividend for the Period.

BUSINESS REVIEW

The Group has accomplished good financial results for the Period. It recorded a revenue of approximately RMB372.0 million which represented a growth of approximately 50.7% as compared with the one for the Last Period. The Group has realized a gross profit of approximately RMB89.2 million for the Period, which represented a growth of approximately 45.8% as compared with the one for the Last Period. Profit for the Period attributable to owners of the Company was approximately RMB40.6 million, which represented a growth of approximately 130.7% as compared with the one for the Last Period.

The significant increase in revenue was mainly attributable to the sale of optical fiber cables which was increased by approximately 91.3% to approximately RMB163.9 million (the Last Period: approximately RMB85.7 million) and the sale of structured cabling system products which was increased by approximately 57.0% to approximately RMB70.0 million (the Last Period: approximately RMB44.6 million). In July 2017, the Group has completed the construction of the first phase of its second production site, Yaohu Factory and then commenced the operation of four new production lines for optical fiber cables. The Group's aggregate annual production capacity for optical fiber cables has been significantly enlarged by 3.7 times to approximately 5.6 million fkm. Supported by the enlarged capacity, the Group is able to compete for large tenders and has obtained more orders from the major telecommunications network operators in the PRC.

In June 2017, the Group has been selected by one of its major customers as one of their optical fiber cable suppliers in 2017-2018 under their centralised procurement. According to the tender award confirmation, the total sales amount of optical fiber cables in 2017-2018 will amount to approximately RMB330.0 million. This tender has contributed approximately RMB101.5 million of sale of optical fiber cables for 2017 and is expected to contribute approximately RMB228.5 million for 2018.

It is expected that the market demand for optical fiber cables in the PRC will continue to increase as a result of the favorable government policy. To achieve continuous business growth, the Group intends to increase market share through strengthening its relationships with key customers, in particular major telecommunications network operators in the PRC, and increasing penetration of its products through continuous upgrading and development of new products.

The Group is devoted to expanding its non-operator customers base and penetrating into its structured cabling system products business. It has sales representatives in 24 cities nationwide targeting a broad range of communication system solution providers and construction contractors in the PRC for its structured cabling system products. In addition, the Group also organises various seminars and conferences from time to time to promote its brand awareness so as to increase its market share. Such strategy has been proved to be successful and led the Group to a robust growth in its structured cabling system products business for the Period.

In respect of the copper communication cable business, given the decreasing demand and stringent safety and environmental standards requirements, we note that large number of smaller communication copper cable manufacturers have been washed out and their market shares have been taken up by remaining manufacturers who have stronger capital and technical capacities. The Group has been benefited from this trend during the Period. Its revenue generated from sale of communication copper cables increased by approximately 18.4% from approximately RMB116.6 million for the Last Period to approximately RMB138.1 million for the Period. The proportion of revenue contributed by the sales of communication copper cable decreased from approximately 47.2% for the Last Period to approximately 37.1% for the Period as the Group has allocated more resources to expand its business in optical fiber cable segment and structured cabling systems products segment and has successfully recorded a rapid growth in these two segments for the Period.

OUTLOOK

Following the "Broadband China" Strategic Implementation Plan and "Internet Plus" ("**互聯網+**") initiative widely carried out in the PRC, major telecom operators have announced their 5G construction and commercial plans. In early 2018, China Mobile and China Telecom successfully declared the National 5G Scale Network Construction and Application Demonstration Project ("**國家5G規模組網建設及應用示範工程**") to the National Development and Reform Commission ("**國家發展及改革委員會**") and confirmed to carry out the 5G application demonstration in Chongqing and other cities. On 25 April 2018, China Unicom officially announced to launch a 5G network pilot run in 16 major cities in China and expect a scalable commercialization could be achieved in 2020. The development of 5G network in the PRC is expected to stimulate substantial investment in the construction of communications infrastructure. We expect the demand for optical fibers and optical fibers cables remains strong and anticipate a rapid growth in the communication cable industry in the coming years.

To capture the business opportunities and achieve a sustainable competitive advantage, we will further strengthen and improve the Group's market position in the value chain of optical fiber cable production through the following strategies:

- increasing market shares in optical fiber cables through enhancing and further strengthening production capacity;
- continuing to build and maintain customer relationships;
- refining the product mix by focusing on the segments with high growth potential and profit margins;
- expanding the Group's business into the production of optical fibers through backward vertical integration; and
- expanding the product offerings and strengthening the Group's research and development capabilities.

During the Period, the Group has entered into (i) two equipment acquisition contracts with a PRC manufacturer (the "**Manufacturer**") pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the optical fiber production facilities at a total consideration of approximately RMB60.9 million and (ii) a technology agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million. Through backward expansion to optical fiber production, we expect that this will stabilise the raw material supply which will in turn better control the production cost and further enhance the gross profit margin of the Group.

The Board would from time to time identify suitable investment opportunities through merger and acquisitions to enhance the value of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products, which are three reportable segments. Revenue of the Group increased by approximately 50.7% from approximately RMB246.9 million for the Last Period to approximately RMB372.0 million for the Period. Among which, revenue derived from sale of optical fiber cables increased by approximately 91.3% from approximately RMB85.7 million for the Last Period to approximately RMB163.9 million for the Period; revenue derived from sale of structured cabling system products increased by approximately 57.0% from approximately RMB44.6 million for the Last Period to approximately RMB70.0 million for the Period; and revenue derived from sale of communication copper cables increased by approximately 18.4% from approximately RMB116.6 million for the Last Period to approximately RMB138.1 million for the Period.

Gross profit and margin

Gross profit increased by approximately 45.8% to approximately RMB89.2 million for the Period from approximately RMB61.2 million for the Last Period, while the Group's gross profit margin was approximately 24.0% for the Period as compared to the one of approximately 24.8% for the Last Period. The slight decrease in gross profit margin was primarily because a larger portion of revenue was generated from optical fiber cables which have a profit margin in the middle range of the Group's entire products.

Other income

Other income increased by approximately 13 times from approximately RMB122,000 for the Last Period to approximately RMB1,710,000 for the Period, primarily due to gain in sale of scrap materials.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 42.4% from approximately RMB9.9 million for the Last Period to approximately RMB14.1 million for the Period, primarily due to (i) an increase of approximately RMB2.0 million in transportation fees as a result of the increase in customer orders and (ii) an increase of approximately RMB1.0 million in salaries and welfare expenses for the selling and marketing staff, reflecting the Group's strengthened marketing efforts. Selling expenses as a percentage of the revenue remained stable, which was approximately 3.8% for the Period as compared to the one of approximately 4.0% for the Last Period.

Administrative expenses

Administrative expenses decreased by approximately 12.9% from approximately RMB26.3 million for the Last Period to approximately RMB22.9 million for the Period, primarily due to the combined effects of (i) a decrease of approximately RMB11.3 million in listing fee in connection with the Listing, (ii) an increase of approximately RMB1.3 million in salaries and welfare expenses as a result of more administrative personnel employed and the increased average salaries; and (iii) an increase of approximately RMB4.7 million in research and development expenses from approximately RMB8.5 million for the Last Period to approximately RMB13.2 million for the Period as the Group put strengthened efforts on researching project in developing new type of products and improving the Group's production efficiency. Research and development expenses as a percentage of the Group's total revenue remained stable, which was approximately 3.6% for the Period as compared to approximately 3.4% for the Last Period.

Finance costs

Finance costs increased by approximately 2.0 times from approximately RMB1.2 million for the Last Period to approximately RMB3.6 million for the Period primarily due to the borrowings of RMB50.0 million from independent third parties (the "**Other Borrowing**") to repay the amount due to controlling shareholders resulting from the reorganisation for the Listing. The Other Borrowing has commenced since July 2017 and will expire on 30 June 2019.

Income tax expense

Income tax expense increased by approximately 51.6% from approximately RMB6.4 million for the Last Period to approximately RMB9.7 million for the Period, primarily due to the increase in profit before income tax expense. The effective tax rate was approximately 19.2% for the Period and approximately 26.6% for the Last Period. A higher effective tax rate was recorded for the Last Period because a significant portion of the listing fee incurred in the Last Period was not subject to income tax deduction.

Profit for the Period

As a result of the foregoing, profit for the Period increased by approximately 130.7% from approximately RMB17.6 million for the Last Period to approximately RMB40.6 million for the Period.

Particulars of the Group's segment information are set out in note 5 to the Condensed Consolidated Financial Statement.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2018, the Group had an aggregate of restricted cash and cash and cash equivalent of approximately RMB25.5 million (31 December 2017: approximately RMB108.6 million), representing a decrease of approximately 76.5% as compared to that as at 31 December 2017. It was primarily due to that the proceed from the Listing retained as of 31 December 2017 was substantially utilised during the Period in according to the plan of the use of proceed as disclosed in the prospectus of the Company dated 27 October 2017 (the "**Prospectus**").

Borrowings and charges on the Group's assets

As at 30 June 2018, the Group had bank borrowings of approximately RMB30.0 million. Out of which, RMB25 million was secured by legal charge over the properties of the Group and the personal properties from the controlling shareholders and their associates. All bank borrowings are repayable within one year.

As at 31 December 2017, the Group had bank borrowings of approximately RMB61.8 million which were secured by legal charge over the properties of the Group and the corporate guarantees from the Group. All bank borrowings are repayable within one year.

In addition to bank borrowings, on 29 July 2017, the Group obtained loans from independent third parties in an amount of RMB50.0 million to repay the amount due to controlling shareholders resulting from the reorganisation of the Listing. The fixed interest rate of the loans is 8.16% per annum and the Group shall repay the loan in one installment and pay the accrued interest on the maturity date of 30 June 2019.

Gearing ratio

As at 30 June 2018, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 0.46 (31 December 2017: approximately 0.50).

Currency risk

While the Group's operations are principally in the PRC during the Period and it mainly conducts sales and incurs production costs and expenses in RMB, the Group has bank balances denominated in foreign currencies of Hong Kong dollar and US dollar. The Group does not use any derivative contracts to hedge against its exposure to currency risk. However, the Directors manage the Group's foreign currency risk by closely monitoring the movement of the foreign currency rates.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets and liabilities, mainly bank balances and bank borrowings which carried/bore prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The management of the Group maintains a balanced portfolio of fixed rate and variable rate borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the Group's consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. The credit risk for restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

Liquidity risk

The Group's management monitors the Group's cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and 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 30 June 2018, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB36.5 million (31 December 2017: approximately RMB1.4 million).

Save as those disclosed in this report, the Group did not have any material acquisitions and disposals for the Period.

Employees and remuneration policies

As at 30 June 2018, the Group had approximately 409 employees (31 December 2017: approximately 375 employees). For the Period, the Group incurred staff costs of approximately RMB17.0 million (the Last Period: RMB11.3 million). As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance and medical insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

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. On 3 January 2018, the Group entered into the equipment acquisition contract with the Manufacturer pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the optical fiber production facilities at a total consideration of approximately RMB45.1 million. Subsequently, on 19 January 2018, the Group entered into with the Manufacturer (i) another equipment acquisition contract pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the additional optical fiber production facilities at a total consideration of approximately RMB15.8 million; and (ii) the technology agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million. These investments were funded by internal resources, external equity financing and/or borrowings and net proceeds from the Share Offering. The Group will continue to invest in its development projects and acquire suitable plant and machinery in accordance to the plan as disclosed in the Prospectus. Save as disclosed in the Prospectus and in this report, the Group did not have any future plans for material investments as at the date of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to shareholders of the Company for the Period.

USE OF PROCEEDS FROM THE SHARE OFFERING

On 9 November 2017, the Company issued 275,000,000 shares at an offer price of HK$0.66 per share through an initial public offering (the "**Share Offering**"). Upon completion of the Share Offering, the amount of net proceeds after deducting the underwriting fees and expenses payable by the Company in connection with the Share offering, is approximately HK$146.7 million (equivalent to approximately RMB124.5 million).

As at 30 June 2018, approximately RMB121.6 million of the net proceeds has been used by the Group. The unutilised proceeds were deposited with the licensed bank in Hong Kong and the PRC. Set out below is a summary of the utilisation of the net proceeds:

	%	**Original plan allocation of net proceeds** RMB' million	**Actual utilised amount as at 30 June 2018** RMB' million	**Unutilised amount as at 30 June 2018** RMB' million
For the upstream vertical expansion into the optical fiber production	46.0%	57.3	56.8	0.5
For the settlement of partial payment for the four new optical fiber cable production lines	13.6%	16.9	16.9	–
For the enhancement of the structured cabling system products production equipment	12.5%	15.6	13.2	2.4
For financing the research and development of diversified new products and the production processes	8.9%	11.0	11.0	–
For repayment of part of the bank loans	10.6%	13.2	13.2	–
For working capital and other	8.4%	10.5	10.5	–
	100.0%	124.5	121.6	2.9

CONTINGENT LIABILITIES AND LITIGATION

The Group did not have any contingent liabilities and litigation at the end of the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "**Shares**"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Ms. Wang Qiuping	Interest in a controlled corporation (Note 2)	408,375,000	37.13%
Mr. Zhao Xiaobao	Interest in a controlled corporation (Note 3)	358,875,000	32.63%

Notes:

1. all interests stated are long positions.

2. These Shares are held by Arcenciel Capital Co., Ltd ("**Arcenciel Capital**"), which is wholly owned by Ms. Wang. By virtue of the SFO, Ms. Wang is deemed to be interested in the Shares held by Arcenciel Capital.

3. These Shares are held by Point Stone Capital Co., Ltd ("**Point Stone Capital**"), which is wholly owned by Mr. Zhao. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

Name of shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Arcenciel Capital Co., Ltd.	Beneficial owner (Note 2)	408,375,000	37.13%
Point Stone Capital Co., Ltd.	Beneficial owner (Note 3)	358,875,000	32.63%

Notes:

1. All interests stated are long positions.

2. These Shares are held by Arcenciel Capital, which is wholly owned by Ms. Wang Qiuping. By virtue of the SFO, Ms. Wang is deemed to be interested in the Shares held by Arcenciel Capital.

3. These Shares are held by Point Stone Capital, which is wholly owned by Mr. Zhao Xiaobao. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 21 October 2017. From the date of the adoption of the Share Option Scheme and up to the end of the Period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – 15. Share option scheme" in the Prospectus.

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 Period.

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 and the Company as a whole.

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

Chairman of the Board and Chief Executive Officer

Provision A.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 is the chairlady of the Board and the chief executive officer of the Company. Although this deviates from the practice under provision A.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, 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 of the Company 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 monopolize the voting of the Board. The Board considers that the balance of power between the Board and the senior management of the Company can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. 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 unaudited interim condensed consolidated financial statement of the Group for the Period has been reviewed by the Audit Committee.

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 interim report, the Company has maintained sufficient public float throughout the Period as required under the Listing Rules.

AUDITOR

BDO Limited ("**BDO**") is currently the auditor of the Company. A resolution for the re-appointment of BDO as auditor of the Company has been approved at the 2018 annual general meeting of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Period, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	5	**371,976**	246,946
Cost of sales		**(282,793)**	(185,703)
Gross profit		**89,183**	61,243
Other income	6	**1,710**	122
Selling and distribution expenses		**(14,115)**	(9,850)
Administrative expenses		**(22,869)**	(26,288)
Finance costs	7	**(3,597)**	(1,237)
Profit before income tax expense	8	**50,312**	23,990
Income tax expense	9	**(9,673)**	(6,389)
Profit for the period		**40,639**	17,601
Profit for the period attributable to owners of the Company		**40,639**	17,601
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,883)**	194
Other comprehensive income for the period, net of tax		**(1,883)**	194
Profit and total comprehensive income for the period		**38,756**	17,795
Earnings per share	10		
Basic and diluted		**RMB0.037**	RMB0.022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	140,259	106,940
Prepaid land lease payment	12	11,894	12,038
		152,153	118,978
Current assets			
Prepaid land lease payment	12	289	289
Inventories	13	94,339	72,868
Trade and bills receivables	14	198,298	171,779
Deposits, prepayment and other receivables	15	57,392	11,539
Restricted cash	16	10,003	50
Cash and cash equivalents		15,529	108,583
		375,850	365,108
Current liabilities			
Trade and bills payables	17	65,097	22,383
Accruals, deposits received and other payables		5,931	15,186
Provision for taxation		3,298	3,139
Bank and other borrowings	18	83,773	61,834
		158,099	102,542
Net current assets		217,751	262,566
Total assets less current liabilities		369,904	381,544

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current liability			
Other borrowings	18	**–**	51,732
Deferred tax liability		**7,699**	6,363
		7,699	58,095
Net Assets		**362,205**	323,449
EQUITY			
Share capital	19	**9,361**	9,361
Reserves		**352,844**	314,088
Total Equity		**362,205**	323,449

	Attributable to owners of the company							
	Share capital RMB'000	Share premium* RMB'000	Capital reserves* RMB'000	Other reserves* RMB'000	PRC statutory reserve* RMB'000	Exchange reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2017 (audited)	66	–	190	101,000	13,468	–	111,191	225,915
Profit for the Period	–	–	–	–	–	–	17,601	17,601
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	194	–	194
Total comprehensive income for the Last Period	–	–	–	–	–	194	17,601	17,795
Repurchase of shares	(66)	–	–	–	–	–	–	(66)
Issue of shares	88	–	–	–	–	–	–	88
Group reorganisation	–	–	–	(97,972)	–	–	–	(97,972)
Appropriation to statutory reserves	–	–	–	–	3,378	–	(3,378)	–
At 30 June 2017 (unaudited)	88	–	190	3,028	16,846	194	125,414	145,760
At 1 January 2018 (audited)	**9,361**	**130,289**	**190**	**3,028**	**21,618**	**(2,129)**	**161,092**	**323,449**
Profit for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**40,639**	**40,639**
Exchange differences arising on transaction of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,883)**	**–**	**(1,883)**
Total comprehensive income for the Period	**–**	**–**	**–**	**–**	**–**	**(1,883)**	**40,639**	**38,756**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**4,642**	**–**	**(4,642)**	**–**
At 30 June 2018 (unaudited)	**9,361**	**130,289**	**190**	**3,028**	**26,260**	**(4,012)**	**197,089**	**362,205**

* The total of these accounts are at the reporting dates represents "Reserves" in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax expense	**50,312**	23,990
Adjustments for:		
Depreciation of property, plant and equipment	**5,839**	4,910
Amortisation of prepaid land lease payment	**144**	144
Interest income	**(44)**	(72)
Finance costs	**3,597**	1,237
Operating profit before working capital changes	**59,848**	30,209
(Increase)/decrease in trade and bills receivables	**(26,519)**	21,665
(Increase)/decrease in deposits, prepayments and other receivables	**5,232**	(44,047)
Increase in inventories	**(21,471)**	(7,311)
Increase in trade and bills payables	**42,714**	5,616
Increase/(decrease) in accruals, deposits received and other payables	**(9,255)**	74
Increase in amount due from non-controlling interests shareholder	**–**	10,127
Cash generated from operations	**50,549**	16,333
Profits tax paid	**(8,178)**	(5,784)
Net cash generated from operating activities	**42,371**	10,549
Cash flows from investing activities		
Purchase of property, plant and equipment	**(39,158)**	(17,760)
Prepayments of property, plant and equipment	**(51,085)**	–
Interest income received	**44**	72
Net cash used in investing activities	**(90,199)**	(17,688)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from bank borrowings	**30,000**	48,950
Repayment of bank borrowings	**(61,834)**	(48,000)
Increase in restricted cash pledged	**(9,953)**	(149)
Interest paid for bank borrowings	**(1,556)**	(1,237)
Allotment of shares	**–**	88
Repurchase of share capital	**–**	(66)
Net cash used in financing activities	**(43,343)**	(414)
Net decrease in cash and cash equivalents	**(91,171)**	(7,553)
Cash and cash equivalents at beginning of the period	**108,583**	14,311
Effect of foreign exchange rate changes	**(1,883)**	194
Cash and cash equivalents at end of the period	**15,529**	6,952

1. GENERAL INFORMATION

Putian Communication Group Limited ("**the Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies laws. The Company was listed on the Stock Exchange of Hong Kong Limited on 9 November 2017. The Company's its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located in the PRC. The Group, comprising the Company and its subsidiaries, is principally engaged in production and sale of optical fiber cables, communication copper cables and structured cabling system products.

This interim condensed consolidated financial statements are presented in Chinese Renminbi ("**RMB**"), unless otherwise stated.

This interim condensed consolidated financial statements have been approved and authorized for issue by the Board of Director of the Company on 31 August 2018.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Period have neither been audited nor reviewed by the Company's auditors, but have been reviewed by the Company's audit committee, which have been prepared in accordance with HKAS 34, Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017 (the "**2017 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2017 Financial Statements except for the adoption of amendments to HKFRSs effective for the financial year beginning from 1 January 2018 as described below.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below, adoption of these revised HKFRSs and HKASs did not have any material effect on the financial position of the Group for the current or prior accounting period which have been prepared and presented.

3. ACCOUNTING POLICIES *(CONTINUED)*

(a) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement

To determine the classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of cash and bank balances, restricted bank balances, trade and bills receivables and financial assets included in prepayments, deposits and other receivables have been replaced by debt instruments at amortised cost under HKFRS 9.

The accounting for financial liabilities remains largely the same as it was under HKAS 39.

Impairment

The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. The Group applies the general approach and record twelve months expected losses on its financial assets included in prepayments, deposits and other receivables.

The application of HKFRS 9 in the Period has had no material impact on the amounts and/or disclosures reported in this interim condensed consolidated financial statement. Hedge accounting is not applicable to the Group.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's interim condensed consolidated financial statement.

All the other amendments and interpretations applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statement of the Group.

4. ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2017 Financial Statements.

5. SEGMENT INFORMATION

	Six months ended 30 June 2018 (Unaudited)			
	Optical fiber cables RMB'000	**Communication copper cables RMB'000**	**Structured cabling system products RMB'000**	**Total RMB'000**
Revenue from the Group's external customers	**166,966**	**165,361**	**71,162**	**403,489**
Inter-segment revenue	**(3,056)**	**(27,259)**	**(1,198)**	**(31,513)**
Reportable segment revenue	**163,910**	**138,102**	**69,964**	**371,976**
Reportable segment profit	**24,292**	**15,498**	**20,836**	**60,626**

	Six months ended 30 June 2017 (Unaudited)			
	Optical fiber cables RMB'000	Communication copper cables RMB'000	Structured cabling system products RMB'000	Total RMB'000
Revenue from the Group's external customers	87,314	123,532	45,293	256,139
Inter-segment revenue	(1,572)	(6,901)	(720)	(9,193)
Reportable segment revenue	85,742	116,631	44,573	246,946
Reportable segment profit	15,599	12,996	13,391	41,986

5. SEGMENT INFORMATION *(CONTINUED)*

(i) Reconciliation of reportable segment results to consolidated profit after taxation:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment results	**60,626**	41,986
Other income	**1,710**	122
Unallocated expenses	**(8,427)**	(16,881)
Finance costs	**(3,597)**	(1,237)
Income tax expense	**(9,673)**	(6,389)
Profit after taxation	**40,639**	17,601

(ii) Geographic information

No geographical segment information is shown as, during the period then ended presented, less than 10% of the Group's segment revenue, segment results and segment assets are derived from activities conducted outside People's Republic of China ("**PRC**").

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income:		
Bank interest income	**72**	44
Exchange gain, net	**3**	–
Government grants (Note)	**–**	–
Gains on sale of scrap materials	**1,635**	78
	1,710	122

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charge on bank borrowings	**3,597**	1,242
Less: Amount capitalised (Note)	**–**	(5)
	3,597	1,237

Note: Borrowing costs capitalised during the Last Period arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.32% to expenditure on qualifying assets.

No borrowing costs were capitalised since April 2017. The construction in progress incurred during the Period was primarily financed by the IPO proceed and self-generated fund from the operation.

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid land lease payment	**144**	144
Cost of inventories recognised as expenses	**256,955**	167,469
Research and development expenditure	**13,197**	8,457
Depreciation of property, plant and equipment	**5,839**	4,910
Operating lease rental in respect of:		
– Rented premises	**759**	570
Listing expenses	**–**	11,279
Staff costs (including directors' emoluments – Note 22):		
– Salaries and wages	**14,574**	9,762
– Defined contribution scheme	**2,436**	1,530
	17,010	11,292

Note: Amortisation of prepaid land lease payment for the period then ended was included in "Administrative expenses" on the face of the interim condensed consolidated statement of comprehensive income.

9. INCOME TAX EXPENSE

The amount of taxation in the condensed consolidated financial statement of comprehensive income represents:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC EIT	**8,336**	5,459
Deferred income tax charge to profit or loss for the period	**1,337**	930
Income tax expenses	**9,673**	6,389

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (the Last Period: 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%.

Provision for the PRC Enterprise Income Tax ("**EIT**") for the period then ended was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Putian Cable Group Co., Ltd, one of the subsidiaries of the Company, is entitled to a preferential income tax rate of 15% for the Period and the Last Period, as it was awarded high-technology status by tax authority.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB40,639,000 (the Last Period: approximately RMB17,601,000) and the weighted average of 1,100,000,000 shares (the Last Period: 820,305,160 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**0.037**	0.022
Number of share		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,100,000,000**	820,305,160

There were no potential dilutive ordinary shares during the Period and the Last Period and, therefore, diluted earnings per share are the same as the basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Audited RMB'000
Net book value as at 1 January 2017	98,384
Additions	20,283
Disposals	(710)
Depreciation	(11,017)
Net book value as at 31 December 2017	106,940

11. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Unaudited RMB'000
Net book value as at 1 January 2018	106,940
Additions	39,158
Disposals	–
Depreciation	(5,839)
Net book value as at 30 June 2018	140,259

The 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.

12. PREPAID LAND LEASE PAYMENT

	Audited RMB'000
Net book value as at 1 January 2017	12,616
Additions	–
Disposals	–
Amortisation	(289)
Net book value as at 31 December 2017	12,327

	Unaudited RMB'000
Net book value as at 1 January 2018	12,327
Additions	–
Disposals	–
Amortisation	(144)
Net book value as at 30 June 2018	12,183

12. PREPAID LAND LEASE PAYMENT *(CONTINUED)*

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Analysed for reporting purpose as:		
Non-current	11,894	12,038
Current	289	289
	12,183	12,327

13. INVENTORIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	30,320	24,332
Finished goods	64,019	48,536
	94,339	72,868

14. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	198,298	171,724
Bills receivables (Note)	–	55
	198,298	171,779

Note: Bills receivable represented outstanding commercial acceptance bills.

14. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

The ageing analysis of trade and bills receivables (net of impairments) as at the end of each reporting period based on invoice date is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
0 – 30 days	**78,374**	62,679
31 – 60 days	**63,825**	58,586
61 – 90 days	**31,586**	25,577
91 – 180 days	**22,070**	20,976
181 – 365 days	**2,292**	3,961
> 365 days	**151**	–
	198,298	171,779

The Group has a policy of granting trade customers with credit terms of generally 180-360 days. The ageing analysis of the Group's trade and bills receivables that are neither individually nor collectively considered to be impaired, is as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	**198,147**	171,779
Past due for less than 1 year	**151**	–
Past due for over 1 year but less than 2 years	**–**	–
Past due for over 2 years	**–**	–
	198,298	171,779

Trade and bills receivables of approximately RMB151,000 (2017: Nil) were past due but not impaired as at 30 June 2018. The balances related to the customers have no recent history of default. In general, the Group does not hold any collateral or other credit enhancements over these balances.

15. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

As at 30 June 2018, deposits, prepayment and other receivables mainly included amounts of approximately RMB51,085,000 prepaid for the acquisition of property, plant and equipment (31 December 2017: Nil).

16. RESTRICTED CASH

Restricted cash are deposits with certain banks as guarantee deposits against the revolving loan facilities granted by the banks to maintain the Group's daily operations.

17. TRADE AND BILLS PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**51,880**	22,383
Bills payables	**13,217**	–
	65,097	22,383

17. TRADE AND BILLS PAYABLES *(CONTINUED)*

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally ranging from 30 days to 60 days, and bills payables maturity period is normally within 180 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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
0 – 30 days	**39,831**	21,652
31 – 60 days	**6,841**	417
61 – 90 days	**6,242**	177
91 – 180 days	**12,177**	39
181 – 365 days	**6**	55
> 365 days	**–**	43
	65,097	22,383

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

Credit period granted by trade creditors is normally 30 days to 60 days, and bills payables maturity period is normally within 180 days. The following is an analysis of trade and bills payables by age based on due date.

17. TRADE AND BILLS PAYABLES *(CONTINUED)*

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Neither past due	**65,097**	22,181
Overdue for less than 1 year	**–**	202
	65,097	22,383

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

18. BANK AND OTHER BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current		
Secured bank borrowings (i) (ii)	**30,000**	61,834
Other borrowings (iii)	**53,773**	–
	83,773	61,834
Non-current		
Other borrowings (iii)	**–**	51,732

18. BANK AND OTHER BORROWINGS *(CONTINUED)*

(i) The bank borrowings with effective interest rate is 5.71% (2017: 6.32%) per annum.

(ii) The bank borrowings of RMB25 million (31 December 2017: Nil) was secured over the personal properties owned by the Group's controlling shareholders and their associates.

(iii) The Group entered into two loan agreements with independent third parties on 29 July 2017, with the total loan in a principal amount of RMB50.0 million with a fixed interest rate of 8.16% per annum and the Group shall repay the loans in one instalment and pay the accrued interest on the maturity date, 30 June 2019. The interest started to accrue on 31 July 2017, the date on which the Group received the proceeds of the loans. Under both loan agreements, the Group undertakes that it shall not change the use of the loan proceeds without creditors' prior approval and guarantees that the loan is unsecured and senior in right of payment to all other unsecured creditors of the Group immediately after the disposal of the secured assets in the event of cross default.

The Group's total current and non-current of bank and other borrowings are repayable as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
On demand or within one year	**83,773**	61,834
More than one year, but not exceeding two years	**–**	51,732
	83,773	113,566

Notes:

(i) The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

(ii) All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Company's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations.

(iii) The Company regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements. Further details of the Company's management of liquidity risk are set out in note 23. As at 30 June 2018, none of the covenants relating to drawn down facilities had been breached (2017: none).

19. SHARE CAPITAL

	Notes	**Number** '000 (Audited)	**Amount** RMB'000 (Audited)
Authorised:			
At 19 August 2016 (date of incorporation)	(ii)	10	66
Repurchase of share	(iii)	(10)	(66)
Subdivision of share capital	(iii)	38,000	336
Increase in share capital upon capitalisation	(v)	2,962,000	25,198
At 31 December 2017 and 30 June 2018		3,000,000	25,534
Issued and fully paid:			
At 19 August 2016 (date of incorporation)	(i)	10	66
Repurchase of share	(iii)	(10)	(66)
Allotment of shares	(iv)	10,000	88
Issue of ordinary shares upon capitalisation	(vi)	815,000	6,934
Issue of ordinary shares upon placing of shares	(vii)	275,000	2,339
At 31 December 2017 and 30 June 2018		1,100,000	9,361

Notes:

(i) The issued capital of the Group as at 1 January 2016 represent the consolidated share capital of Puitan Communication Group Limited as the Company had not been incorporated and the reorganisation was not completed.

(ii) The Company was incorporated as exempted company under the laws of the Cayman Islands with limited liability on 19 August 2016 with authorised share capital of US$10,000 dividend into 10,000 shares of US$1.00 each and issued 10,000 shares of US$10,000.

(iii) On 27 March 2017, the authorised share capital of the Company was increased by HK$380,000 by the creation of 38,000,000 shares of par value of HK$0.01 each so that immediately following the increase, the authorised share capital of the Company became the aggregate of US$10,000 divided into 10,000 shares of par value of US$1.00 each and HK$380,000 divided into38,000,000 shares of par value of HK$0.01 each.

Following the aforesaid increase, Point Stone Capital and Arcenciel Capital subscribed for 3,822,000 and 3,978,000 shares of HK$0.01 each at par respectively which were allotted and issued as fully paid up. Following the aforesaid allotment and issue, the Company repurchased all of the 4,900 and 5,100 issued shares of US$1.00 each from Point Stone Capital and Arcenciel Capital respectively at a price of US$1.00 for each share out of the proceeds from the aforesaid issue of new shares of HK$0.01 each to Point Stone Capital and Arcenciel Capital. All of the repurchased 10,000 shares of US$1.00 each were canceled and the authorised but unissued share capital of the Company was diminished by the cancelation of all of the unissued shares of US$1.00 par value each of the Company. Accordingly, the authorised share capital of the Company became HK$380,000 divided into 38,000,000 shares and the issued share capital of the Company became HK$78,000 divided into 7,800,000 shares.

19. SHARE CAPITAL *(CONTINUED)*

Notes: *(Continued)*

(iv) On 27 March 2017, the Company further allotted and issued 2,200,000 shares to its shareholders at par value. Accordingly, the issued shares became HK$100,000 (equivalent to approximately RMB88,000) divided into 10,000,000 shares.

(v) The authorised share capital was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 shares.

(vi) Pursuant to written resolutions passed on 21 October 2017, conditional upon the share premium account of the Company having sufficient balances, or otherwise being credited by way of share offering, the directors were authorised to allot and issue a total of 815,000,000 shares credited as fully paid at par by way of capitalisation of the sum of HK$8,150,000 (equivalent to approximately RMB6,934,000) standing to the credit of the share premium account of the Company.

(vii) On 9 November 2017, 275,000,000 ordinary shares of HK$0.01 each of the Company issued at a price of HK$0.66 by the way of placing. On the same date, the Company's ordinary shares were posted on the Stock Exchange. The proceeds of HK$2,750,000 (equivalent to approximately RMB2,341,000) representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$178,750,000 (equivalent to approximately RMB152,063,000), before issuing expenses of approximately RMB14,840,000, were credited to share premium account.

(viii) The Group Reorganisation was completed on 27 March 2017.

20. OPERATING LEASE COMMITMENT

The Group as lessee

The Group leases a premise under operating lease arrangement. The lease runs for an initial period of 1-5 years and is non-cancellable. The total future minimum lease payments under the lease are due as follows.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Rented premises:		
– Within one year	**1,503**	1,081
– In the second to fifth year, inclusive	**304**	846
	1,807	1,927

21. CAPITAL COMMITMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Capital expenditure of the Group contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**36,529**	1,431

22. RELATED PARTY TRANSACTIONS

The remuneration to Directors and the other key management personnel for the Period are were RMB2,073,000 (the Last Period: RMB593,000).

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial period.

23. FINANCIAL RISK MANAGEMENT

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) 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 deposits. The Group does not have an interest rate hedging policy. However, the directors of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. 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 borrowings.

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Interest rate risk *(Continued)*

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank and other borrowings of the Group as at 30 June 2018 and 31 December 2017 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of each reporting period are disclosed in Note 18.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on it floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Change in profit after tax and retained profits:		
+/-100 basis points	**-/+113**	-/+275

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the bank borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial period.

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) 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 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 statements of financial position.

The Group trade only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In order to minimise the credit risk, the directors of the Company 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 of the Company review the recoverable amount of each individual trade and bills receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 30 June 2018 and 31 December 2017 amounting to RMB156,880,000 (2017: RMB145,396,000), and accounted for 79.1% (31 December 2017: 84.6%) of the Group's total trade and bills receivables. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

The directors of the Company consider that the credit risk on liquid funds is low as counterparties are the major telecommunication network operators in PRC with good reputation.

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, 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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
At 30 June 2018 (Unaudited)					
Trade and bills payables	65,097	65,097	65,097	–	–
Other payables and accruals	3,643	3,643	3,643	–	–
Bank and other borrowings	83,773	88,975	88,975	–	–
	152,513	157,715	157,715	–	–
At 31 December 2017 (Audited)					
Trade and bills payables	22,383	22,383	22,340	43	–
Other payables and accruals	11,724	11,724	11,724	–	–
Bank and other borrowings	111,834	120,062	67,693	52,369	–
	145,941	154,169	101,757	52,412	–

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Currency risk

(i) Exposure to currency risk

The Group is only exposed to currency risk through cash and cash equivalent balances that are denominated in HKD and USD, the currency other than the functional currency of the entity to which they relate.

The following table details the Group's exposure at 30 June 2018 and 31 December 2017 respectively to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of reporting period. Differences resulting from the translation of the financial statements of the entities with functional currency other than RMB into the Group's presentation currency are excluded.

The Company does not have any significant financial assets or liabilities denominated in currencies other than its functional currency and it is not exposed to significant currency risk.

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	USD Denominated in RMB'000	**HKD Denominated in RMB'000**	USD Denominated in RMB'000	HKD Denominated in RMB'000
Cash and cash equivalents	**34**	**2,442**	20	89,841

23. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in the foreign exchange rates.

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	**5%**	**2**	5%	1
	(5)%	**(2)**	(5)%	(1)
HKD	**5%**	**122**	5%	4,492
	(5)%	**(122)**	(5)%	(4,492)

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2018 and 31 December 2017 respectively.