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

2019 INTERIM REPORT

CONTENTS

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

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKERS

Bank of Communication (Jiangxi Branch)
Bank of China (Nanchang Xihu Branch)
China Everbright Bank Co., Ltd

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 54 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 2019, the Company had 1,100,000,000 issued shares.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019 (the "**Period**"), the Group's operating results were as follows:

- Total revenue decreased by approximately 10.6% to approximately RMB332.6 million (Six months ended 30 June 2018 (the "**Last Period**"): approximately RMB372.0 million).
- Gross profit decreased by approximately 15.4% to approximately RMB75.5 million (the Last Period: approximately RMB89.2 million).
- Gross profit margin slightly decreased by approximately 1.3% to approximately 22.7% (the Last Period: approximately 24.0%).
- Profit for the Period attributable to owners of the Company decreased by approximately 36.1% to approximately RMB25.8 million (the Last Period: approximately RMB40.4 million).
- Revenue generated from sale of optical fiber cables decreased by approximately 30.5% to approximately RMB113.9 million (the Last Period: approximately RMB163.9 million); revenue generated from sale of structured cabling system products increased by approximately 12.4% to approximately RMB78.7 million (the Last Period: approximately RMB70.0 million); and revenue generated from sale of communication copper cables slightly increased by approximately 1.3% to approximately RMB139.9 million (the Last Period: approximately RMB138.1 million).
- The board of directors of the Company (the "**Board**") did not recommend the payment of an interim dividend for the Period (the Last Period: Nil).

BUSINESS REVIEW

The Group has recorded dissatisfied financial results for the Period. It recorded a revenue of approximately RMB332.6 million which represented a decline of approximately 10.6% as compared with the one for the Last Period. The Group has realized a gross profit of approximately RMB75.5 million for the Period, which represented a decline of approximately 15.4% as compared with the one for the Last Period. Profit for the Period attributable to owners of the Company was approximately RMB25.8 million, which represented a decline of approximately 36.1% as compared with the one for the Last Period.

The decrease in revenue was mainly attributable to the decrease in sale of optical fiber cables by approximately 30.5% to approximately RMB113.9 million (the Last Period: approximately RMB163.9 million). The underperformance in the optical fiber cable business was alleviated by the good performance achieved in the structured cabling system products. The sale of structured cabling system products increased by approximately 12.4% to approximately RMB78.7 million (the Last Period: approximately RMB70.0 million). Revenue generated from sale of communication copper cables slightly increased by approximately 1.3% from approximately RMB138.1 million for the Last Period to approximately RMB139.9 million for the Period.

Overall, the communication cable market has not performed well for the Period. The main reason was that the 4G construction in China has nearly come to the end while the 5G construction is still in an experimental stage. The commercialization of 5G is yet to come. The communication cable industry in China is in a lean season. The underperformance of the industry led to an oversupply of goods and exerting a downward pressure on prices. As a medium size player in the industry, the Group's business was adversely affected.

The Group had a steady performance in the sale volume of the optical fiber cable for the Period as compared with the same of the Last Period. However, the drop in the market price of the optical fiber cables in the industry results in a significant diminution of the gross profit margin of the Group's optical fiber cables business. Overall revenue derived from the optical fiber cables business decreased by 30.5% as compared with the same of the Last Period. To mitigate the fierce competition arising from the optical fiber cable industry and the supply tension to the major telecommunication operators, the Group has expanded its sale team to diversify its customer base and penetrated into the non-telecommunication operator market in the structured cabling system products. Such strategy has been proved to be successful with a growth of 12.4% in the revenue of the Group generated from the sale of structured cabling system products for the Period as compared with the same of the Last Period. For communication copper cable business, the performance is steady in terms of the market price and sale volume.

The Group is going to expand its business into the production of optical fibers so as to obtain control over optical fiber supply, improve supply chain efficiency and strive for better profit margin. Through various financing activities (for example, obtaining a loan facility with a total principal amount of up to HK$200.0 million from AVIC Capital International Holdings Co.), the Group has secured sufficient funding to finance its construction of the optical fiber production plant. The construction of the plant is in progress and expected to be completed by early 2020. The borrowings incurred for the construction of the optical fiber production plant have led to an increase in the Group's financial costs in short term while a greater return in the long run will be expected when the optical fiber production plant commences its operation. It enhances the Group's supply chain power and lifts up the Group's overall competitiveness in the industry and paves the way for the Group's growth in the 5G era.

OUTLOOK

The Ministry of Industry and Information Technology of China issued 5G commercial licenses to China Mobile, China Unicom, China Telecom and China Radio and Television on 6 June 2019. The four major telecommunication operators will jointly invest RMB10 billion in 5G construction. Some research reports stated that China's 5G forward transmission network will create demand for 245 million fiber kilometers of optical fiber cables in aggregation. Such demand is likely to be released partially in 2019 and 2020. The overall demand for optical fiber in China reached 338 million fiber kilometers in 2019 and will reach 348 million core kilometers in 2020. We expect the hard time of the optical fiber cable industry to be last till 2020.

The Group will continue to maintain its good business relationship with the major telecommunication operators and keep participating actively in the major telecommunication operators' large-scale bidding projects. Strengthened production capacity and overall competitiveness will help us secure more orders. At the same time, we will remain committed to diversification of our business and will continue to make efforts in the non-telecommunication operators market. In the 5G era, there will be numerous new "small operators" for vertical industries and new industries. We have established 27 sales representative offices in good function to expand the market of non-telecommunication operators nationwide.

Optical fiber cables, communication copper cables and structured cabling system products are set as the three key business segments of the Group. In the meantime, the Group is going to expand its business into parallel industries, such as data centers, building intercom, smart home. Among which, the development of structured cabling system products is one of the Group's most important strategies in the coming years. We have achieved promising results in the structured cabling system products business. Take it next, the Group targets to become No.1 brand in the non-telecommunication operators' market to provide customers with high quality and diversified supply of communications network support.

In addition to actively structuring the market and diversifying its product lines, the Group will make unremitting efforts in research and development. To meet the requirements of ultra-high bandwidth, ultra-low latency and ultra-high reliability in the 5G era, the Group has set up a first-class research and development team and acquired technology from industry leaders. The Group has mastered the domestic advanced technology and obtained a number of invention patents. We continuously focus on the research and development work and treat it as the primary impetus to our business growth.

The forthcoming period is full of challenges. We believe in the need to strengthen the foundation. When the demand arising from 5G releases, the communication cable industry is bound to usher in a new round of growth. We look forward to the era of the Internet of Everything. By then, the Group will seize the opportunities of 5G era for a business growth.

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 decreased by approximately 10.6% from approximately RMB372.0 million for the Last Period to approximately RMB332.6 million for the Period. Among which, revenue derived from sale of optical fiber cables decreased by approximately 30.5% from approximately RMB163.9 million for the Last Period to approximately RMB113.9 million for the Period; revenue derived from sale of structured cabling system products increased by approximately 12.4% from approximately RMB70.0 million for the Last Period to approximately RMB78.7 million for the Period; and revenue derived from sale of communication copper cables increased by approximately 1.3% from approximately RMB138.1 million for the Last Period to approximately RMB139.9 million for the Period.

Gross profit and margin

Gross profit decreased by approximately 15.4% to approximately RMB75.5 million for the Period from approximately RMB89.2 million for the Last Period, while the Group's gross profit margin was approximately 22.7% for the Period as compared to the one of approximately 24.0% for the Last Period. The slight decrease in gross profit margin was primarily because of the drop of the market price of the optical fiber cables in the industry resulting in a significant diminution of the gross profit margin of the optical fiber cables business.

Other income

Other income decreased by approximately 83.4% from approximately RMB1,710,000 for the Last Period to approximately RMB284,000 for the Period, primarily due to gain in sale of scrap materials for the Period was remote.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 42.6% from approximately RMB14.1 million for the Last Period to approximately RMB20.1 million for the Period, primarily due to an increase of approximately RMB5.6 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 increased, which was approximately 6.0% for the Period as compared to the one of approximately 3.8% for the Last Period.

Administrative expenses

Administrative expenses decreased by approximately 14.9% from approximately RMB22.9 million for the Last Period to approximately RMB19.5 million for the Period, primarily due to a decrease of approximately RMB4.8 million in research and development expenses from approximately RMB13.2 million for the Last Period to approximately RMB8.4 million for the Period as the Group.

Finance costs

Finance costs increased by approximately 97.2% from approximately RMB3.6 million for the Last Period to approximately RMB7.1 million for the Period primarily due to the borrowings of HKD100.0 million from AVIC Capital International Holdings Co., Limited for the construction of the optical fiber production plant.

Income tax expense

Income tax expense decreased by approximately 52.1% from approximately RMB9.6 million for the Last Period to approximately RMB4.6 million for the Period, primarily due to the decrease in profit before income tax expense. The effective tax rate was approximately 15.2% for the Period and approximately 19.3% for the Last Period.

Profit for the Period

As a result of the foregoing, profit for the Period decreased by approximately 36.1% from approximately RMB40.4 million for the Last Period to approximately RMB25.8 million for the Period.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2019, the Group had an aggregate of restricted cash and cash and cash equivalent of approximately RMB100.2 million (31 December 2018: approximately RMB105.4 million), representing a decrease of approximately 4.9% as compared to that as at 31 December 2018.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, the Group had bank borrowings of approximately RMB104.5 million, which was secured by legal charge over the properties of the Group and the personal properties from the controlling shareholders and their associates. RMB58.5 million out of the bank borrowings are repayable within one year.

As at 31 December 2018, the Group had bank borrowings of approximately RMB10.0 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.

On 28 December 2018, the Company as a borrower entered into a loan agreement ("**Loan Agreement**") with AVIC Capital International Holdings Co., Limited (the "**Lender**") in relation to a loan with a total principal amount of up to HK$200,000,000 (the "**Loan**"). The first batch of loan of HK$100,000,000 drawn on 28 December 2018. According to the Loan Agreement, unless the Company and the lender agree to extend for further one year, the Loan shall be fully repaid by the Company on 27 December 2020. Pursuant to the Loan Agreement, each of Ms. Wang Qiuping and Mr. Zhao Xiaobao, both being the controlling shareholders of the Company, provided a personal guarantee in favour of the Lender to secure, among others, the due and punctual observance and performance by the Company under the Loan Agreement and other ancillary documents. Pursuant to the Loan Agreement and in order to secure the Company's obligations under the Loan, Arcenciel Capital Co., Ltd and Point Stone Capital Co., Ltd, both being the immediate controlling shareholders of the Company, charged 408,375,000 ordinary shares of the Company and 358,875,000 ordinary shares of the Company, representing 37.125% and 32.625% of the total issued shares of the Company, respectively at the date of the Loan Agreement, in favour of the Lender. In addition, Ms. Wang and Mr. Zhao charged 10,000 ordinary shares of each of Arcenciel and Point Stone, representing the entire issued shares of Arcenciel and Point Stone, respectively, in favour of the Lender.

Gearing ratio

As at 30 June 2019, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 0.71 (31 December 2018: approximately 0.56).

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 borrowings. The Group does not have an interest rate hedging policy. However, the directors of the Group monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

The Group's interest rate risk mainly arises from bank and other borrowings. Bank and other borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank and other borrowings of the Group as at 30 June 2019 and 31 December 2018 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of each reporting period are disclosed in note 19 to the Interim Condensed Consolidated Financial Statement.

The Group's exposures to interest rate risk are detailed in note 24(a) to the Interim Condensed Consolidated Financial Statements.

Credit risk

As at 30 June 2019, 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 has been stated in the Interim Condensed Consolidated Statements of Financial Position.

The Group trades only with recognised and credit-worthy 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 Group's exposures to credit risk are detailed in note 24(b) to the Interim Condensed Consolidated Financial Statements.

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 Group's remaining contractual maturity for its non-derivative financial liabilities was detailed in note 24(c) to the Interim Condensed Consolidated Financial Statements.

Capital Commitments

As at 30 June 2019, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB121.7 million (31 December 2018: approximately RMB9.5 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 2019, the Group had 494 employees (31 December 2018: 471 employees). For the Period, the Group incurred staff costs of approximately RMB21.3 million (the Last Period: RMB17.0 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to shareholders of the Company for the Period (Last Period: Nil).

CONTINGENT LIABILITIES AND LITIGATION

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

OTHER INFORMATION

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

As at 30 June 2019, 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 (Notes 2, 4)	408,375,000	37.13%
Mr. Zhao Xiaobao	Interest in a controlled corporation (Notes 3, 4)	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.

4. On 28 December 2018, the Company entered into a loan agreement ("**Loan Agreement**") with AVIC Capital International Holdings Co., Limited (the "**Lender**") in relation to a loan with a total principal amount of up to HK$200.0 million (the "**Loan**"). Pursuant to the Loan Agreement, each of Ms. Wang and Mr. Zhao provided a personal guarantee in favour of the Lender to secure, among others, the due and punctual observance and performance by the Company under the Loan Agreement and other ancillary documents. Pursuant to the Loan Agreement and in order to secure the Company's obligations under the Loan, Arcenciel Capital and Point Stone Capital, both being the immediate controlling shareholders of the Company, charged 408,375,000 ordinary shares of the Company and 358,875,000 ordinary shares of the Company, representing 37.125% and 32.625% of the total issued shares of the Company, respectively at the date of the Loan Agreement, in favour of the Lender. In addition, Ms. Wang and Mr. Zhao charged 10,000 ordinary shares of each of Arcenciel Capital and Point Stone Capital, representing the entire issued shares of Arcenciel Capital and Point Stone Capital, respectively, in favour of the Lender.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 (Notes 2, 4)	408,375,000	37.13%
Point Stone Capital Co., Ltd.	Beneficial owner (Notes 3, 4)	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.

4. On 28 December 2018, the Company entered into a loan agreement ("**Loan Agreement**") with AVIC Capital International Holdings Co., Limited (the "**Lender**") in relation to a loan with a total principal amount of up to HK$200.0 million (the "**Loan**"). Pursuant to the Loan Agreement, each of Ms. Wang and Mr. Zhao provided a personal guarantee in favour of the Lender to secure, among others, the due and punctual observance and performance by the Company under the Loan Agreement and other ancillary documents. Pursuant to the Loan Agreement and in order to secure the Company's obligations under the Loan, Arcenciel Capital and Point Stone Capital, both being the immediate controlling shareholders of the Company, charged 408,375,000 ordinary shares of the Company and 358,875,000 ordinary shares of the Company, representing 37.125% and 32.625% of the total issued shares of the Company, respectively at the date of the Loan Agreement, in favour of the Lender. In addition, Ms. Wang and Mr. Zhao charged 10,000 ordinary shares of each of Arcenciel Capital and Point Stone Capital, representing the entire issued shares of Arcenciel Capital and Point Stone Capital, respectively, in favour of the Lender.

Save as disclosed above, as at 30 June 2019, 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 annual general meeting of the Company held on 6 June 2019.

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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	5	**332,553**	371,976
Cost of sales		**(257,022)**	(282,793)
Gross profit		**75,531**	89,183
Other income	6	**284**	1,710
Selling and distribution expenses		**(20,107)**	(14,115)
Administrative expenses		**(19,508)**	(22,869)
Expected credit losses on financial assets		**1,364**	(282)
Finance costs	7	**(7,142)**	(3,597)
Profit before income tax expense	8	**30,422**	50,030
Income tax expense	9	**(4,612)**	(9,631)
Profit for the period		**25,810**	40,399
Profit for the period attributable to owners of the Company		**25,810**	40,399
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,400)**	(1,883)
Other comprehensive income for the period, net of tax		**(1,400)**	(1,883)
Profit and total comprehensive income for the period		**24,410**	38,516
Earnings per share	10		
Basic and diluted		**RMB0.024**	RMB0.037

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	132,968	119,513
Prepaid land lease payment		–	11,749
Prepayment for property, plant and equipment and intangible assets	12	67,576	60,257
Total non-current assets		200,544	191,519
Current assets			
Prepaid land lease payment		–	289
Inventories	13	79,393	70,607
Trade and bills receivables	14	267,617	229,710
Deposits, prepayment and other receivables	15	85,662	34,148
Restricted cash	16	8,702	16,166
Cash and cash equivalents		91,478	89,201
Total current assets		532,852	440,121
Total assets		733,396	631,640
Current liabilities			
Trade and bills payables	17	82,598	68,715
Contract liabilities	18	4,728	3,761
Accruals, deposits received and other payables		12,871	15,164
Amount due to a director		–	1,746
Current tax liabilities		694	3,843
Bank and other borrowings	19	64,413	43,469
Lease liabilities		652	–
Total current liabilities		165,956	136,698
Net current assets		366,896	303,423
Total assets less current liabilities		567,440	494,942

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings	19	128,720	80,843
Deferred tax liabilities		9,155	9,133
Lease liabilities		179	–
Total non-current liabilities		138,054	89,976
Total liabilities		304,010	226,674
NET ASSETS		429,386	404,966
EQUITY			
Share capital		9,361	9,361
Reserves		420,025	395,605
TOTAL EQUITY		429,386	404,966

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2019

	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 2018 (audited)	9,361	130,289	190	3,028	21,618	(2,129)	159,557	321,914
Profit for the Period	–	–	–	–	–	–	40,399	40,399
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	(1,883)	–	(1,883)
Total comprehensive income for the Period	–	–	–	–	–	(1,883)	40,399	38,516
Appropriation to statutory reserves	–	–	–	–	4,642	–	(4,642)	–
At 30 June 2018 (unaudited)	9,361	130,289	190	3,028	26,260	(4,012)	195,314	360,430
At 31 December 2018 (audited)	**9,361**	**130,289**	**190**	**3,028**	**31,248**	**(4,070)**	**234,920**	**404,966**
Initial application of HKFRS 16 (note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**10**
Restated balance at 1 January 2019	**9,361**	**130,289**	**190**	**3,028**	**31,248**	**(4,070)**	**234,930**	**404,976**
Profit for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**25,810**	**25,810**
Exchange differences arising on transaction of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,400)**	**–**	**(1,400)**
Total comprehensive income for the Period	**–**	**–**	**–**	**–**	**–**	**(1,400)**	**25,810**	**24,410**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**3,555**	**–**	**(3,555)**	**–**
At 30 June 2019 (unaudited)	**9,361**	**130,289**	**190**	**3,028**	**34,803**	**(5,470)**	**257,185**	**429,386**

* 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 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax expense	30,422	50,030
Adjustments for:		
Depreciation of property, plant and equipment	7,452	5,839
Depreciation of right-of-use asset	496	–
Amortisation of prepaid land lease payment	–	144
Interest income	(182)	(44)
Finance costs	7,142	3,597
Expected credit loss on financial assets	(1,364)	282
Operating profit before working capital changes	43,966	59,848
Increase in trade and bills receivables	(36,543)	(26,519)
(Increase)/decrease in deposits, prepayments and other receivables	(1,514)	5,232
Increase in inventories	(8,786)	(21,471)
Increase in trade and bills payables	13,883	42,714
Decrease in accruals, deposits received and other payables	(2,293)	(9,255)
Increase in contract liabilities	967	–
Cash generated from operations	9,680	50,549
Profits tax paid	(7,739)	(8,178)
Net cash generated from operating activities	1,941	42,371
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,197)	(39,158)
Prepayments of property, plant and equipment	(7,319)	(51,085)
Restricted investment deposits	(50,000)	–
Interest income received	182	44
Net cash used in investing activities	(65,334)	(90,199)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from bank borrowings	**112,290**	30,000
Repayment of bank borrowings	**(43,469)**	(61,834)
Repayment to a director	**(1,746)**	–
Increase/(decrease) in restricted cash pledged	**7,464**	(9,953)
Interest paid	**(7,469)**	(1,556)
Net cash used in financing activities	**67,070**	(43,343)
Net decrease in cash and cash equivalents	**3,677**	(91,171)
Cash and cash equivalents at beginning of the period	**89,201**	108,583
Effect of foreign exchange rate changes	**(1,400)**	(1,883)
Cash and cash equivalents at end of the period	**91,478**	15,529

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 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 30 August 2019.

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 2018 (the "**2018 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ADOPTION OF NEW OR REVISED HKFRSs

The Group has applied for the first time the following new and revised standards and interpretation ("**new and revised HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for the Group's financial year beginning on or after 1 January 2019.

HKFRS 16	Lease
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over income tax treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

The new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

(i) Impacts and changes in accounting policies of application on HKFRS 16 "Lease" ("HKFRS 16")

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows increase:

	1 January 2019 RMB'000
Statement of financial position as at 1 January 2019 Right-of-use assets presented in property, plant and equipment	**12,999**
Lease liabilities	**951**
Net increase in retained profit	**10**

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

(i) Impacts and changes in accounting policies of application on HKFRS 16 "Lease" ("HKFRS 16") *(Continued)*

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	1 January 2019 RMB'000
Operating lease commitment as of 31 December 2018	**1,903**
Less: short term leases and future interest expenses	**(952)**
Total lease liabilities as of 1 January 2019	**951**
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019	**5.66%**

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

(iii) Accounting as a lessee *(Continued)*

Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

3. ADOPTION OF NEW OR REVISED HKFRSs *(CONTINUED)*

(vi) Amounts recognised in the statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets presented in property, plant and equipment and lease liabilities and the movements during the period are set out below:

	Right-of-use assets RMB'000	Lease liabilities RMB'000
As at 1 January 2019	12,999	951
Addition	207	207
Depreciation expense	(496)	–
Interest expense	–	26
Payments	–	(353)
As at 30 June 2019	12,710	831

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 2018 Financial Statements.

5. SEGMENT INFORMATION

	Six months ended 30 June 2019 (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	118,175	177,031	81,210	376,416
Inter-segment revenue	(4,247)	(37,085)	(2,531)	(43,863)
Reportable segment revenue	113,928	139,946	78,679	332,553
Reportable segment profit	9,857	14,943	21,219	46,019

	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

5. SEGMENT INFORMATION *(CONTINUED)*

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment results	**46,019**	60,626
Other income	**284**	1,710
Unallocated expenses	**(8,739)**	(8,709)
Finance costs	**(7,142)**	(3,597)
Income tax expense	**(4,612)**	(9,631)
Profit after taxation	**25,810**	40,399

(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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income:		
Bank interest income and others	**182**	72
Exchange gain, net	**–**	3
Government grants	**85**	–
Gains on sale of scrap materials	**17**	1,635
	284	1,710

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charge on bank borrowings	**7,501**	3,597
Interest charge on lease liabilities	**26**	–
Less: Amount capitalised (Note)	**(385)**	–
	7,142	3,597

Note: Borrowing costs capitalised during the Period arose on the specific loan financed for the construction of the optical fiber plant and were calculated by applying a capitalisation rate of 12% per annum to expenditure on qualifying assets.

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid land lease payment	**–**	144
Cost of inventories recognised as expenses	**228,474**	256,955
Research and development expenditure	**8,415**	13,197
Depreciation of property, plant and equipment	**7,452**	5,839
Depreciation of right-of-use asset	**496**	–
Short-term lease	**843**	–
Operating lease rental in respect of:		
– Rented premises	**–**	759
Expected credit losses on financial assets	**1,364**	(282)
Staff costs (including directors' emoluments)		
– Salaries and wages	**17,632**	14,574
– Defined contribution scheme	**3,715**	2,436
	21,347	17,010

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC EIT	**4,402**	8,294
Deferred income tax charge to profit or loss for the period	**210**	1,337
Income tax expenses	**4,612**	9,631

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 RMB25,810,000 (the Last Period: approximately RMB40,399,000) and the weighted average of 1,100,000,000 shares (the Last Period: 1,100,000,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**0.024**	0.037
Number of share		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,100,000,000**	1,100,000,000

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 2018	106,940
Additions	26,315
Depreciation	(13,742)
Net book value as at 31 December 2018	119,513

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

	Unaudited RMB'000
Net book value as at 1 January 2019	**132,512**
Additions	**8,404**
Depreciation	**(7,948)**
Net book value as at 30 June 2019	**132,968**

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. PREPAYMENT FOR PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepayment for property, plant and equipment	**64,180**	56,861
Prepayment for intangible assets	**3,396**	3,396
	67,576	60,257

13. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	10,616	29,798
Finished goods	68,777	40,809
	79,393	70,607

14. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	268,364	231,799
Bills receivables (Note)	299	321
	268,663	232,120
Less: Loss allowances	(1,046)	(2,410)
	267,617	229,710

Note: Bills receivables represented outstanding commercial acceptance bills.

14. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 month	**78,942**	63,231
More than 1 month but within 2 months	**59,703**	61,384
More than 2 months but within 3 months	**64,406**	39,281
More than 3 months but within 6 months	**46,006**	60,059
More than 6 months but within 1 year	**17,559**	5,344
More than 1 year	**1,001**	411
	267,617	229,710

The credit term granted by the Group to its trade customers is normally 181 days to 360 days. Further details on the Group's credit policy are set out in note 24(b).

The movement in the loss allowances for trade and bills receivables is as follows:

	RMB'000
Carrying amount as at 31 December 2018	2,410
Expected credit losses written back	(1,364)
Carrying amount as at 30 June 2019	1,046

15. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

As at 30 June 2019, deposits, prepayment and other receivables mainly included restricted deposits of RMB50.0 million as security of investments and equipment acquisitions and RMB30.0 million as security for the performance of the sale contracts (31 December 2018: Nil).

16. RESTRICTED CASH

Bank deposits have been pledged as security for bills payables. The restricted cash will be released upon the settlement of relevant bills payables.

17. TRADE AND BILLS PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	**41,310**	36,399
Bills payables	**41,288**	32,316
	82,598	68,715

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 month	**38,196**	27,534
More than 1 month but within 2 months	**40,157**	9,427
More than 2 months but within 3 months	**2,895**	760
More than 3 months but within 6 months	**609**	30,450
More than 6 months but within 1 year	**431**	382
More than 1 year	**310**	162
	82,598	68,715

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.

The following is an analysis of trade and bills payables by age based on due date.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Neither past due	**80,929**	68,524
Overdue for less than 1 year	**1,669**	191
	82,598	68,715

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

18. CONTRACT LIABILITIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contract liabilities arising from:		
Sale of goods	4,728	3,761
	4,728	3,761

	RMB'000
Balance as at 1 January 2019	3,761
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(3,761)
Increase in contract liabilities as a result of billing in advance of sales of goods	4,728
Balance as at 30 June 2019	4,728

19. BANK AND OTHER BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current		
Secured bank borrowings:		
Repayable within one year (i) (ii)	**58,500**	9,982
Unsecured bank borrowings:		
Other borrowings	**5,913**	33,487
	64,413	43,469
Non-current		
Secured borrowings:		
Bank loans (ii)	**46,000**	–
Other borrowings – due in December 2020 (iii)	**82,720**	80,843
	128,720	80,843

Notes:

(i) The bank borrowings with effective interest rate is 5.11% (2018: 5.66%) per annum.

(ii) Legal charges over the personal properties owned by substantial shareholders and their associates of the Group.

(iii) On 28 December 2018, the Company as a borrower entered into a loan agreement ("**Loan Agreement**") with AVIC Capital International Holdings Co., Limited (the "**Lender**") in relation to a loan with a total principal amount of up to HK$200,000,000 (the "**Loan**"). The first batch of loan of HK$100,000,000 drawn on 28 December 2018. According to the Loan Agreement, unless the Company and the lender agree to extend for further one year, the Loan shall be fully repaid by the Company on 27 December 2020. Pursuant to the Loan Agreement, each of Ms. Wang Qiuping and Mr. Zhao Xiaobao, both being the controlling shareholders of the Company, provided a personal guarantee in favour of the Lender to secure, among others, the due and punctual observance and performance by the Company under the Loan Agreement and other ancillary documents. Pursuant to the Loan Agreement and in order to secure the Company's obligations under the Loan, Arcenciel Capital Co., Ltd and Point Stone Capital Co., Ltd, both being the immediate controlling shareholders of the Company, charged 408,375,000 ordinary shares of the Company and 358,875,000 ordinary shares of the Company, representing 37.125% and 32.625% of the total issued shares of the Company, respectively at the date of the Loan Agreement, in favour of the Lender. In addition, Ms. Wang and Mr. Zhao charged 10,000 ordinary shares of each of Arcenciel and Point Stone, representing the entire issued shares of Arcenciel and Point Stone, respectively, in favour of the Lender.

19. BANK AND OTHER BORROWINGS *(CONTINUED)*

Total current and non-current bank loans were scheduled to repay as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
On demand or within one year	58,500	9,982
More than one year, but not exceeding two years	–	–
More than two years, but not exceeding five years	46,000	–
	104,500	9,982

Total current and non-current other borrowings were scheduled to repay as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
On demand or within one year	5,913	33,487
More than one year, but not exceeding two years	82,720	80,843
More than two years, but not exceeding five years	–	–
After five years	–	–
	88,633	114,330

Notes: *(continued)*

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

(v) Other borrowing with AVIC Capital International Holdings Co., Limited is subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group'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 Group has complied with the covenants and met the scheduled repayment obligations.

(vi) The Group 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 AVIC Capital International Holdings Co., Limited will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 24(c). As at 30 June 2019, none (31 December 2018: none) of the covenants relating to drawn down facilities had been breached.

20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets		
Loans and receivables:		
Trade, bills and other receivables	**357,294**	232,810
Restricted cash	**8,702**	16,166
Cash and cash equivalents	**91,478**	89,201
Financial liabilities		
Amortised costs:		
Trade, bills and other payables	**91,026**	83,052
Bank and other borrowings	**193,133**	124,312
Amount due to a director	**–**	1,746

Financial instruments not measured at fair value include cash and cash equivalents, restricted cash, trade, bills and other receivables, trade, bills and other payables, contract liabilities, bank borrowings and other borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, restricted cash, trade, bills and other receivables, trade, bills and other payables, contract liabilities, bank borrowings and other borrowings approximates fair value.

21. OPERATING LEASE COMMITMENT AND ARRANGEMENT

The Group as lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within one year	**–**	1,249
In the second to fifth year, inclusive	**–**	654
	–	1,903

The Group leases premises under operating lease. The leases run for an initial period of 1 to 3 years. The leases do not include any contingent rental.

22. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 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	**121,664**	9,500

23. RELATED PARTY TRANSACTIONS

The remuneration to Directors and the other key management personnel for the Period are were RMB2.2 million (the Last Period: RMB2.1 million).

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.

24. 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.

24. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Interest rate risk *(Continued)*

The Group's interest rate risk mainly arises from bank and other borrowings. Bank and other borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank and other borrowings of the Group as at 30 June 2019 and 31 December 2018 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of each reporting period are disclosed in note 19.

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Change in profit after tax and retained profits:		
+/-100 basis points	**396**	-/+320

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 year.

(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 stated in the consolidated statements of financial position.

The Group trades only with recognised and credit-worthy 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.

24. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

(i) Trade and bills receivables

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowances based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2018:

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowances RMB'000
Current (not past due)	–	265,757	–	1.0	230,471	2,254
1-30 days past due	–	–	–	5.1	613	31
31-60 days past due	12.4	889	111	6.1	379	23
More than 60 days past due	46.4	2,017	935	15.5	657	102
		268,663	1,046		232,120	2,410

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

24. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

(i) Trade and bills receivables (Continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowances account in respect of trade and bills receivables during the period is as follows:

	RMB'000
Carrying amount as at 1 January 2019	2,410
Expected credit losses written back	(1,364)
Carrying amount as at 30 June 2019	1,046

24. 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 1 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
As at 30 June 2019					
Trade, bills and other payables	91,026	91,026	91,026	–	–
Bank and other borrowings	193,133	216,681	66,313	94,813	55,555
	284,159	307,707	157,339	94,813	55,555
As at 31 December 2018					
Trade, bills and other payables	83,052	83,052	82,890	162	–
Bank and other borrowings	124,312	139,714	52,015	87,699	–
Amount due to a director	1,746	1,746	1,746	–	–
	209,110	224,512	136,651	87,861	–

24. 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 currencies other than the functional currency of the entity to which they relate.

The following table details the Group's exposure as at 31 December 2018 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 has significant financial assets and financial liabilities denominated in currencies other than its functional currency and it is exposed to currency risk.

	30 June 2019 (Unaudited)		31 December 2018 (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	**164**	**5,898**	51	82,146
Bank and other borrowings	**–**	**(82,720)**	–	(80,843)
	164	**(76,822)**	51	1,303

24. 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 2019 (Unaudited)		31 December 2018 (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%	8	5%	3
	(5)%	(8)	(5)%	(3)
HKD	5%	(3,841)	5%	65
	(5)%	3,841	(5)%	(65)

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. The analysis as at 30 June 2019 has been performed on the same basis.

25. EVENTS AFTER THE END OF REPORTING DATE

From 30 June 2019 to the date of this report, saved as disclosed in this report, the Board is not aware of any significant events that have occurred which require disclosure herein.