POTEL 普天集团

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

2022 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

Winston & Strawn

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
Cricket Square, 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
17/F, Far East Finance Centre
16 Harcourt Road
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 recognised 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 ("**Putian Cable**"), has been consecutively recognised 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 2022, the Company had 1,100,000,000 issued shares.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2022 (the "**Period**"), the Group's operating results were summarised as follows:

- Total revenue decreased by approximately 6.4% to approximately RMB244.7 million (the corresponding period in 2021, the "**Last Period**": approximately RMB261.5 million).
- Gross profit decreased by approximately 15.5% to approximately RMB51.2 million (the Last Period: approximately RMB60.6 million).
- Gross profit margin dropped to 20.9% (the Last Period: approximately 23.2%).
- Profit for the Period attributable to owners of the Company decreased by approximately 84.5% to approximately RMB2.6 million (the Last Period: approximately RMB16.8 million).
- Revenue generated from sale of communication copper cables decreased by approximately 36.2% to approximately RMB101.7 million (the Last Period: approximately RMB159.3 million) while revenue generated from sale of optical fibers and optical fiber cables increased by approximately 114.7% to approximately RMB89.1 million (the Last Period: approximately RMB41.5 million); and revenue generated from sale of structured cabling system products decreased by approximately 11.2% to approximately RMB53.9 million (the Last Period: approximately RMB60.7 million).
- The Board did not recommend the payment of an interim dividend for the Period (the Last Period: Nil).

BUSINESS REVIEW

The Group has recorded a revenue of approximately RMB244.7 million for the Period which represented a decrease of approximately 6.4% as compared with the one for the Last Period. The Group has realised a gross profit of approximately RMB51.2 million for the Period, which represented a decrease of approximately 15.5% as compared with the one for the Last Period. Profit for the Period attributable to owners of the Company was approximately RMB2.6 million, which represented a decrease of approximately 84.5% as compared with the one for the Last Period.

Sale of communication copper cables decreased by approximately 36.2% to approximately RMB101.7 million (the Last Period: approximately RMB159.3 million) while the sale of optical fibers and optical fiber cables increased by approximately 114.7% to approximately RMB89.1 million (the Last Period: approximately RMB41.5 million) and the sale of structured cabling system products decreased by approximately 11.2% to approximately RMB53.9 million (the Last Period: approximately RMB60.7 million).

PERFORMANCE REVIEW

In the first half of 2022, the recurring COVID-19 pandemic in China, especially the pandemic's greater impact on the economically developed areas in the east, has caused the construction works of some downstream industries and customers, in particular, the engineering customers, of Putian Cable Group Co., Ltd* (普天綫纜集團有限公司) ("**Putian Cable**"), a wholly owned subsidiary of the Company, to slow down. Meanwhile, the price of copper (being the Group's main raw material) fluctuated at a high level during the Period, which put the Group's production under costs pressure. The above factors also had certain effect on some of the Group's communication cable products (including wires and cables) and structured cabling system products. Driven by policies and the industry trend, and with the roll-out of national strategic projects such as 5G and Eastern Data and Western Computing, the "new communication infrastructure" primarily based on optical communication construction has developed rapidly, which resulted in a significant growth in the optical fiber cable business and provides a support to the stability of the Group's performance in the future. In relation to market expansion, the Group continued to expand its rail transit projects. While ensuring continuous cooperation with the state-owned construction groups such as China Railway Group, Power China and China Railway Construction, it has also established cooperation with China Railway in respect of national railway construction. With the development of "new infrastructure" communication network construction projects such as 5G network, gigabit optical fiber network, data center and industrial internet, by virtue of its competitive edge in the optical fiber cable products and technology services market, the Group also provides high-quality communication optical cable products and technology services to China Unicom, China Comservice and other companies catering to their needs of optical communications construction, on the basis of its strong partnership with the three major communication operators in China in respect of communication copper cable products.

OUTLOOK

In the first half of 2022, the communications industry in China showed a moderately improving posture, as reflected by the accelerating construction and application of 5G and gigabit optical networks, the improving information and communication supply capacity and the increasing new momentums for industry development. According to the data released by the Ministry of Industry and Information Technology of China, for the first half of 2022, the telecommunications sector posted a revenue of RMB815.8 billion in aggregate, up 8.3% from the same period last year; and mobile internet access traffic of 124.1 billion GB, up 20.2%. Among these, revenue contributed by Big Data, Data Center and Internet of Things rose by 56.4%, 17.3% and 26.9% respectively. As of the end of June 2022, in China, there were 1.03 billion broadband internet access ports, representing a net increase of 16.85 million from the end of last year; 985 million FTTH/O ports, representing a net increase of 25.17 million from the end of last year; 11.03 million 10G PON ports with gigabit network service capabilities, representing a net increase of 3.18 million from the end of last year; and 1.854 million 5G base stations, representing an increase of 3.6 percentage points from the end of last year. Construction of the communications infrastructure, as an essential material base and key support for the development of digital economy, is in full swing in China, aiming to establish a horizontally linked and vertically connected strategic communications system for the digital economy.

Industry landscape and trends

With the successive release of the "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China", "14th Five-Year Plan for National Informatisation", "14th Five-Year Plan for the Development of the Information and Communication Industry", "'Dual Gigabit' Network Coordinated Development Action Plan (2021-2023)", "14th Five-Year Plan for the Development of the Digital Economy" and other related policies, the coverage and widespread application of new information infrastructure such as 5G and gigabit optical networks have been accelerated and mobile internet traffic has continued to grow rapidly, enabling the continuous improvement of the quality of the communications industry in the country and laying a solid foundation for the realisation of the Digital China Strategy. Recently, upon the approval of the State Council, the Ministry of Housing and Urban-Rural Development and the National Development and Reform Commission again jointly issued and implemented the "14th Five-Year Plan for National Urban Infrastructure Construction" to make a comprehensive and systematic arrangement for the development of urban infrastructure during the "14th Five-Year Plan" period. Particularly, in the section under "Intelligent Urban Infrastructure Construction", it clearly proposes to "promote the construction of a new generation of information and communication infrastructure" and specifies three tasks: steadily promoting the construction of 5G networks; accelerating the construction of "gigabit cities"; and speeding up the construction of intelligent broadcast and television networks. According to the data from the National Bureau of Statistics, in the first half of 2022, China's total optical cable output rose 9.7% to 165 million core kilometers. CRU, a world-renowned third-party consulting firm, predicts that the demand for optic fiber cables in China will reach 261 million core kilometers by 2022, representing a year-on-year increase of 6.5%. Moreover, the "East Data and West Computing" project was officially launched in China in the first half of the year. As a channel for east-west data transmission, optical fiber cable will drive the demand in the industry. At the same time, the successive commencement of the upgrading project for trunk optical cables by the three major operators will also promote the application of G.654E optical fibers and bring new market opportunities and development space to the optical fiber cable industry.

Development strategies

Riding on the opportunities arising from 5G development, new infrastructure construction and digital transformation, through the expansion of new production capacity and technology transformation of production lines, the Group will improve the overall production capacity of the optical communication industry chain, continue to optimise industry chain structure and integrate the upstream and downstream resources in the industry to develop an intelligent data transmission ecosystem focusing on technology research and development, manufacturing process, product system, market application and marketing services. The Group will also concentrate on optical fiber cables, digital communication cables, automatic control cables for intelligent equipment, data centers and structured cabling system products, and make innovative applications and improve service efficiency. It will take further steps to accelerate market expansion, for example, participating in the centralised procurement and tendering organised by operators or major customers, continue to promote business in the construction of power, broadcast and television, transportation and railways, and extend vertical business scenarios to create new growth points for performance improvement.

Business plan

"Maintaining stability before seeking progress" is the general keynote of China economic work in 2022, and also the basic principle of the Group's operations. In July 2022, the second phase of the Group's optical fiber drawing project "new non-dispersive single-mode optical fiber and optical cable production line" commenced construction. It is scheduled to expand three optical fiber draw towers and add six optical fiber production lines to optimise and upgrade the cost structure of the optical fibers, optical cables and optical fiber connection products and establish its presence in the optical fiber and cable industry with an annual optical fiber output of 10 million core kilometers. The project is expected to be completed and put into production in 2024. In the meantime, in order to effectively solidify foundation, improve quality and increase efficiency of the communication copper cable business segment, construction of an intelligent control fiber cable production project commenced in anticipation of meeting market needs through the improvement of manufacturing process and production efficiency, and improve market competitiveness through identifying the needs of various communication copper cable products and deepening cooperation scope with customers. Besides, the approval and construction of the upgrading project in respect of the Group's digital production management system is a digital management upgrade of the entire industry chain, including manufacturing, supply chain management, financial management, warehousing management, and quality management, which not only improves the efficiency of technology reserve transforming into productivity, but also starts the digital transformation of the Group's production.

In addition, the Group will step up efforts to expand new data center business, improve sales scale, enhance the operational capabilities of new lines of business, and accelerate the development of new growth poles for the Company. In the field of high-frequency, high-speed and high-density optical fiber connectors, underpinned by its own technology advantages, the Group will focus on the research and development of MPO products, and continue to promote the implementation of relevant projects.

In the future, the Group will give full play to its core technology advantages in data transmission and optical communication, take the "construction of communication networks for the digital economy" as the mainline of development, and focus on the development and expansion of technology products and application in the fields of smart city, smart building, all-optical network, 5G communication and optical communication and data communication to contribute to the digital transformation in China.

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

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from sales of optical fibers and optical fiber cables, communication copper cables and structured cabling system products, which are three reportable segments. Revenue of the Group decreased by approximately 6.4% from approximately RMB261.5 million for the Last Period to approximately RMB244.7 million for the Period. Revenue generated from sale of communication copper cables decreased by approximately 36.2% to approximately RMB101.7 million (the Last Period: approximately RMB159.3 million) while revenue generated from sale of optical fibers and optical fiber cables increased by approximately 114.7% to approximately RMB89.1 million (the Last Period: approximately RMB41.5 million); and revenue generated from sale of structured cabling system products decreased by approximately 11.2% to approximately RMB53.9 million (the Last Period: approximately RMB60.7 million).

Gross profit and margin

Gross profit decreased by approximately 15.5% to approximately RMB51.2 million for the Period from approximately RMB60.6 million for the Last Period, while the Group's gross profit margin dropped to approximately 20.9% for the Period as compared to the one of approximately 23.2% for the Last Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 8.5% from approximately RMB20.1 million for the Last Period to approximately RMB21.8 million for the Period, primarily due to the increase of approximately RMB2.5 million in staff costs.

Administrative expenses

Administrative expenses increased by approximately 13.2% from approximately RMB15.9 million for the Last Period to approximately RMB18.0 million for the Period, primarily due to the increase of approximately RMB1.2 million in staff costs from approximately RMB5.5 million for the Last Period to approximately RMB6.7 million for the Period.

Finance costs

Finance costs increased by approximately 229.2% from approximately RMB2.4 million for the Last Period to approximately RMB7.9 million for the Period primarily due to more borrowings have incurred and no interest has been capitalised for the Period.

Income tax expense

Income tax expense decreased by approximately 86.5% from approximately RMB3.7 million for the Last Period to approximately RMB0.5 million for the Period, primarily due to the decrease in profit before income tax expense. The effective tax rate was approximately 15.6% for the Period and approximately 18.2% for the Last Period.

Profit for the Period

As a result of the foregoing, profit for the Period decreased by approximately 84.5% from approximately RMB16.8 million for the Last Period to approximately RMB2.6 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 2022, the Group had an aggregate of restricted cash and cash and cash equivalent of approximately RMB53.9 million (31 December 2021: approximately RMB91.3 million), representing a decrease of approximately 41.0% as compared to that as at 31 December 2021.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, the Group had bank and other borrowings of approximately RMB301.8 million (31 December 2021: approximately RMB259.5 million), approximately RMB266.8 million out of which was secured by legal charge over the properties of the Group and the personal properties from the controlling shareholders and their associates. RMB210.5 million out of the bank and other borrowings are repayable within one year and the remaining is to be matured in one to two years.

Gearing ratio

As at 30 June 2022, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 0.88 (31 December 2021: approximately 0.86).

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 monitor interest rate exposure from time to time and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Group's bank 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 bank and other borrowings of the Group as at 30 June 2022 and 31 December 2021 bore interest at floating rates.

The Group's exposures to interest rate risk are detailed in note 21(a) to the Interim Condensed Consolidated Financial Statements.

Credit risk

At at 30 June 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group was due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 30 June 2022 and 31 December 2021 that amounted to approximately RMB66.4 million and approximately RMB112.7 million respectively, and accounted for 24.3% and 40.1% of the Group's gross trade and bills receivables. In order to minimise the credit risk, the Directors continuously monitor the level of exposure by frequent review of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

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

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on the other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group applies the simplified and general approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and bills receivables and 12-month expected credit losses for other receivables, unless there is significant increase in credit risk since initial recognition.

In measuring the expected credit losses, the trade and bills receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

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

The Group's exposures to credit risk are detailed in note 21(b) to the Interim Condensed Consolidated Financial Statements.

Liquidity risk

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

The Group's remaining contractual maturity for its non-derivative financial liabilities was detailed in note 21(c) to the Interim Condensed Consolidated Financial Statements.

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 Group minimised its financial assets or liabilities denominated in currencies other than its functional currency to mitigate its exposure to currency risk.

The Group has not adopted any foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider to adopt appropriate foreign currency hedging policy in the future and will make disclosures as and when necessary.

The Group's exposures to currency risk are detailed in note 21(d) to the Interim Condensed Consolidated Financial Statements.

Capital commitments

As at 30 June 2022, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB8.4 million (31 December 2021: approximately RMB8.4 million).

Major acquisition and disposals

The Group did not have any material acquisitions and disposals of its subsidiaries, joint ventures and associated companies for the Period.

Employees and remuneration policies

As at 30 June 2022, the Group had 656 employees (31 December 2021: 469 employees). For the Period, the Group incurred staff costs of approximately RMB22.6 million (the Last Period: RMB21.1 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 did 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.

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

As at 30 June 2022, 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 2022, 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 2022, 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 2022, 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 of the Company dated 27 October 2017.

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

Ms. Wang is the chairlady of the Board and the chief executive officer of the Company. Although this deviates from the practice under provision C.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, 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 monopolise 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 D.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 Rule 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 20 June 2022.

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 2022

	Notes	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	**244,700**	261,479
Cost of sales		**(193,509)**	(200,858)
Gross profit		**51,191**	60,621
Other income	6	**381**	1,447
Selling and distribution expenses		**(21,843)**	(20,064)
Administrative expenses		**(18,021)**	(15,875)
Expected credit losses on financial assets		**(647)**	(3,190)
Finance costs	7	**(7,898)**	(2,396)
Profit before income tax expense	8	**3,163**	20,543
Income tax expense	9	**(523)**	(3,749)
Profit for the Period		**2,640**	16,794
Profit for the Period attributable to owners of the Company		**2,640**	16,794
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,622**	(100)
Other comprehensive income for the Period, net of tax		**4,262**	16,694
Profit and total comprehensive income for the Period		**4,262**	16,694
Earnings per share	10		
Basic and diluted		**RMB0.002**	RMB0.015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	458,645	455,736
Prepayment for property, plant and equipment and intangible assets		4,916	7,088
Deferred tax assets		7,733	7,733
Total non-current assets		471,294	470,557
Current assets			
Inventories	12	91,323	80,857
Trade and bills receivables	13	265,462	274,392
Deposits, prepayment and other receivables		142,042	90,028
Tax recoverables		2,204	–
Restricted cash	14	17,389	25,846
Cash and cash equivalents		36,464	65,404
Total current assets		554,884	536,527
Total assets		1,026,178	1,007,084
Current liabilities			
Trade and bills payables	15	72,300	101,256
Contract liabilities	16	12,374	5,626
Accruals, deposits received and other payables		66,754	69,170
Current tax liabilities		–	3,694
Bank and other borrowings	17	210,500	173,200
Lease liabilities		1,449	1,059
Total current liabilities		363,377	354,005
Net current assets		191,507	182,522
Total assets less current liabilities		662,801	653,079

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings	17	**91,269**	86,300
Deferred tax liabilities		**23,545**	23,633
Lease liabilities		**933**	354
Total non-current liabilities		**115,747**	110,287
Total liabilities		**479,124**	464,292
NET ASSETS		**547,054**	542,792
EQUITY			
Share capital		**9,361**	9,361
Reserves		**537,693**	533,431
TOTAL EQUITY		**547,054**	542,792

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022

	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
As at 1 January 2021	9,361	130,289	190	3,028	50,701	(7,849)	314,521	500,241
Profit for the Period	–	–	–	–	–	–	16,794	16,794
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	(100)	–	(100)
Total comprehensive income for the Period	–	–	–	–	–	(100)	16,794	16,694
Appropriation to statutory reserves	–	–	–	–	2,596	–	(2,596)	–
As at 30 June 2021 (unaudited)	9,361	130,289	190	3,028	53,297	(7,949)	328,719	516,935
Balance as at 1 January 2022	**9,361**	**130,289**	**190**	**3,028**	**57,072**	**(9,301)**	**352,153**	**542,792**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,640**	**2,640**
Exchange differences arising on transaction of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,622**	**–**	**1,622**
Total profit and other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,622**	**2,640**	**4,262**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 30 June 2022	**9,361**	**130,289**	**190**	**3,028**	**57,072**	**(7,679)**	**354,793**	**547,054**

* 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 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax expense	**3,163**	20,543
Adjustments for:		
Depreciation of property, plant and equipment	**14,172**	10,962
Interest on lease liabilities	**41**	40
Interest income	**(213)**	(55)
Finance costs	**7,857**	2,356
Expected credit loss on financial assets	**647**	3,190
Operating profit before working capital changes	**25,667**	37,036
Decrease/(increase) in trade and bills receivables	**8,283**	(18,557)
Increase in deposits, prepayments and other receivables	**(52,014)**	(11,717)
Increase in inventories	**(10,466)**	(24,581)
(Decrease)/increase in trade and bills payables	**(28,956)**	59,022
(Decrease)/increase in accruals, deposits received and other payables	**(586)**	7,809
Increase/(decrease) in contract liabilities	**6,748**	(2,967)
Increase in amount due to a director	**–**	4,644
Cash (used in)/generated from operations	**(51,324)**	50,689
Profits tax paid	**(6,509)**	(7,603)
Net cash (used in)/generated from operating activities	**(57,833)**	43,086
Cash flows from investing activities		
Purchase of property, plant and equipment	**(17,081)**	(48,511)
Prepayments of property, plant and equipment	**2,172**	(13,141)
Interest income received	**213**	55
Net cash used in investing activities	**(14,696)**	(61,597)

For the period ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	**168,269**	139,153
Repayment of borrowings	**(126,000)**	(78,600)
Decrease/(increase) in restricted cash pledged	**8,457**	(12,289)
Payment of lease liabilities	**(861)**	(519)
Interest paid	**(7,898)**	(2,396)
Net cash generated from financing activities	**41,967**	45,349
Net (decrease)/increase in cash and cash equivalents	**(30,562)**	26,838
Cash and cash equivalents at beginning of the period	**65,404**	43,025
Effect of foreign exchange rate changes	**1,622**	(100)
Cash and cash equivalents at end of the period	**36,464**	69,763

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 authorised for issue by the Board of Director of the Company on 31 August 2022.

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 2021 (the "**2021 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 2022.

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

The application of the amendments to HKFRSs in the Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 2021 Financial Statements.

5. SEGMENT INFORMATION

The following summary describes the operations in each of the Group's reportable segments:

(i) Business Segments

	Six months ended 30 June 2022 (Unaudited)			
	Optical fibers and optical fiber cables RMB'000	Communication copper cables RMB'000	Structured cabling system products RMB'000	Total RMB'000
Reportable segment revenue	**89,106**	**101,666**	**53,928**	**244,700**
Reportable segment profit	**7,288**	**3,397**	**15,550**	**26,235**

	Six months ended 30 June 2021 (Unaudited)			
	Optical fiber cables RMB'000	Communication copper cables RMB'000	Structured cabling system products RMB'000	Total RMB'000
Reportable segment revenue	41,468	159,311	60,700	261,479
Reportable segment profit	2,986	14,519	18,167	35,672

5. SEGMENT INFORMATION *(CONTINUED)*

(ii) Reconciliation of profit or loss:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment results	**26,235**	35,672
Other income	**381**	1,447
Unallocated expenses	**(15,555)**	(14,180)
Finance costs	**(7,898)**	(2,396)
	3,163	20,543
Income tax expense	**(523)**	(3,749)
Profit after taxation	**2,640**	16,794

(iii) Geographic information

No geographical segment information is shown as, during the Period, less than 10% of the Group's segment revenue, segment results and segment assets are derived from activities conducted outside the PRC.

6. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income and others	**213**	55
Government grants	**–**	1,000
Gains on sale of scrap materials	**168**	392
	381	1,447

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charge on bank and other borrowings	**7,857**	4,181
Interest charge on lease liabilities	**41**	40
Less: Amount capitalised	**–**	(1,825)
	7,898	2,396

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as cost of sales	**193,509**	200,858
Research and development expenditure	**3,113**	4,884
Depreciation of property, plant and equipment	**13,256**	10,302
Depreciation of right-of-use asset	**916**	660
Short-term lease	**991**	736
Expected credit losses on financial assets	**647**	3,190
Staff costs (including directors' emoluments):		
– Salaries and wages	**19,242**	18,086
– Defined contribution scheme	**3,324**	3,054
	22,566	21,140

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax (the "**EIT**")	**610**	3,289
Deferred income tax (credit)/charge to profit or loss for the Period	**(87)**	460
Income tax expenses	**523**	3,749

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 EIT for the Period 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 RMB2,640,000 (the Last Period: approximately RMB16,794,000) 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	
	2022	2021
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**0.002**	0.015
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

	Unaudited
	RMB'000
Net book value as at 1 January 2022	**455,736**
Additions	**17,081**
Depreciation	**(14,172)**
Net book value as at 30 June 2022	**458,645**

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

	Audited RMB'000
Net book value as at 1 January 2021	360,990
Additions	117,534
Depreciation	(22,788)
Net book value as at 31 December 2021	455,736

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. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	**38,721**	38,912
Finished goods	**52,602**	41,945
	91,323	80,857

13. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	272,002	279,783
Bills receivables (i)	919	1,421
	272,921	281,204
Less: Loss allowances	(7,459)	(6,812)
	265,462	274,392

Note:

(i) Bills receivables represented outstanding commercial acceptance bills.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	72,106	81,701
More than 1 month but within 2 months	52,831	76,889
More than 2 months but within 3 months	23,050	39,325
More than 3 months but within 6 months	27,396	57,458
More than 6 months but within 1 year	89,545	18,217
More than 1 year	534	802
	265,462	274,392

The credit term granted by the Group to its trade customers is normally 180 days to 360 days.

14. RESTRICTED CASH

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

15. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	42,647	59,399
Bills payables	29,653	41,857
	72,300	101,256

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	18,982	33,622
More than 1 month but within 2 months	16,261	19,684
More than 2 months but within 3 months	17,044	4,912
More than 3 months but within 6 months	6,607	20,598
More than 6 months but within 1 year	11,790	21,011
More than 1 year	1,616	1,429
	72,300	101,256

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.

16. CONTRACT LIABILITIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities arising from:		
Sale of goods	**12,374**	5,626
	12,374	5,626

	RMB'000
Balance as at 1 January 2022	**5,626**
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	**(5,626)**
Increase in contract liabilities as a result of billing in advance of sales of goods	**12,374**
Balance as at 30 June 2022	**12,374**

17. BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank borrowings:		
– Secured (ii), (iii) & (iv)	**210,500**	185,500
– Unsecured (iv)	**35,000**	9,000
	245,500	194,500
Other borrowing:		
– Secured (ii), (iii)	**56,269**	65,000
	301,769	259,500

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
On demand or within one year	**210,500**	173,200
Between one to two years	**91,269**	26,700
Between two to five years	**–**	59,600
	301,769	259,500

17. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes:

(i) The bank borrowings with effective interest rate is 4.51% (2021: 5.26%) per annum.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property, plant and equipment	**280,721**	238,254
Bank deposits	**17,389**	25,846
	298,110	264,100

(iii) As at 30 June 2022 and 31 December 2021, guarantees were provided by the controlling shareholders and their associates for the bank and other borrowings.

(iv) A summary of facilities granted by banks and the amounts utilised by the Group at 30 June 2022 and 31 December 2021 is set out below:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Amounts granted	**245,500**	194,500
Amounts utilised	**245,500**	194,500

18. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 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 and intangible asset	**8,400**	8,400

19. RELATED PARTY TRANSACTIONS

The remuneration to Directors and the other key management personnel for the Period are were RMB2.3 million (the Last Period: RMB2.2 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.

20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial Assets		
Amortised cost:		
Trade, bills and other receivables	**315,975**	311,099
Restricted cash	**17,389**	25,846
Cash and cash equivalent	**36,464**	65,404
Financial Liabilities		
Amortised cost:		
Trade, bills and other payables	**126,718**	162,994
Bank and other borrowings	**301,769**	259,500
Lease liabilities	**2,382**	1,413

21. 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.

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 bank and other borrowings of the Group as at 30 June 2022 and 31 December 2021 bore interest at floating rates. The interest rate and repayment terms of bank and other borrowings at the end of each reporting period are disclosed in note 17.

21. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Interest rate risk *(Continued)*

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Change in profit after tax and retained profits:		
+/-100 basis points	**-/+ 156**	-/+ 142

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 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.

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 receivable at the end of the 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 directors of the Company consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers as at 30 June 2022 and 31 December 2021 that amounted to approximately RMB66.4 million and approximately RMB112.7 million respectively, and accounted for 24.3% and 40.1% of the Group's gross 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.

21. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

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

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of individual property owner or the borrower
- Significant increases in credit risk on the other financial instruments of the individual property owner or the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group applies the simplified and general approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and bills receivables and 12-month expected credit losses for other receivables (excluding prepayments).

In measuring the expected credit losses, the trade and bills receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

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

21. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

As at 30 June 2022 and 31 December 2021, the loss allowance provision for the remaining balances was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade and bills receivables	Current (not past due)	1-30 days past due	31-60 days past due	61-90 days past due	91-365 days past due	More than one year past due	Total
As at 30 June 2022							
Expected credit loss rate	**0.9%**	**0.3%**	**6.1%**	**40.4%**	**82.1%**	**100%**	
Gross carrying amount (RMB'000)	**261,295**	**4,744**	**595**	**899**	**3,748**	**1,639**	**272,920**
Loss allowance provision (RMB'000)	**2,331**	**14**	**36**	**363**	**3,076**	**1,639**	**7,459**
As at 31 December 2021							
Expected credit loss rate	1.4%	–	13.9%	64.4%	100%	100%	
Gross carrying amount (RMB'000)	278,096	–	251	271	833	1,753	281,204
Loss allowance provision (RMB'000)	4,017	–	35	174	833	1,753	6,812

21. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Credit risk *(Continued)*

As at 30 June 2022 and 31 December 2021, the loss allowance provision for trade and bills receivables reconciles to the opening loss allowance for that provision as follows:

	Total RMB'000
As at 1 January 2022	**7,968**
Provision for loss allowance recognised in profit or loss	**(1,156)**
As at 31 December 2021	**6,812**
As at 1 January 2022	6,812
Provision for loss allowance recognised in profit or loss	647
As at 30 June 2022	7,459

As at 30 June 2022 and 31 December 2021, the gross carrying amount of trade and bills receivables was RMB272,920,000 and RMB281,204,000 respectively and thus the maximum exposure to loss was RMB265,461,000 and RMB274,392,000 respectively.

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the period:

– Increase in days past due over 90 days resulted in an increase in loss allowance of RMB2,129,000.

21. 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 2022					
Trade, bills and other payables	**126,718**	**126,718**	**126,718**	**–**	**–**
Bank and other borrowings	**301,769**	**315,396**	**221,575**	**93,821**	**–**
Lease liabilities	**2,382**	**2,505**	**1,546**	**959**	**–**
	430,869	**444,619**	**349,839**	**94,780**	**–**
As at 31 December 2021					
Trade, bills and other payables	162,944	162,994	162,994	–	–
Bank and other borrowings	259,500	274,189	182,045	31,725	60,419
Lease liabilities	1,413	1,475	1,111	364	–
	423,907	438,658	346,150	32,089	60,419

21. 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 30 June 2022 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 2022 (Unaudited)		31 December 2021 (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	**20**	**269**	30	2,601

21. 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 2022 (Unaudited)		31 December 2021 (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%**	**1**	5%	2
	(5)%	**(1)**	(5)%	(2)
HKD	**5%**	**13**	5%	130
	(5)%	**(13)**	(5)%	(130)

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 2022 has been performed on the same basis.

22. EVENTS AFTER THE END OF REPORTING DATE

From 30 June 2022 to the date of this report, saved as disclosed in this report, the Board is not aware of any other significant events that have occurred which require disclosure herein.