

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



2024
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Sze Ting

AUTHORISED REPRESENTATIVES

Ms. Wang Qiuping
Ms. Chan Sze Ting

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place,
348 Kwun Tong Road,
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

AUDITOR

Moore CPA Limited
(Formerly, Moore Stephens CPA Limited)
*Certified Public Accountants and Registered
Public Interest Entity Auditor*

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers

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 “普天漢飛” 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 2024, the Company had 1,100,000,000 issued shares.

FINANCIAL HIGHLIGHTS

For the Period, the Group's operating results were summarised as follows:

- Total revenue increased by approximately 3.8% to approximately RMB280.9 million (the Last Period: approximately RMB270.5 million).
- Gross profit increased by approximately 3.9% to approximately RMB58.3 million (the Last Period: approximately RMB56.1 million).
- Gross profit margin increased to 20.8% (the Last Period: approximately 20.7%).
- Profit for the Period attributable to owners of the Company increased by approximately 10.9% to approximately RMB5.1 million (the Last Period: approximately RMB4.6 million).
- Revenue generated from sale of communication copper cables decreased by approximately 0.1% to approximately RMB169.7 million (the Last Period: approximately RMB169.9 million); while revenue generated from sale of optical fibers and optical fiber cables increased by approximately 4.9% to approximately RMB61.9 million (the Last Period: approximately RMB59.0 million); and revenue generated from sale of structured cabling system products increased by approximately 18.5% to approximately RMB49.3 million (the Last Period: approximately RMB41.6 million).
- The Board did not recommend the payment of an interim dividend for the Period (the Last Period: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has recorded a revenue of approximately RMB280.9 million for the Period which represented an increase of approximately 3.8% as compared with the one for the Last Period. The Group has realised a gross profit of approximately RMB58.3 million for the Period, which represented an increase of approximately 3.9% as compared with the one for the Last Period. Profit for the Period attributable to owners of the Company was approximately RMB5.1 million, which represented an increase of approximately 10.9% as compared with the one for the Last Period.

Sale of communication copper cables decreased by approximately 0.1% to approximately RMB169.7 million (the Last Period: approximately RMB169.9 million) during the Period, while the sale of optical fibers and optical fibers cables increased by approximately 4.9% to approximately RMB61.9 million (the Last Period: approximately RMB59.0 million), and sale of structured cabling system products increased by approximately 18.5% to approximately RMB49.3 million (the Last Period: approximately RMB41.6 million).

PERFORMANCE REVIEW

In the first half of 2024, our Company and continued to maintain its stable partnership with the three major telecommunication operators in China, duly performing its purchase contracts with China Mobile, China Telecom (for data cable products) and China Unicom (for communication optical cable products). It also became the designated finalist unit for China Telecom's 2024 centralised procurement of data cables and communication optical cables. Meanwhile, its initial strategic planning in the rail transit industry was completed, with in-depth partnership formed with China Railway and China Railway Construction. Its products, including communication optical cables, communication cables and structured cabling systems, successively won bids for multiple rail transit construction projects across the country. It will also continue to be the designated finalist unit for China Railway's 2024 centralised procurement of data cables and communication optical cables, thus contributing to the construction of China's rail transit network in the future. During the Period, the Company's development strategy of channel diversification paid off, as we deepened our business cooperation with state-owned groups, including CNOOC (中海油能源發展股份有限公司). We also made breakthroughs in the expansion of power and energy channels, successively winning bids for communication optical cables and structured cabling applications in multiple energy construction projects, which further enhanced our sales depth and market position. In the first half of 2024, the Group actively supported the national strategic project of "east data, west computing" project, successfully participated in the construction project of the Qingyang Cluster, a computing power hub in Gansu.

OUTLOOK, INDUSTRY LANDSCAPE AND TRENDS

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

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

DEVELOPMENT PLAN

In the field of optical communications, the Group will focus on basic network communications products such as optical fibers, optical cables, and optical fiber connection products, to realise an industrial layout of data transmission and applications with cores and wires. In 2024, the Company will relaunch the second phase expansion project of the “new non-dispersive singlemode optical fiber and optical cable production line” to achieve an annual production capacity of 10 million core kilometers of optical fibers, to complete the upgrade and optimisation of the optical fiber and cable industrial structure, and to meet the foreseeable market expectation. Meanwhile, we will strive to facilitate the downstream application market, especially the business expansion of optical fiber-based cabling network market for the data centre, and to make great progress along with synergy effect in various aspects such as core products, technical support and customer channels to enhance its ability to capture opportunities in brand shortlisting and bidding.

In the field of data communications, the Group will continue to lay out industries development such as optical fiber cables, data cables, specialised cables, and optoelectronic hybrid cables, by optimising the prioritisation structure of production, so as to further enhance industrial digitalisation and smart production standards. It will strive to carry out application support and demand docking for strategic cooperation with large enterprise-level customers, in order to improve operational efficiency in all aspects as well as enhance smart manufacturing standards and comprehensive market competitiveness.

In terms of business expansion, apart from maintaining the in-depth development of the data centre business, the Group will increase its global business expansion efforts in 2024 based on its profound production, supply and marketing system, ensuring stable cooperation with telecommunication operators and infrastructure service providers. It has signed contracts to participate in international telecommunications exhibitions in seven countries which are Russia, Turkey, Singapore, Philippines, Pakistan, Brazil, and the United Arab Emirates, striving to deliver spontaneous response to international needs and capturing market development opportunities. At the same time, in order to meet the sales needs of the Southeast Asian business segment, the Group will set up its first overseas office in the Philippines and dispatch overseas office personnel during the Period.

In addition, the Group will continue to increase the integration of production capacity resources and improve production efficiency, and progress to improve product market competitiveness and technological levels of production. It also endeavours to improve corporate operational efficiency, maintain its industrial competitiveness, further expand its market advantages, and achieve sustainable development of the corporate and industrial chains and ecological chain through innovative R&D mechanisms and optimised internal management.

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 increased by approximately 3.8% from approximately RMB270.5 million for the Last Period to approximately RMB280.9 million for the Period. Revenue generated from sale of communication copper cables decreased by approximately 0.1% to approximately RMB169.7 million (the Last Period: approximately RMB169.9 million) while Revenue generated from sale of optical fibers and optical fiber cables increased by approximately 4.9% to approximately RMB61.9 million (the Last Period: approximately RMB59.0 million); and revenue generated from sale of structured cabling system products increased by approximately 18.5% to approximately RMB49.3 million (the Last Period: approximately RMB41.6 million).

Gross profit and margin

Gross profit increased by approximately 3.9% to approximately RMB58.3 million for the Period from approximately RMB56.1 million for the Last Period. While the Group's gross profit margin increased to approximately 20.8% for the Period as compared to the one of approximately 20.7% for the Last Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses increased by approximately 4.7% from approximately RMB21.3 million for the Last Period to approximately RMB22.3 million for the Period, mainly due to the increase in promotion expenses in overseas markets and increase in shipping costs brought about by the increase in the number of shipments.

Administrative expenses

Administrative expenses decreased by approximately 2.9% from approximately RMB20.5 million for the Last Period to approximately RMB19.9 million for the Period, mainly due to the decrease in employee costs.

Finance costs

Finance costs increased by approximately 1.0% from approximately RMB9.6 million for the Last Period to approximately RMB9.7 million for the Period, mainly due to the increase in interest on borrowings during this Period.

Income tax expense

Income tax expense increased by approximately 53.3% from approximately RMB1.5 million for the Last Period to approximately RMB2.3 million for the Period, primarily due to the increased in profit before income tax expense. The effective tax rate was approximately 31.0% for the Period and approximately 24.4% for the Last Period.

Profit for the Period

As a result of the foregoing, profit for the Period increased by approximately 10.9% from approximately RMB4.6 million for the Last Period to approximately RMB5.1 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 2024, the Group had an aggregate of restricted cash and cash and cash equivalents of approximately RMB79.8 million (31 December 2023: approximately RMB51.1 million), representing an increase of approximately 56.2% as compared to that as at 31 December 2023.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2024, the Group had bank and other borrowings of approximately RMB384.4 million (31 December 2023: approximately RMB341.2 million), which were secured by legal charge over the properties of the Group and the personal properties from the controlling shareholders and their associates. Bank and other borrowings of approximately RMB224.7 million will be repayable within one year.

Gearing ratio

As at 30 June 2024, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 1.02 (31 December 2023: approximately 1.02).

Total debt to total asset ratio

As at 30 June 2024, the total debt to total asset ratio of the Group, calculated by having the total liabilities divided by the total assets, was approximately 0.5 (31 December 2023: approximately 0.5).

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank and other borrowings. The Group does not have an interest rate hedging policy. However, the Directors monitors 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 rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. Certain bank and other borrowings of the Group as at 30 June 2024 bore interest at floating rates (31 December 2023: same). The interest rates and repayment terms of bank and other borrowings are disclosed in Note 18 to the Interim Condensed Consolidated Financial Statements.

Credit risk

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits, restricted cash and cash and cash equivalents. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low. It is not the Group's policy to request collateral from its other debtors.

The management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low and, thus, expected credit losses ("ECL") recognised is based on 12-month ECL and the impact of ECL is insignificant for the period ended 30 June 2024 and the year ended 31 December 2023.

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

Trade receivables

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

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

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 30 June 2024, which amounted to approximately RMB146,820,000 (31 December 2023: RMB149,900,000), and accounted for approximately 32.0% (31 December 2023: 32.2%) of the Group's gross trade and bills receivables. In order to minimise the credit risk, the Directors continuously monitor the level of exposure by frequent review of the public financial information and credit quality of its customers to ensure that prompt actions will be taken to lower the exposure. The two largest customers of the Group are listed companies in the PRC and Hong Kong, and both of them have good past credit repayment history and records with the Group.

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

The Group 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.

The Group measures expected credit losses for trade and bills receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. In measuring the expected credit losses, the trade and bills receivables have been assessed on a collective basis and debtors ageing is applied to assess expected credit losses for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms. They have been grouped based on the days past due. The estimated ECL loss rates are estimated based on the Group's estimates of the market borrowing rates for each of the groupings, less risk-free rate, which reflect the credit risk of the debtors, over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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

Liquidity risk

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

Capital Commitments

As at 30 June 2024, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB24.5 million (31 December 2023: approximately RMB42.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Material 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 2024, the Group had 455 employees (31 December 2023: 453 employees). For the Period, the Group incurred staff costs of approximately RMB24.2 million (the Last Period: RMB25.5 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

As at 30 June 2024, there were litigation claims initiated by the Group against various customers of the Group to demand immediate repayment of overdue trading debts in relation to sales of optical fiber cables, communication copper cables and structured cabling system products with an aggregate outstanding amounts (inclusive of interests and late penalty charges) of approximately RMB14,469,000. These litigation cases have been concluded/arbitrated/enforced to execute the repayments. As a result of the foregoing, the Group further recognised the expected credit losses on trade receivables from these customers of approximately RMB938,000 in the interim condensed consolidated financial statement for the period ended 30 June 2024.

OTHER INFORMATION

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

As at 30 June 2024, 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 2024, 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.

OTHER INFORMATION

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

As at 30 June 2024, 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	Beneficial owner (Note 2)	408,375,000	37.13%
Point Stone Capital	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 2024, 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

Pursuant to the shareholder written resolutions passed on 21 October 2017, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme will remain in force for a period of 10 years commencing on 21 October 2017. As at 30 June 2024, the remaining life of the Share Option Scheme is approximately 3.5 years. No share options have been granted under the Share Option Scheme since its effective date and up to 30 June 2024 and hence there was no outstanding options as at 30 June 2024. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants (the “**Eligible Participants**”) who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of its subsidiaries or any entity (the “**Invested Entity**”) in which any member of the Group holds an equity interest; (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the Listing date (i.e. not exceeding 110,000,000 shares).

The maximum entitlement of each Eligible Participants under the Share Option Scheme shall be:

- (a) Subject to paragraph (b) below, the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of such limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules; and

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- (b) Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any twelve month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the Directors at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

No option was granted, exercised, cancelled or lapsed under the Share Option Scheme since from the date adopted this Share Option Scheme till the end of the the Period and there was no outstanding share option as at 1 January 2024 to 30 June 2024.

As at 30 June 2024, no share-based payment expense was recognised in relation to share options granted by the Company.

As at the date of this interim report, the Company may grant up to 110,000,000 share option under the Share Option Scheme, which represented 10% of the Company's shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme and 10% of the Company's shares in issue as at the date of this interim report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities, (including sales of treasury shares (the “**Treasury Shares**”) within the meaning under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)). As at 30 June 2024, the Company did not hold any Treasury Shares.

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 C1 to the Listing Rules as its own code of corporate governance practices. Save for the deviation as disclosed herein below, the Company has complied with the applicable code provisions as set out in the CG Code during the 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.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiries to all Directors regarding any non-compliance with the Model Code.

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

Moore CPA Limited (formerly known as Moore Stephens CPA Limited) (“**Moore**”) is currently the auditor of the Company. A resolution for the re-appointment of Moore as auditor of the Company has been approved at the annual general meeting of the Company held on 18 June 2024.

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.

CHANGE OF DIRECTORS' INFORMATION

The change in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 December 2023 is set out below:

- With effect from 25 July 2024, Ms. Cheng Shing Yan has resigned as an independent non-executive director of Kwong Luen Engineering Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 1413).

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board

Wang Qiuping

Chairlady

Hong Kong, 30 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	280,898	270,478
Cost of sales		(222,553)	(214,381)
Gross profit		58,345	56,097
Other income	6	2,221	2,033
Selling and distribution expenses		(22,282)	(21,326)
Administrative expenses		(19,860)	(20,549)
Expected credit losses on financial assets		(1,299)	(485)
Finance costs	7	(9,690)	(9,631)
Profit before income tax expense	8	7,435	6,139
Income tax expense	9	(2,306)	(1,499)
Profit for the period		5,129	4,640
Profit for the Period attributable to owners of the Company		5,129	4,640
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		341	(4,079)
Other comprehensive income for the Period, net of tax		341	(4,079)
Profit and total comprehensive income for the Period		5,470	561
Earnings per share	10		
Basic and diluted		RMB0.005	RMB0.004

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	401,193	418,765
Intangible assets		8,585	9,151
Prepayments for property, plant and equipment and intangible assets	14	33,059	15,051
Deferred tax assets		8,141	7,946
Total non-current assets		450,978	450,913
Current assets			
Inventories	12	46,278	60,818
Trade and bills receivables	13	438,306	445,710
Deposits, prepayments and other receivables	14	156,706	153,747
Tax recoverable		1,827	2,991
Restricted cash	15	42,648	23,782
Cash and cash equivalents		37,188	27,281
Total current assets		722,953	714,329
Total assets		1,173,931	1,165,242
Current liabilities			
Trade and bills payables	16	121,456	136,367
Contract liabilities	17	17,845	34,262
Accruals, deposits received and other payables		40,511	49,505
Bank and other borrowings	18	236,161	248,196
Lease liabilities		544	708
Total current liabilities		416,517	469,038
Net current assets		306,436	245,291
Total assets less current liabilities		757,414	696,204

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings	18	148,224	93,000
Deferred tax liabilities		26,466	26,157
Lease liabilities		255	48
Total non-current liabilities		174,945	119,205
Total liabilities		591,462	588,243
NET ASSETS		582,469	576,999
EQUITY			
Share capital		9,361	9,361
Reserves		573,108	567,638
TOTAL EQUITY		582,469	576,999

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2024

	Attributable to owners of the company							
	Share capital	Share premium*	Capital reserves*	Other reserves*	PRC statutory reserve*	Exchange reserve*	Retained profits*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2023	9,361	130,289	190	3,028	63,041	(6,361)	370,864	570,412
Profit for the year	-	-	-	-	-	-	4,640	4,640
Exchange differences arising on transaction of foreign operations	-	-	-	-	-	(4,079)	-	(4,079)
Total profit and other comprehensive income for the year	-	-	-	-	-	(4,079)	4,640	561
Balance as at 30 June 2023	9,361	130,289	190	3,028	63,041	(10,440)	375,504	570,973
As at 1 January 2024	9,361	130,289	190	3,028	65,240	(7,422)	376,313	576,999
Profit for the Period	-	-	-	-	-	-	5,129	5,129
Exchange differences arising on transaction of foreign operations	-	-	-	-	-	341	-	341
Total comprehensive income for the Period	-	-	-	-	-	341	5,129	5,470
As at 30 June 2024 (unaudited)	9,361	130,289	190	3,028	65,240	(7,081)	381,442	582,469

* 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 six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities	7,435	6,139
Profit before income tax expense		
Adjustments for:		
Depreciation of property, plant and equipment	19,931	21,017
Amortisation of intangible asset	566	566
Interest income	(49)	(282)
Finance costs	9,690	9,631
Expected credit loss on financial assets	1,299	485
Operating profit before working capital changes	38,872	37,556
Decrease in trade and bills receivables	6,105	23,987
Increase in deposits, prepayments and other receivables	(2,959)	(99,935)
Decrease/(increase) in inventories	14,540	(10,850)
(Decrease)/increase in trade and bills payables	(14,911)	19,894
Decrease in accruals, deposits received and other payables	(8,994)	(6,191)
(Decrease)/increase in contract liabilities	(16,417)	9,333
Cash generated from/(used in) operations	16,236	(26,206)
Profits tax paid	(1,028)	(7,858)
Net cash generated from/(used in) operating activities	15,208	(34,064)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,359)	(3,774)
Prepayments of property, plant and equipment	(18,008)	–
Interest income received	49	282
Net cash used in investing activities	(20,318)	(3,492)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	233,789	196,700
Repayment of borrowings	(190,600)	(183,107)
(Increase)/Decrease in restricted cash pledged	(18,866)	4,127
Payment of lease liabilities	43	(787)
Interest paid	(9,690)	(9,631)
Net cash generated from financing activities	14,676	7,302
Net increase/(decrease) in cash and cash equivalents	9,566	(30,254)
Cash and cash equivalents at beginning of the period	27,281	69,389
Effect of foreign exchange rate changes	341	(4,079)
Cash and cash equivalents at end of the period	37,188	35,056

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 Main Board of the Stock Exchange of Hong Kong Limited on 9 November 2017. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s headquarters and principal place of business is located at the People’s Republic of China (the “**PRC**”). The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together referred to as the “**Group**”) are production and sales of optical fibers and optical fiber cables, communication copper cables and structured cabling system products in the PRC.

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 30 August 2024.

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. 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 2023 (the “**2023 Financial Statements**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. ADOPTION OF NEW OR REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current period

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current period:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2023 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 2024 (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	61,861	169,658	49,379	280,898
Reportable segment profit	1,603	15,495	15,648	32,746

	Six months ended 30 June 2023 (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	58,984	169,941	41,553	270,478
Reportable segment profit	571	19,134	12,614	32,319

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. SEGMENT INFORMATION (CONTINUED)

(ii) Reconciliation of profit or loss:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment results	32,746	32,319
Other income	2,221	2,033
Unallocated expenses	(17,842)	(18,582)
Finance costs	(9,690)	(9,631)
	7,435	6,139
Income tax expense	(2,306)	(1,499)
Profit after taxation	5,129	4,640

(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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income and others	49	282
Government grants	200	500
Gains on sale of scrap materials	864	726
Others	1,108	525
	2,221	2,033

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charge on bank and other borrowings	9,669	9,588
Interest charge on lease liabilities	21	43
	9,690	9,631

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as cost of sales	222,553	214,381
Research and development expenditure	3,343	2,452
Depreciation of property, plant and equipment	19,812	20,061
Depreciation of right-of-use asset	821	956
Amortisation of intangible assets	566	566
Short-term lease	2,059	1,727
Interest charge on lease liabilities	21	43
Expected credit losses on financial assets	1,299	485
Staff costs (including directors' emoluments):		
— Salaries and wages	21,126	21,982
— Defined contribution scheme	3,122	3,541
	24,248	25,523

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax — PRC Enterprise Income Tax (the “EIT”)	2,193	1,279
Deferred income tax (credit)/charge to profit or loss for the Period	113	220
Income tax expenses	2,306	1,499

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).

No provision for income tax in the Cayman Islands and the British Virgin Islands (the “BVI”) has been made as the Company’s subsidiaries had no assessable income in these jurisdictions during 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 EIT rate of the Company’s PRC subsidiaries is 25% (the Last Period: 25%) except as described below. Provision for the EIT for the six months 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, was approved to be a high and new technology enterprise (“HNTE”) and is entitled to a preferential income tax rate of 15% (the Last Period: 15%) during the Period according to the PRC tax law, as it was awarded high- technology status by tax authority with a validity period of three years expiring in 2025. The HNTE certificate needs to be renewed every three years so as to enable Putian Cable Group Co., Ltd. to enjoy the reduced tax rate and additional 100% (the Last Period: 100%) tax deduction (“Tax Deduction”) based on the eligible research and development expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 RMB5,129,000 (the Last Period: approximately RMB4,640,000) 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 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	0.005	0.004
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, 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 2024	418,765
Additions	1,606
Depreciation	(19,178)
Net book value as at 30 June 2024	401,193

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Audited RMB'000
Net book value as at 1 January 2023	431,785
Additions	27,648
Depreciation	(40,668)
Net book value as at 31 December 2023	418,765

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	14,920	24,510
Finished goods	31,358	36,308
	46,278	60,818

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	450,633	457,062
Bills receivables (Note (i))	8,660	8,336
	459,293	465,398
Less: Loss allowances	(20,987)	(19,688)
	438,306	445,710

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	66,862	119,744
More than 1 month but within 2 months	48,317	38,465
More than 2 months but within 3 months	38,593	45,353
More than 3 months but within 6 months	111,462	74,293
More than 6 months but within 1 year	78,206	63,421
More than 1 year	94,866	104,434
	438,306	445,710

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<i>Current</i>		
Deposits	34,862	35,511
Prepayments to suppliers	90,705	90,885
Prepayments	2,155	2,317
Valued added tax receivables	13,691	15,898
Other receivables	15,293	9,136
	156,706	153,747
<i>Non-current</i>		
Prepayments for property, plant and equipment and intangible assets (Note)	33,059	15,051

Notes:

As at 30 June 2024, the Group has further made certain prepayments of approximately RMB20,000,000 to certain independent third parties, mainly for purchases of equipment and machineries for an optical fiber production line.

15. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	78,456	92,381
Bills payables	43,000	43,986
	121,456	136,367

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	42,750	48,936
More than 1 month but within 2 months	25,110	25,693
More than 2 months but within 3 months	22,864	32,002
More than 3 months but within 6 months	16,233	15,758
More than 6 months but within 1 year	8,001	8,896
More than 1 year	6,498	5,082
	121,456	136,367

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. CONTRACT LIABILITIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities arising from Sale of goods	17,845	34,262
	17,845	34,262
RMB'000		
Balance as at 1 January 2024		34,262
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		(34,262)
Increase in contract liabilities as a result of billing in advance of sale of goods		17,845
Balance as at 30 June 2024		17,845

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings — secured (Notes (i), (ii) and (iv)):		
Secured by the property, plant and equipment, and prepayments of the Group	156,500	118,000
Secured by the properties owned by the controlling shareholders and their associates	43,800	10,000
Secured jointly by the property, plant and equipment, and trade receivables of the Group and the controlling shareholders	74,000	96,750
Secured by personal guarantee (Notes (iii))	67,000	93,600
	341,300	318,350
Other borrowings — Secured (Notes (i) and (iv)):		
Secured by the Group's property, plant and equipment (Notes (ii))	43,085	4,846
Secured by the Company's certain shareholding in its two PRC subsidiaries	—	18,000
	43,085	22,846
	384,385	341,196
Less: amount classified as non-current liabilities	(148,224)	(93,000)
Current liabilities	236,161	248,196
Borrowings fall due:		
— Within one year	224,661	248,196
— Between one and two years	74,724	12,000
— Between two and five years	46,000	36,000
— Over five years	39,000	45,000
Total amount of bank and other borrowings	384,385	341,196

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (i) Bank borrowings of approximately RMB117,000,000 (31 December 2023: RMB165,750,000), bearing variable interests at the bank's loan prime rate plus a premium. The effective interest rates of these borrowings are 3.9% to 5.0% (31 December 2023: 4.35% to 5.40%) per annum as at 30 June 2024.

Bank borrowings of approximately RMB224,300,000 (31 December 2023: RMB152,600,000), bearing interest at fixed rates, ranging from 3.25% to 5.50% (31 December 2023: 2.60% to 5.66%) per annum as at 30 June 2024.

Other borrowings bear interests at fixed rates, ranging from 3.17% to 5.50% (31 December 2023: 0.00% to 6.88%) per annum as at 30 June 2024. The weighted average effective interest rate on these borrowings is 4.48% (31 December 2023: 4.45%) per annum as at 30 June 2024.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Property, plant and equipment		
— Land and buildings	187,528	192,774
— Machinery	44,764	51,264
Trade receivables	34,210	7,375
Bank deposits	43,561	12,375
	310,063	263,788

- (iii) As at 30 June 2024 and 31 December 2023, guarantees were provided by the controlling shareholders and the family members of the controlling shareholders for the bank and other borrowings.

- (iv) A summary of facilities granted by banks and other borrowers and the amounts utilised by the Group at 30 June 2024 and 31 December 2023 is set out as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Amounts granted	407,800	193,600
Amounts utilised	384,385	173,600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. CAPITAL COMMITMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 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	24,523	42,222

20. RELATED PARTY TRANSACTIONS

The remuneration to Directors and the other key management personnel for the Period are were RMB2.2 million (the Last Period: RMB2.4 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.

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial Assets		
Amortised cost:		
Trade, bills and other receivables	485,235	490,357
Restricted cash	42,648	23,782
Cash and cash equivalent	37,188	27,281
Financial Liabilities		
Amortised cost:		
Trade, bills and other payables	153,871	173,799
Bank and other borrowings	384,385	341,196
Lease liabilities	799	756

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For the six months ended 30 June 2024

22. 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 2024 and 31 December 2023 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 18.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Change in profit after tax and retained profits:		
+/-100 basis points	-/+ 263	-/+ 1,628

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. FINANCIAL RISK MANAGEMENT (*CONTINUED*)

(b) Credit risk

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits, restricted cash and cash and cash equivalents. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low. It is not the Group's policy to request collateral from its other debtors.

The management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low and, thus, expected credit losses ("ECL") recognised is based on 12-month ECL and the impact of ECL is insignificant for the period ended 30 June 2024 and the year ended 31 December 2023.

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

Trade receivables

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables (continued)

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at 30 June 2024, which amounted to approximately RMB146,820,000 (31 December 2023: RMB149,900,000), and accounted for approximately 32.0% (31 December 2023: 32.2%) of the Group's gross trade and bills receivables. In order to minimise the credit risk, the Directors continuously monitor the level of exposure by frequent review of the public financial information and credit quality of its customers to ensure that prompt actions will be taken to lower the exposure. The two largest customers of the Group are listed companies in the PRC and Hong Kong, and both of them have good past credit repayment history and records with the Group.

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

The Group 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.

The Group measures expected credit losses for trade and bills receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. In measuring the expected credit losses, the trade and bills receivables have been assessed on a collective basis and debtors ageing is applied to assess expected credit losses for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms. They have been grouped based on the days past due. The estimated ECL loss rates are estimated based on the Group's estimates of the market borrowing rates for each of the groupings, less risk-free rate, which reflect the credit risk of the debtors, over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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For the six months ended 30 June 2024

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables (continued)

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.

As at the reporting date, the loss allowance provision for trade and bills receivables 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
At 30 June 2024							
Expected credit loss rate	0.15%	1.12%	1.49%	2.21%	43.78%	50.25%	
Gross carrying amount (RMB'000)	386,632	9,120	8,384	12,652	22,588	19,917	459,293
Loss allowance (RMB'000)	581	103	125	280	9,890	10,008	20,987
At 31 December 2023							
Expected credit loss rate	0.11%	2.91%	3.22%	2.70%	19.33%	25.47%	
Gross carrying amount (RMB'000)	313,321	34,167	30,201	8,441	49,579	29,689	465,398
Loss allowance (RMB'000)	348	993	971	228	9,585	7,563	19,688

Movement of the loss allowance provision for trade and bills receivables is as follows:

	RMB'000
At 1 January 2023	7,562
Loss allowance recognised in profit or loss	12,126
At 31 December 2023 and 1 January 2024	19,688
Loss allowance recognised in profit or loss	1,299
At 30 June 2024	20,987

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For the six months ended 30 June 2024

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
At 30 June 2024						
Trade, bills and other payables and accruals	156,489	156,489	156,489	-	-	-
Bank and other borrowings	384,385	418,240	239,729	80,642	55,157	42,711
Lease liabilities	799	830	570	260	-	-
	541,673	575,559	396,788	80,902	55,157	42,711
At 31 December 2023						
Trade, bills and other payables and accruals	173,799	173,799	173,799	-	-	-
Bank and other borrowings	341,196	368,694	256,670	16,452	45,457	49,815
Lease liabilities	756	773	724	49	-	-
	515,751	543,266	431,193	16,501	45,457	49,815

23. EVENTS AFTER THE END OF REPORTING DATE

From 30 June 2024 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.