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Putian Communication Group Limited
普天通信集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1720)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

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

- Total revenue increased by approximately 14.6% to approximately RMB261.5 million (the Last Period: approximately RMB228.1 million).
- Gross profit increased by approximately 17.8% to approximately RMB60.6 million (the Last Period: approximately RMB51.5 million).
- Gross profit margin remained stable at approximately 23.2% (the Last Period: approximately 22.6%).
- Profit for the Period attributable to owners of the Company increased by approximately 36.5% to approximately RMB16.8 million (the Last Period: approximately RMB12.3 million).
- Revenue generated from sale of communication copper cables increased by approximately 65.6% to approximately RMB159.3 million (the Last Period: approximately RMB96.2 million) while revenue generated from sale of optical fiber cables decreased by approximately 38.6% to approximately RMB41.5 million (the Last Period: approximately RMB67.6 million); and revenue generated from sale of structured cabling system products slightly decreased by approximately 5.6% to approximately RMB60.7 million (the Last Period: approximately RMB64.3 million).
- The Board did not recommend the payment of an interim dividend for the Period (the Last Period: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Putian Communication Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim result of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 (the “**Last Period**”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2021

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Revenue | 5 | 261,479 | 228,096 |
| Cost of sales | | <u>(200,858)</u> | <u>(176,645)</u> |
| Gross profit | | 60,621 | 51,451 |
| Other income | 6 | 1,447 | 317 |
| Selling and distribution expenses | | (20,064) | (15,668) |
| Administrative expenses | | (15,875) | (12,924) |
| Expected credit losses on financial assets | | (3,190) | (3,767) |
| Finance costs | 7 | <u>(2,396)</u> | <u>(5,235)</u> |
| Profit before income tax expense | 8 | 20,543 | 14,174 |
| Income tax expense | 9 | <u>(3,749)</u> | <u>(1,875)</u> |
| Profit for the period | | <u>16,794</u> | <u>12,299</u> |
| Profit for the period attributable to owners of the Company | | <u>16,794</u> | <u>12,299</u> |
| Other comprehensive income | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | <u>(100)</u> | <u>(609)</u> |
| Other comprehensive income for the period, net of tax | | <u>16,694</u> | <u>(609)</u> |
| Profit and total comprehensive income for the period | | <u>16,694</u> | <u>11,690</u> |
| Earnings per share | 10 | | |
| Basic and diluted | | <u>RMB0.015</u> | <u>RMB0.011</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | | 30 June 2021 | 31 December 2020 |
|--|--------------|-------------------------|---------------------|
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>11</i> | 398,937 | 360,990 |
| Prepayment for property, plant and equipment and intangible assets | | 30,961 | 17,820 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 429,898 | 378,810 |
| Current assets | | | |
| Inventories | <i>12</i> | 91,309 | 66,728 |
| Trade and bills receivables | <i>13</i> | 265,797 | 250,430 |
| Deposits, prepayment and other receivables | | 80,687 | 68,970 |
| Tax recoverables | | 665 | – |
| Restricted cash | <i>14</i> | 42,289 | 30,000 |
| Cash and cash equivalents | | 69,763 | 43,025 |
| | | <hr/> | <hr/> |
| Total current assets | | 550,510 | 459,153 |
| | | <hr/> | <hr/> |
| Total assets | | 980,408 | 837,963 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade and bills payables | <i>15</i> | 117,655 | 58,633 |
| Contract liabilities | <i>16</i> | 3,658 | 6,625 |
| Accruals, deposits received and other payables | | 49,109 | 41,300 |
| Current tax liabilities | | – | 3,649 |
| Bank and other borrowings | <i>17</i> | 167,500 | 126,200 |
| Lease liabilities | | 1,072 | 922 |
| Amount due to a director | | 4,644 | – |
| | | <hr/> | <hr/> |
| Total current liabilities | | 343,638 | 237,329 |
| | | <hr/> | <hr/> |
| Net current assets | | 206,872 | 221,824 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 636,770 | 600,634 |
| | | <hr/> | <hr/> |

| | | 30 June | 31 December |
|--------------------------------|--------------|-----------------------|-----------------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Bank and other borrowings | <i>17</i> | 105,485 | 86,232 |
| Deferred tax liabilities | | 14,120 | 13,660 |
| Lease liabilities | | 230 | 501 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 119,835 | 100,393 |
| | | <hr/> | <hr/> |
| Total liabilities | | 463,473 | 337,722 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 516,935 | 500,241 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Share capital | | 9,361 | 9,361 |
| Reserves | | 507,574 | 490,880 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 516,935 | 500,241 |
| | | <hr/> | <hr/> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021.

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 2020 (the “**2020 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 2021.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2
COVID-19-Related Rent Concessions

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group’s accounting policies.

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 2020 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 2021 (Unaudited) | | | |
|----------------------------|---|----------------|----------------|----------------|
| | Optical | Communication | Structured | Total |
| | fiber cables | copper cables | cabling system | |
| | <i>RMB'000</i> | <i>RMB'000</i> | products | <i>RMB'000</i> |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Reportable segment revenue | <u>41,468</u> | <u>159,311</u> | <u>60,700</u> | <u>261,479</u> |
| Reportable segment profit | <u>2,986</u> | <u>14,519</u> | <u>18,167</u> | <u>35,672</u> |

| | Six months ended 30 June 2020 (Unaudited) | | | |
|----------------------------|---|----------------|----------------|----------------|
| | Optical | Communication | Structured | Total |
| | fiber cables | copper cables | cabling system | |
| | <i>RMB'000</i> | <i>RMB'000</i> | products | <i>RMB'000</i> |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Reportable segment revenue | <u>67,557</u> | <u>96,220</u> | <u>64,319</u> | <u>228,096</u> |
| Reportable segment profit | <u>14,452</u> | <u>1,455</u> | <u>17,181</u> | <u>33,088</u> |

(ii) **Reconciliation of profit or loss:**

| | Six months ended 30 June | |
|-----------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Segment results | 35,672 | 33,088 |
| Other income | 1,447 | 317 |
| Unallocated expenses | (14,180) | (13,996) |
| Finance costs | (2,396) | (5,235) |
| | <u>20,543</u> | <u>14,174</u> |
| Income tax expense | (3,749) | (1,875) |
| Profit after taxation | <u>16,794</u> | <u>12,299</u> |

(iii) **Geographic information**

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

6. **OTHER INCOME**

| | Six months ended 30 June | |
|----------------------------------|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Bank interest income and others | 55 | 416 |
| Exchange losses, net | – | (507) |
| Government grants | 1,000 | 317 |
| Gains on sale of scrap materials | 392 | 91 |
| | <u>1,447</u> | <u>317</u> |

7. **FINANCE COSTS**

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest charge on bank and other borrowings | 4,181 | 9,448 |
| Interest charge on lease liabilities | 40 | 37 |
| Less: Amount capitalised | (1,825) | (4,250) |
| | <u>2,396</u> | <u>5,235</u> |

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Cost of inventories recognised as cost of sales | 200,858 | 176,645 |
| Research and development expenditure | 4,884 | 2,695 |
| Depreciation of property, plant and equipment | 10,302 | 8,485 |
| Depreciation of right-of-use asset | 660 | 1,089 |
| Short-term lease | 736 | 865 |
| Expected credit losses on financial assets | 3,190 | 3,767 |
| | <u> </u> | <u> </u> |
| Staff costs (including directors' emoluments): | | |
| – Salaries and wages | 18,086 | 17,104 |
| – Defined contribution scheme | 3,054 | 2,063 |
| | <u> </u> | <u> </u> |
| | <u>21,140</u> | <u>19,167</u> |

9. INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---|--------------------------|-------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax – Hong Kong Profits Tax | – | – |
| Current tax – PRC EIT | 3,289 | 1,484 |
| Deferred income tax charge to profit or loss for the period | 460 | 391 |
| | <u> </u> | <u> </u> |
| Income tax expenses | <u>3,749</u> | <u>1,875</u> |

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the Company’s PRC subsidiaries is 25%.

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

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

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB16,794,000 (the Last Period: approximately RMB12,299,000) 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 | |
|---|---------------------------------|----------------------|
| | 2021 | 2020 |
| | RMB | RMB |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Earnings for the purposes of basic earnings per share | <u>0.015</u> | <u>0.011</u> |
| Number of share | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | <u>1,100,000,000</u> | <u>1,100,000,000</u> |

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 2021 | 360,990 |
| Additions | 48,909 |
| Depreciation | <u>(10,962)</u> |
| Net book value as at 30 June 2021 | <u>398,937</u> |

| | Audited <i>RMB'000</i> |
|---------------------------------------|---------------------------|
| Net book value as at 1 January 2020 | 244,886 |
| Additions | 136,012 |
| Depreciation | <u>(19,908)</u> |
| Net book value as at 31 December 2020 | <u>360,990</u> |

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 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
|----------------|--|--|
| Raw materials | 20,544 | 26,415 |
| Finished goods | <u>70,765</u> | <u>40,313</u> |
| | <u>91,309</u> | <u>66,728</u> |

13. TRADE AND BILLS RECEIVABLES

| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
|-----------------------------------|--|--|
| Trade receivables | 276,155 | 253,972 |
| Bills receivables (<i>Note</i>) | <u>800</u> | <u>4,426</u> |
| | 276,955 | 258,398 |
| Less: Loss allowances | <u>(11,158)</u> | <u>(7,968)</u> |
| | <u>265,797</u> | <u>250,430</u> |

Note: 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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Within 1 month | 72,717 | 93,840 |
| More than 1 month but within 2 months | 38,216 | 64,120 |
| More than 2 months but within 3 months | 32,926 | 47,459 |
| More than 3 months but within 6 months | 28,730 | 36,842 |
| More than 6 months but within 1 year | 92,424 | 7,659 |
| More than 1 year | 784 | 510 |
| | <u>265,797</u> | <u>250,430</u> |

The credit term granted by the Group to its trade customers is normally 181 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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|----------------|---|---|
| Trade payables | 75,546 | 42,517 |
| Bills payables | 42,109 | 16,116 |
| | <u>117,655</u> | <u>58,633</u> |

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range from 30 days to 60 days, and bills payables maturity period is normally within 180 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade and bills payables as at the end of each reporting period is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Within 1 month | 60,364 | 21,918 |
| More than 1 month but within 2 months | 29,963 | 15,098 |
| More than 2 months but within 3 months | 9,110 | 6,419 |
| More than 3 months but within 6 months | 2,458 | 13,127 |
| More than 6 months but within 1 year | 14,568 | 869 |
| More than 1 year | 1,192 | 1,202 |
| | <u>117,655</u> | <u>58,633</u> |

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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Contract liabilities arising from: | | |
| Sale of goods | <u>3,658</u> | <u>6,625</u> |
| | <u>3,658</u> | <u>6,625</u> |
| | | RMB'000 |
| Balance as at 1 January 2021 | | 6,625 |
| 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 | | (6,625) |
| Increase in contract liabilities as a result of billing in advance of sales of goods | | <u>3,658</u> |
| Balance as at 30 June 2021 | | <u>3,658</u> |

17. BANK AND OTHER BORROWINGS

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|------------------------------|---|---|
| Bank borrowings: | | |
| – Secured (ii), (iii) & (iv) | 185,500 | 150,500 |
| – Unsecured (iv) | 4,000 | 19,000 |
| | 189,500 | 169,500 |
| Other borrowing: | | |
| – Secured (ii), (iii) | 83,485 | 42,932 |
| | 272,985 | 212,432 |
| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
| On demand or within one year | 167,500 | 126,200 |
| Between one to two years | 44,485 | 27,658 |
| Between two to five years | 61,000 | 58,574 |
| | 272,985 | 212,432 |

Notes:

- (i) The bank borrowings with effective interest rate is 4.12% (2020: 5.41%) per annum.
- (ii) The bank and other borrowings are secured by the assets of the Group, the carrying amounts of the assets as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--------------------|---|---|
| Land and buildings | 60,573 | 62,725 |
| Bank deposits | 30,000 | 30,000 |
| | 90,573 | 92,725 |

- (iii) As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020 set out below:

| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (Audited) |
|------------------|--|--|
| Amounts granted | 189,500 | 169,500 |
| Amounts utilised | 189,500 | 169,500 |

18. CAPITAL COMMITMENTS

| | 30 June 2021 <i>RMB'000</i> (Unaudited) | 31 December 2020 <i>RMB'000</i> (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 | 39,410 | 36,420 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has recorded satisfactory financial results for the Period. It recorded a revenue of approximately RMB261.5 million which represented an increase of approximately 14.6% as compared with the one for the Last Period. The Group has realised a gross profit of approximately RMB60.6 million for the Period, which represented an increase of approximately 17.8% as compared with the one for the Last Period. Profit for the Period attributable to owners of the Company was approximately RMB16.8 million, which represented an increase of approximately 36.5% as compared with the one for the Last Period.

Sale of communication copper cables increased by approximately 65.6% to approximately RMB159.3 million (the Last Period: approximately RMB96.2 million) while the sale of optical fiber cables decreased by approximately 38.6% to approximately RMB41.5 million (the Last Period: approximately RMB67.6 million) and the sale of structured cabling system products slightly decreased by approximately 5.6% to approximately RMB60.7 million (the Last Period: approximately RMB64.3 million).

PERFORMANCE REVIEW

In 2021, although the gloomy global economy has been severely hammered by the COVID-19 pandemic, China's economy has recovered steadily through effective anti-pandemic measures and structural reforms. Meanwhile, with the official release of The Fourteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Outline of Long-Term Goals for 2035 by the Chinese government, a large number of data communication construction projects focusing on "Digital China" and "New Infrastructure", including 5G, internet of things (IoT), industrial internet and data center, has ushered in a period of rapid development. During the Period, Putian Cable Group Co., Ltd. ("**Putian Cable**") made a significant progress and outstanding performance in market expansion. In addition to maintaining stable cooperation with the three major communication operators in China, it has also expanded its business cooperation with China Tower, China Railway, China Construction, China Railway Construction and other state-owned construction groups and becomes the prioritised brand for their digital transformation and communication network construction, indicating that the diversified product portfolio of the Group, covering optical fibers, optical fiber products, digital cable products and structured cabling system products, has successfully aligned with market technology services and is therefore capable of satisfying the large-scale application of the "New Infrastructure" data network construction in the market and meeting the current and future market development needs for data network transformation and upgrade, enabling the Group to further consolidate and expand its market share in the data network transmission and intelligent link sector of China, establish the Group's leading position in the industry, resulting in a positive impact on the development of future product businesses.

During the Period, the performance of Putian Cable in the contracted sales of rail transit construction projects was also encouraging. The success in bidding for the project of the rail transit systems of Changsha and Shenzhen shows the Group's industry-leading product and technical strength in the digitalised intelligent networks construction for rail transit systems. The high standards of product performance and quality, as well as the technical support from customer service, also demonstrate the excellent market competitiveness and brand influence of the Group.

OUTLOOK

With the promulgation of the “14th Five-Year Plan” by the General Office of the State Council and under the guidance of the approach of “accelerating digital development and building Digital China”, the country steps up efforts to develop new infrastructure in a systematic manner and accelerates the expansion of the digital communication construction projects, including the fifth-generation mobile communication technology, industrial internet+, smart city and big data, as national strategic projects and fundamental strategic resources. Meanwhile, China further improves the development of communication transmission, intelligent manufacturing and Internet of Things, and carries out digital transformation of industries to ensure the social structure to be in line with economic growth and promote continuous improvement. More efforts will also be put into the construction and development of data transmission and cabling networks project based on the need of “New Infrastructure” to play its role as the base of digitalised superstructures.

Industry Landscape and Trends

Currently, high-speed data transmission has been increasingly required for network cabling in the data communication and optical communication construction sector. The publication of the “Notice on Organisation and Implementation of New Infrastructure Construction Projects (Broadband Networks and 5G) in 2020” by the National Development and Reform Commission of the State Council on 18 March 2020 represents the official kick-off of the construction of “large-scale 5G and gigabit optical networks”. On 25 March 2021, the Ministry of Industry and Information Technology (MIIT) issued the “Dual Gigabit Network Coordinated Development Action Plan (2021-2023)”, which requires that by the end of this year, the gigabit optical fiber network shall reach the capacity to cover 200 million households, the scale of 10 gigabit passive optical network (10G-PON) and above ports shall exceed 5 million, and the number of gigabit broadband subscribers shall exceed 10 million; and by the end of 2023, the gigabit optical fiber network shall achieve the capacity to cover 400 million households, the scale of 10G-PON and above ports shall exceed 10 million, and the number of gigabit broadband subscribers shall exceed 30 million. According to the statistics from Cnii.com.cn (中國產業信息網), in the coming three years, the total number of 5G base stations in construction will reach 2.75 million and the overall deployment will be completed by 2025. Given the transmission speed and base station cabling of 5G, data cables and optical cables of Cat 6 and above and their linked products will become the backbone of 5G network cabling.

On 14 July 2021, the MIIT promulgated a “Three-Year Action Plan for the Development of New Data Centers (2021-2023)”, which plans to form a new data center development pattern with reasonable layout, advanced technology, low carbon, and computing power compatible with the growth of the digital economy in three years. The demand for the application of industrial internet, artificial intelligence and network security makes the construction of data centers the base of the digital economy and an integral part of the new infrastructures. In 2020, Alibaba Cloud announced an investment of RMB200 billion over the next three years for the research and development of significant core technologies, including cloud operating system, servers and chips, as well as the construction of future-oriented data centers. Tencent will invest RMB500 billion over the next five years for further developments of new infrastructure and the construction of multiple large-scale data centers with a scale of one million servers across the country.

The support from national policies and the unfolding of the “New Infrastructure” construction of Digital China are expected to directly bring about a broad market prospect and predictable market growth to China’s construction of information, communication and data networks in the next five years. Driven by the flourishing development of new infrastructures, the construction of data communication network links, from digital communication networks to optical networks, will also embrace an upgrade stage in a full manner, which will bring broader market space for the expansion of the structured cabling business of the Group.

Development Strategies

The Group will implement various strategic measures including all-business growth and diversification through continuous optimisation and integration of upstream and downstream resources in the industry to become a leading manufacturer and technology service provider of optical fiber cable, digital communication cable, intelligent equipment control cable, structures cabling systems product, data center products and solutions in the communication industry of China.

Business Plan

At present, the Group’s construction project of production line of new non-dispersive single-mode optical fiber and optical fiber cables is in the final stage. It is expected to be completed in the second half of 2021 and commence the mass production of optical fiber in November 2021. So far, while optimising the cost structure of optical cable, the Group has finalised the layout of the optical fiber business segment, thus laying a foundation for the diversified development of the optical fiber industry and bringing long-term returns to group companies, which will have the opportunities to leverage on their corporate technology strengths accumulated therefrom in the market, and boost industry influence and market competitiveness.

In addition, the Group will adhere to the development strategy of industrial chain integration, product differentiation and market diversification. In a market-oriented manner, riding on the establishment of the new data center business segment, the Group will integrate its productivity resources, optimise the cost-effectiveness of parts and accessories procurement, and improve the business competitiveness of communication network engineering projects with existing marketing networks as well as concentrated marketing efforts toward targeted customer groups to improve the production capacity layout and distribution coverage of group companies and further enhance their comprehensive strength.

In addition to driving digital transformation, the rapid development of China's digital communication industry also brings about a lot of new markets for data transmission and communication network applications. The Group believes that the continuous optimisation of the upstream and downstream momentum of the industry chain, coupled with the integration and application of cross-industry and cross-region resources, will help seize market opportunities in a fast and effective manner to fulfill the mission of "optical fibers and cables connect the world" and the grand vision of continuous growth.

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products, which are three reportable segments. Revenue of the Group increased by approximately 14.6% from approximately RMB228.1 million for the Last Period to approximately RMB261.5 million for the Period. Revenue generated from sale of communication copper cables increased by approximately 65.6% to approximately RMB159.3 million (the Last Period: approximately RMB96.2 million) while revenue generated from sale of optical fiber cables decreased by approximately 38.6% to approximately RMB41.5 million (the Last Period: approximately RMB67.6 million); and revenue generated from sale of structured cabling system products slightly decreased by approximately 5.6% to approximately RMB60.7 million (the Last Period: approximately RMB64.3 million).

Gross profit and margin

Gross profit increased by approximately 17.8% to approximately RMB60.6 million for the Period from approximately RMB51.5 million for the Last Period, while the Group's gross profit margin remained stable at approximately 23.2% for the Period as compared to the one of approximately 22.6% for the Last Period.

Other income

Other income increased by approximately 356.5% from approximately RMB317,000 for the Last Period to approximately RMB1,447,000 for the Period, primarily attributable to the increase in government grant received during the Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 28.1% from approximately RMB15.7 million for the Last Period to approximately RMB20.1 million for the Period, primarily due to the increase of approximately RMB1.9 million in salaries and RMB1.3 million in transportation expenses, which are in line with the increase in the turnover for the Period.

Administrative expenses

Administrative expenses increased by approximately 22.8% from approximately RMB12.9 million for the Last Period to approximately RMB15.9 million for the Period, primarily due to the increase in research and development expenses of approximately RMB2.2 million from approximately RMB2.7 million for the Last Period to approximately RMB4.9 million for the Period.

Finance costs

Finance costs decreased by approximately 54.2% from approximately RMB5.2 million for the Last Period to approximately RMB2.4 million for the Period primarily due to a loan carried at a higher rate was repaid in July 2020.

Income tax expense

Income tax expense increased by approximately 99.9% from approximately RMB1.9 million for the Last Period to approximately RMB3.7 million for the Period, primarily due to the increased in profit before income tax expense. The effective tax rate was approximately 18.2% for the Period and approximately 13.2% for the Last Period.

Profit for the Period

As a result of the foregoing, profit for the Period increased by approximately 36.5% from approximately RMB12.3 million for the Last Period to approximately RMB16.8 million for the Period.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2021, the Group had an aggregate of restricted cash and cash and cash equivalent of approximately RMB112.1 million (31 December 2020: approximately RMB73.0 million), representing an increase of approximately 53.4% as compared to that as at 31 December 2020.

BORROWINGS AND CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, the Group had bank and other borrowings of approximately RMB269.0 million (31 December 2020: approximately RMB193.4 million), which was secured by legal charge over the properties of the Group and the personal properties from the controlling shareholders and their associates. RMB167.5 million out of the bank and other borrowings are repayable within one year.

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 0.9 (31 December 2020: approximately 0.68).

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 2021 and 31 December 2020 bore interest at floating rates.

Credit risk

As at 30 June 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets has been stated in the Interim Condensed Consolidated Statements of Financial Position.

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

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

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.

Capital Commitments

As at 30 June 2021, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB39.4 million (31 December 2020: approximately RMB36.4 million).

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

Employees and remuneration policies

As at 30 June 2021, the Group had 439 employees (31 December 2020: 412 employees). For the Period, the Group incurred staff costs of approximately RMB21.1 million (the Last Period: RMB19.2 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.

SHARE OPTION SCHEME

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company and the Company as a whole.

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

Chairman of the Board and Chief Executive Officer

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

Ms. Wang is the chairlady of the Board and the chief executive officer of the Company. Although this deviates from the practice under provision A.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, as Ms. Wang has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, the Board believes that it is in the best interest of the Company and the shareholders of the Company as a whole to continue to have Ms. Wang as the chairlady of the Board so that the Board can benefit from her knowledge of the business and her capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to 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 C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely, Ms. Cheng Shing Yan, Mr. Liu Guodong and Mr. Xie Haidong. Ms. Cheng Shing Yan who possesses the appropriate professional qualifications as required under Rule 3.10(2) and 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 announcement, 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 11 June 2021.

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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (<https://www.potel-group.com>) and the website of the Stock Exchange (<http://www.hkex.com.hk>).

The interim report of the Company for the Period will be available at the respective websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By order of the Board
Putian Communication Group Limited
Wang Qiuping
Chairlady

The PRC, 31 August 2021

As at the date of this announcement, the Board comprises Ms. Wang Qiuping, Mr. Zhao Xiaobao and Ms. Zhao Moge as executive directors of the Company; and Ms. Cheng Shing Yan, Mr. Liu Guodong and Mr. Xie Haidong as independent non-executive directors of the Company.