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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 2024

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).

The board (the “**Board**”) of directors (the “**Directors**”) of Putian Communication Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 (the “**Last Period**”) as follows:

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	<u>280,898</u>	<u>270,478</u>
Cost of sales		<u>(222,553)</u>	<u>(214,381)</u>
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	<u>(9,690)</u>	<u>(9,631)</u>
Profit before income tax expense	8	7,435	6,139
Income tax expense	9	<u>(2,306)</u>	<u>(1,499)</u>
Profit for the period		<u>5,129</u>	<u>4,640</u>
Profit for the Period attributable to owners of the Company		<u>5,129</u>	<u>4,640</u>
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>341</u>	<u>(4,079)</u>
Other comprehensive income for the Period, net of tax		<u>341</u>	<u>(4,079)</u>
Profit and total comprehensive income for the Period		<u>5,470</u>	<u>561</u>
Earnings per share	10		
Basic and diluted		<u>RMB0.005</u>	<u>RMB0.004</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	401,193	418,765
Intangible assets		8,585	9,151
Prepayments for property, plant and equipment and intangible assets	<i>14</i>	33,059	15,051
Deferred tax assets		8,141	7,946
Total non-current assets		450,978	450,913
Current assets			
Inventories	<i>12</i>	46,278	60,818
Trade and bills receivables	<i>13</i>	438,306	445,710
Deposits, prepayments and other receivables	<i>14</i>	156,706	153,747
Tax recoverable		1,827	2,991
Restricted cash	<i>15</i>	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	<i>16</i>	121,456	136,367
Contract liabilities	<i>17</i>	17,845	34,262
Accruals, deposits received and other payables		40,511	49,505
Bank and other borrowings	<i>18</i>	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

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

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 <i>RMB'000</i>	Communication copper cables <i>RMB'000</i>	Structured cabling system products <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>61,861</u>	<u>169,658</u>	<u>49,379</u>	<u>280,898</u>
Reportable segment profit	<u>1,603</u>	<u>15,495</u>	<u>15,648</u>	<u>32,746</u>

	Six months ended 30 June 2023 (Unaudited)			
	Optical fibers and optical fiber cables <i>RMB'000</i>	Communication opper cables <i>RMB'000</i>	Structured cabling system products <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>58,984</u>	<u>169,941</u>	<u>41,553</u>	<u>270,478</u>
Reportable segment profit	<u>571</u>	<u>19,134</u>	<u>12,614</u>	<u>32,319</u>

(ii) Reconciliation of profit or loss:

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

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

7. FINANCE COSTS

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

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
	<hr/>	<hr/>
Staff costs (including directors' emoluments):		
— Salaries and wages	21,126	21,982
— Defined contribution scheme	3,122	3,541
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	24,248	25,523
	<hr/>	<hr/>

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(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
	<hr/>	<hr/>
Income tax expenses	2,306	1,499
	<hr/>	<hr/>

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.

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	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	<u>0.005</u>	<u>0.004</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, 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	<u>(19,178)</u>
Net book value as at 30 June 2024	<u>401,193</u>

	Audited RMB'000
Net book value as at 1 January 2023	431,785
Additions	27,648
Depreciation	<u>(40,668)</u>
Net book value as at 31 December 2023	<u>418,765</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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	14,920	24,510
Finished goods	<u>31,358</u>	<u>36,308</u>
	<u>46,278</u>	<u>60,818</u>

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 (<i>Note(i)</i>)	<u>8,660</u>	<u>8,336</u>
Less: Loss allowances	459,293	465,398
	<u>(20,987)</u>	<u>(19,688)</u>
	<u>438,306</u>	<u>445,710</u>

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	<u>94,866</u>	<u>104,434</u>
	<u>438,306</u>	<u>445,710</u>

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

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	<u>15,293</u>	<u>9,136</u>
	<u>156,706</u>	<u>153,747</u>
<i>Non-current</i>		
Prepayments for property, plant and equipment and intangible assets (<i>Note</i>)	<u>33,059</u>	<u>15,051</u>

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.

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	<u>43,000</u>	<u>43,986</u>
	<u>121,456</u>	<u>136,367</u>

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	<u>6,498</u>	<u>5,082</u>
	<u>121,456</u>	<u>136,367</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.

17. CONTRACT LIABILITIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities arising from Sale of goods	<u>17,845</u>	<u>34,262</u>
	<u>17,845</u>	<u>34,262</u>
		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		<u>17,845</u>
Balance as at 30 June 2024		<u>17,845</u>

18. BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings—Secured (<i>Notes(i), (ii) and (iv)</i>)		
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 (<i>Notes(iii)</i>)	<u>67,000</u>	<u>93,600</u>
	<u>341,300</u>	<u>318,350</u>

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other borrowings—Secured (<i>Notes(i)and (iv)</i>)		
Secured by the Group's property, plant and equipment (<i>Notes(ii)</i>)	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:

- (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 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (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	<u>43,561</u>	<u>12,375</u>
	<u>310,063</u>	<u>263,788</u>

- (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 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Amounts granted	407,800	193,600
Amounts utilised	<u>384,385</u>	<u>173,600</u>

19. CAPITAL COMMITMENTS

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <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	<u>24,523</u>	<u>42,222</u>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

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 RMB 58.3 million for the Period from approximately RMB 56.1 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.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 4.7% from approximately RMB 21.3 million for the Last Period to approximately RMB 22.3 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 RMB 20.5 million for the Last Period to approximately RMB 19.9 million for the Period, mainly due to the decrease in employee costs.

Finance costs

Finance costs increased by approximately 1.0% from approximately RMB 9.6 million for the Last Period to approximately RMB 9.7 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 RMB 1.5 million for the Last Period to approximately RMB 2.3 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 RMB 4.6 million for the Last Period to approximately RMB 5.1 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 RMB 384.4 million (31 December 2023: approximately RMB 341.2 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 RMB 224.7 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 RMB 146,820,000 (31 December 2023: RMB 149,900,000), 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).

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 RMB 24.2 million (the Last Period: RMB 25.5 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 RMB 14,469,000. 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 RMB 938,000 in the interim condensed consolidated financial statement for the period ended 30 June 2024.

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 of Hong Kong Limited (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.

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 announcement, 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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.potel-group.com) and the website of the Stock Exchange (www.hkexnews.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 made available to the shareholders of the Company in due course.

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

The PRC, 30 August 2024

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.