TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

Interim results for the six months ended 30 June 2016 compared with the six months ended 30 June 2015:

- Turnover decreased by approximately RMB154.8 million, or 10.4%, to approximately RMB1,335.6 million;
- Gross profit margin decreased by approximately 1.2 percentage point to approximately 21.4%;
- Profit for the period attributable to owners of the Company decreased by approximately RMB64.1 million, or 45.6%, to approximately RMB76.4 million;
- Net profit margin decreased from approximately 9.4% to approximately 5.7%;
- Earnings per share decreased from RMB10.75 cents to RMB4.88 cents; and
- Interim dividend declared was HK1.2 cents per share.

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 and the relevant explanatory notes as set out below. The interim financial information are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, and the audit committee of the Board.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Turnover	3	**1,335,630**	1,490,443
Cost of goods sold		**(1,050,458)**	(1,152,969)
Gross profit		**285,172**	337,474
Other income	4	**8,303**	10,134
Other gains and losses	5	**(88,667)**	200
Selling and distribution costs		**(31,849)**	(32,998)
Administrative expenses		**(29,670)**	(28,418)
Research and development costs		**(24,870)**	(21,707)
Fair value change of warrants	13	**7,429**	(27,346)
Finance costs		**(30,382)**	(40,626)
Profit before taxation	6	**95,466**	196,713
Taxation	7	**(6,222)**	(39,967)
Profit and total comprehensive income for the period		**89,244**	156,746
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**76,374**	140,450
Non-controlling interests		**12,870**	16,296
		89,244	156,746
Earnings per share	9		
— basic		**4.88 cents**	10.75 cents
— diluted		**4.88 cents**	10.75 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	NOTES	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets			
Investment properties		**6,900**	6,900
Property, plant and equipment		**297,892**	283,211
Land use rights		**74,784**	75,842
Intangible asset		**102,854**	108,904
Goodwill	*10*	**41,773**	41,773
Available-for-sale investments		**6,755**	6,375
		530,958	523,005
Current assets			
Inventories		**120,973**	95,686
Trade and other receivables	*11*	**3,225,190**	3,055,860
Pledged bank deposits		**425,262**	541,428
Bank balances and cash		**335,260**	233,825
		4,106,685	3,926,799
Current liabilities			
Trade and other payables	*12*	**540,412**	418,106
Bank borrowings — due within one year		**1,350,562**	1,302,315
Tax payables		**38,996**	39,444
		1,929,970	1,759,865
Net current assets		**2,176,715**	2,166,934
Total assets less current liabilities		**2,707,673**	2,689,939
Non-current liabilities			
Government grants		**2,680**	1,073
Deferred taxation		**8,591**	30,184
Warrants	*13*	**268**	7,617
		11,539	38,874
Net assets		**2,696,134**	2,651,065

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Capital and reserves		
Share capital	**12,651**	12,651
Reserves	**2,538,366**	2,506,167
Equity attributable to owners of the Company	**2,551,017**	2,518,818
Non-controlling interests	**145,117**	132,247
Total equity	**2,696,134**	2,651,065

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the consideration received and receivable for goods sold during the period, net of discounts and sales related taxes.

The Group's chief operating decision maker has been identified as the executive Directors ("Executive Directors") who review the business with the following reportable and operating segments by products:

- Feeder cable series
- Optical fibre cable series and related products
- Flame-retardant flexible cable series
- New-type electronic components
- Other accessories (including splitters, couplers and combiners)

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the Executive Directors when making decisions about allocating resources and assessing performance of the Group.

The segment results represent the gross profits earned by each segment (segment revenue less segment cost of goods sold). Other income, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, fair value change of warrants, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's turnover and results by reportable segments:

For the six months ended 30 June 2016

	Feeder cable series *RMB'000*	**Optical fibre cable series and related products** *RMB'000*	**Flame-retardant flexible cable series** *RMB'000*	**New-type electronic components** *RMB'000*	**Other accessories** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Turnover							
— External sales	**663,846**	**389,899**	**224,132**	**51,646**	**6,107**	**–**	**1,335,630**
— Inter-segment sales	**–**	**168,420**	**218**	**–**	**–**	**(168,638)**	**–**
	663,846	**558,319**	**224,350**	**51,646**	**6,107**	**(168,638)**	**1,335,630**
Cost of goods sold	**(516,272)**	**(479,752)**	**(183,088)**	**(34,707)**	**(5,277)**	**168,638**	**(1,050,458)**
SEGMENT RESULT	**147,574**	**78,567**	**41,262**	**16,939**	**830**	**–**	**285,172**
Unallocated income and expenses:							
Other income							**8,303**
Other gains and losses							**(88,667)**
Selling and distribution costs							**(31,849)**
Administrative expenses							**(29,670)**
Research and development costs							**(24,870)**
Fair value change of warrants							**7,429**
Finance costs							**(30,382)**
Profit before taxation							**95,466**
Taxation							**(6,222)**
Profit for the period							**89,244**

For the six months ended 30 June 2015

	Feeder cable series *RMB'000*	Optical fibre cable series and related products *RMB'000*	Flame-retardant flexible cable series *RMB'000*	New-type electronic components *RMB'000*	Other accessories *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
— External sales	797,929	375,967	248,233	51,282	17,032	–	1,490,443
— Inter-segment sales	–	150,357	350	–	–	(150,707)	–
	797,929	526,324	248,583	51,282	17,032	(150,707)	1,490,443
Cost of goods sold	(609,436)	(444,159)	(198,450)	(37,149)	(14,482)	150,707	(1,152,969)
SEGMENT RESULT	188,493	82,165	50,133	14,133	2,550	–	337,474
Unallocated income and expenses:							
Other income							10,134
Other gains and losses							200
Selling and distribution costs							(32,998)
Administrative expenses							(28,418)
Research and development costs							(21,707)
Fair value change of warrants							(27,346)
Finance costs							(40,626)
Profit before taxation							196,713
Taxation							(39,967)
Profit for the period							156,746

4. OTHER INCOME

	Six months ended 30 June **2016** *RMB'000*	2015 *RMB'000*
Government grants	**387**	291
Interest income	**6,684**	8,433
Rental income	**200**	200
Others	**1,032**	1,210
	8,303	10,134

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Allowance for bad and doubtful debts	**(81,659)**	–
Exchange (loss) gain	**(7,008)**	70
Gain on fair value changes on investment properties	**–**	130
	(88,667)	200

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	**1,050,458**	1,152,969
Operating lease rentals in respect of land use rights	**1,557**	875
Gain on disposal of property, plant and equipment	**64**	–
Depreciation of property, plant and equipment	**14,955**	13,967
Amortisation of intangible asset	**6,050**	6,050
and after crediting:		
Gross rental income from investment properties (net of nil direct operating expenses)	**200**	200

7. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
The charge (credit) comprises:		
The People's Republic of China ("PRC") Enterprise Income Tax	**27,815**	40,956
Deferred taxation	**(21,593)**	(989)
Taxation for the period	**6,222**	39,967

The PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations, the principal subsidiaries of the Company in the PRC were endorsed as High and New Technology Enterprises and entitled to a preferential tax rate of 15% pursuant to the Enterprise Income Tax Law ("EIT Law") of the PRC.

According to the relevant tax law in the PRC, dividends distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detail Implementation Rules.

No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements as the Group did not derive assessable profits from Hong Kong for both periods.

8. DIVIDENDS

During the current interim period, the Company declared a final dividend of HK3.5 cents per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: final dividend of HK7 cents per share in respect of the year ended 31 December 2014). The aggregate amount of the final dividend in respect of the year ended 31 December 2015 declared in the current interim period amounted to HK$54,722,500 (equivalent to approximately RMB46,309,000) (2015: HK$91,350,000 (equivalent to approximately RMB72,051,000)).

Subsequent to the end of the current interim period, interim dividend of HK1.2 cents (six months ended 30 June 2015: HK7 cents) per share has been declared by the Directors.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**76,374**	140,450
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,563,500,000**	1,306,782,044

The computation of diluted earnings per share does not assume the exercise of the Company's share options and warrants because the exercise price of those share options and warrants were higher than the average market price of the Company's shares during both periods.

10. GOODWILL

The goodwill is allocated to the respective cash generating unit ("CGU"). At 30 June 2016, the Directors conducted a review of the carrying value of goodwill and determine that there is no impairment of the CGU containing that goodwill. The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management of the Company covering a 5 year period and discount rate of 16.43% (31 December 2015: 16.43%). The CGU's cash flows beyond the 5 year period are extrapolated using a steady 3% (31 December 2015: 3%) growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of this CGU.

11. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period ranging from 180 to 360 days to its customers.

The following is an analysis of trade and other receivables and an aged analysis of trade and bills receivables, net, presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade and bills receivables, net, aged		
0 – 90 days	**885,419**	831,608
91 – 180 days	**604,318**	748,358
181 – 365 days	**1,163,955**	1,239,015
Over 365 days	**544,511**	208,513
	3,198,203	3,027,494
Current portion of land use rights	**2,120**	2,120
Interest receivables	**8,002**	7,738
Other receivables	**3,844**	12,132
Prepaid expenses	**10,745**	4,254
Staff advances	**2,276**	2,122
	3,225,190	3,055,860

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables and an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade and bills payables, aged		
0 – 90 days	**241,351**	138,489
91 – 180 days	**173,212**	216,993
181 – 365 days	**27,157**	1,144
	441,720	356,626
Accrued expenses	**10,044**	9,695
Payroll and welfare payables	**9,621**	17,087
Other tax payables	**10,257**	12,770
Deposits from suppliers	**11,528**	11,860
Payable for acquisition of property, plant and equipment	**1,418**	65
Dividend payables	**46,771**	–
Other payables	**9,053**	10,003
	540,412	418,106

13. WARRANTS

The movement of the carrying amount of warrants issued by the Company in April 2014 ("Warrants") during the period is set out below:

	RMB'000
At 1 January 2016	7,617
Change in fair value	(7,429)
Exchange realignment	80
At 30 June 2016	268

At 30 June 2016, the fair value of the Warrants outstanding was RMB268,000 (31 December 2015: RMB7,617,000). A fair value change of RMB7,429,000 is recognised in the current period and the amount has been credited to profit or loss (six months ended 30 June 2015: RMB27,346,000 charged to profit or loss). None of the Warrants have been exercised during the current and prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the six months ended 30 June 2016 ("Period"), the Group's operating performance was affected by the PRC's economic slowdown and declined copper price. While macroeconomic growth remained weak, many investors turned to low-risk investment products, which resulted in a continued weakening of commodity prices, including copper price which declined by approximately 16.2% as compared to corresponding period in last year. The Group's feeder cable series and flame-retardant flexible series are mainly made of copper and their selling prices are linked to copper price. Therefore, their selling prices decreased along with copper price during the Period, which in turn resulted in decreases in turnover and gross profit of such products. However, it is believed that the selling prices of the Group's products will benefit from the stabilising commodity prices since 2016.

The increasing demand for mobile applications such as mobile games, outdoor live broadcasting, network video and even online shopping has given rise to a booming mobile communications market, with the number of mobile phone users steadily going up. According to the statistical data released by the Ministry of Industry and Information Technology of the PRC ("MIIT"), the number of 4G mobile phone users increased from approximately 390 million in December 2015 to approximately 612 million in June 2016. As the Group's products are indispensable components in mobile communications networks, the Group continued to record a solid growth in its sales volumes. In respect of optical cable installations and high-speed broadband coverage, with the expeditious implementation of the "Broadband China" and "Fiber To The Home" ("FTTH") strategies, the number of FTTH users soared to approximately 180 million, accounting for about 68.4% of total broadband users in the PRC. Benefiting from the growing demand and an increasing number of users, the Group continued to post an increase in turnover generated from its optical fibre cable series.

As can be seen from the foregoing, the three major telecommunications operators in the PRC continued to increase their investment in communications infrastructure and the number of 4G network and broadband users maintained an impressive growth in the first half of 2016. In addition, China Radio and Television Network Co., Ltd.* 中國廣播電視網絡有限公司 was granted a basic telecommunications operating permit by the MIIT in May 2016 and is likely to become the fourth telecommunications operator in China. The Group's products are the core components of mobile communication and optical transmission networks, and their application range is expanding along with the growing demand of communications markets. As such, the development prospects of these products remain optimistic.

Result Analysis

During the Period, the Group underwent steady increases in the sales volumes of its feeder cable series and flame-retardant flexible cable series due to the growing demand of mobile communication markets. However, the selling prices of the Group's feeder cable and the flame-retardant flexible cable series, which are linked to the prices of copper, a major raw material, were lowered because the average price of copper, dropped by approximately 16.2% as compared to corresponding period in last year. Meanwhile, the major telecommunications operators in the PRC invested relatively more in indoor mobile networks construction which mainly used small-sized feeder cables with lower unit price. Therefore, turnover from feeder cable series and flame-retardant flexible cable series for the Period decreased as compared with the corresponding period in last year.

Although optical fibre cable series continued to record a growth, the Group's turnover decreased by approximately 10.4% from approximately RMB1,490.4 million in the first half of 2015 to approximately RMB1,335.6 million in the first half of 2016. Gross profit decreased by approximately 15.5% from approximately RMB337.5 million in the first half of 2015 to approximately RMB285.2 million in the first half of 2016, and gross profit margin decreased by approximately 1.2 percentage points from approximately 22.6% in the first half of 2015 to approximately 21.4% in the first half of 2016.

During the Period, the Group recorded an exchange loss of approximately RMB7,000,000 because certain of its bank loans were denominated in foreign currencies and therefore affected by the RMB exchange rate fluctuations. Furthermore, an allowance on doubtful debts of approximately RMB81,700,000 was made for trade receivables due to extension of the payment period by customers on certain trade receivables.

Profit for the Period attributable to owners of the Company decreased by approximately 45.6% from approximately RMB140.5 million in the first half of 2015 to approximately RMB76.4 million in the first half of 2016. Net profit margin decreased by approximately 3.7 percentage points to approximately 5.7% as compared to the corresponding period in last year.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2016	2015	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	%
Feeder cable series	**663,846**	797,929	–134,083	–16.8%
Optical fibre cable series and related products	**389,899**	375,967	+13,932	+3.7%
Flame-retardant flexible cable series	**224,132**	248,233	–24,101	–9.7%
New-type electronic components	**51,646**	51,282	+364	+0.7%
Other accessories	**6,107**	17,032	–10,925	–64.1%
Total	**1,335,630**	1,490,443	–154,813	–10.4%

Feeder Cable Series — approximately 49.7% of the total turnover

Benefiting from the continued grow in mobile communications networks construction, the sales volume of feeder cable series increased by 7,300 kilometres to approximately 78,700 kilometres for the Period as compared to the corresponding period in last year. The average price of feeder cable series, however, decreased mainly due to a year-on-year decrease of approximately 16.2% in the average price of copper, the major raw materials. Further, during the Period, the telecommunications operators increased the proportion of indoor mobile networks construction which mainly used small-sized feeder cables with lower unit price. During the Period, turnover from the feeder cable series decreased by approximately 16.8% to approximately RMB663.8 million. As the Group adopts the cost-plus-profit pricing model, the selling price of feeder cable is adjusted accordingly when copper price fluctuates, which in turn effectively helps stabilise the gross profit margin. In order to enhance competitiveness, the Group also lowered the price of feeder cable products in the Period, which caused the gross profit margin to decrease by approximately 1.4 percentage points to approximately 22.2% as compared to the corresponding period in last year.

Optical Fibre Cable Series — approximately 29.2% of the total turnover

The "Broadband China" and "FTTH" strategies have given rise to an ever-growing demand for optical fibres and cables, which in turn drove the continuing growth of the Group's optical fibre cable business. During the Period, the Group seized the market opportunity to expand the annual production capacity of its optical fibre cable series. The sales volume of optical fibre cable series for the Period increased by approximately 0.65 million fibre kilometres to approximately 4.4 million fibre kilometres as compared to the corresponding period in last year. The turnover of optical fibre cable series for the Period amounted to approximately RMB389.9 million, representing an increase of approximately 3.7% as compared to the corresponding period in last year.

Flame-retardant Flexible Cable Series — approximately 16.8% of the total turnover

Another main product of the Group, the flame-retardant flexible cable series, also benefited from the nationwide construction of mobile communications networks. However, as its average selling price was also affected by the declined copper price, the turnover of the flame-retardant flexible cable series for the Period decreased by approximately 9.7% to approximately RMB224.1 million as compared to corresponding period in last year.

Major Customers and Sales Network

With a good track record, diverse product portfolio, excellent product quality and comprehensive and efficient after-sales services, the Group has been able to maintain sound cooperation with the three major telecommunications operators in the PRC. As at 30 June 2016, the Group maintained business relationships with all 31 provincial subsidiaries of China United Network Communications Corporation Limited* (中國聯合網絡通信有限公司) ("China Unicom"), 27 out of the 31 provincial subsidiaries of China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile") and 26 out of the 31 provincial subsidiaries of China Telecommunications Corporation* (中國電信集團公司) ("China Telecom"). During the Period, turnover derived from China Unicom, China Mobile and China Telecom accounted for approximately 37.0%, 33.5% and 18.2% of the Group's overall turnover, respectively. In addition to the close cooperation with the three major telecommunication operators in the PRC, the Group also maintained good business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2016, the Group was a supplier to 24 provincial subsidiaries of China Tower.

Patents, Award and Recognition

As at 30 June 2016, the Group had obtained 76 patents and developed 84 new products in the PRC. 44 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. In 2016, the Group received various awards and honours which included the following:

- according to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronics Components Association (中國電子元件行業協會光電線纜分會), Jiangsu Trigiant Technology Co., Ltd. ("Trigiant Technology"), a major subsidiary of the Group, ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for six consecutive years from 2010 to 2015;

- Trigiant Technology was named as Model Enterprise of Industrial Brand Development (工業品牌培育示範企業) by the MIIT; and

- Trigiant Technology ranked 14th in the 29th Session of Top 100 PRC Electronic Component Enterprises 2016 (中國電子元件百強).

Prospects and Future Plans

In the first half of 2016, the feeder cable business slowed down somewhat due to the combined effect of declined copper price, change in specification mix and selling price adjustment. Nevertheless, as commodity prices are stabilising and market sentiment is turning positive, which will bring good development prospects for the Group's feeder cable series and flame-retardant flexible cable series business.

The ongoing construction of communication networks will be further stimulated and boosted by further improvement in China's 3G and 4G network coverage, rapid growing demand driven by 4G commercialisation and "Internet Plus" boom, which will bring more opportunities to communications equipment suppliers in the second half of 2016. At the news conference held on 28 April 2016, the MIIT stated that it would continue to promote the 4G network construction while improving the breadth and depth of 4G network coverage, and it estimated that there will be about 260 million more 4G users in 2016, which meant that the total 4G users would reach approximately 700 million in the PRC. The three major telecommunications operators in the PRC will continue to expedite their 4G network construction. In addition, the MIIT said it would implement the "three-network convergence" program (i.e., the convergence of telecommunications network, Internet network and broadcasting network), carry out 5G network technology experiments and preliminary studies on the grant of commercial permit and actively participate in the development of international standards for 5G network.

An ever-increasing number of users and a growing and diverse demand have paved the way for Internet infrastructure construction and the development of related services. The Group will better position itself by continuing to enhance its research and development capabilities, product quality and production capacity as well as implementing effective cost controls. Meanwhile, the Group will adjust its product sales channels based on market demand and continue to maintain close partnership with the three major telecommunications operators and China Tower in the PRC through effective marketing strategies and good communication skills of its sales teams, thereby further expanding its business and revenue sources.

With the advancement of the "Broadband China" strategy in recent years, the high-speed broadband coverage and the proportion of FTTH users in the PRC have been expanding, bringing more opportunities for the Group's optical fibre cable series. The MIIT said it would strive for a full coverage of optical fibre networks in districted cities across China by the end of 2016. In the second half of 2016, the FTTH strategy will be further implemented such that the optical fibre renovation projects at old residential communities in urban areas will accelerate the construction of urban optical networks and accomplish its plan to achieve a full coverage of optical fibre networks in urban areas by the end of 2016. Based on the foregoing, it is expected that there will be a more solid foundation for future high-quality Internet applications and a broader application range for the Group's optical fibre cable products. The Group will timely ramp up its production capacity of optical fibre cables to be in a better position to seize the business opportunities in the fibre broadband market brought about by "Broadband China" strategy.

While enhancing its development in the domestic market, the Group also actively explored broader overseas markets. During the Period, the Group focused on strengthening its presence in Southeast Asia and the Middle East and proactively sought for more cooperation opportunities. In the second half of 2016, the Group will continue to participate in telecommunication exhibitions held in Dubai, Thailand and other regions to secure more purchase orders and lay a strong foundation for the Group to further expand its market presence in Southeast Asia and the Middle East countries in the future.

As the Russian economy gradually recovered, the Group continued to visit local telecommunications operators to consolidate its business network and seek for more market opportunities. The Group also actively established business connection with manufacturers from India and South Korea with an aim to open up more markets for the Group's business.

Financial Review

Turnover

Turnover decreased by approximately RMB154.8 million, or 10.4%, from approximately RMB1,490.4 million in the first half of 2015 to approximately RMB1,335.6 million in the first half of 2016. The increase in turnover contributed by the sale of optical fibre cable series of approximately RMB13.9 million was offset by the decrease in turnover of feeder cable series, flame-retardant flexible cable series and other accessories of approximately RMB134.1 million, RMB24.1 million and RMB10.9 million, respectively. Decrease in turnover of feeder cable series and flame-retardant flexible cable is primarily driven by decreased selling prices, which is mainly due to a decrease in average copper price in the first half of 2016, the major raw materials whose prices are linked to the selling price, and lowered selling price of the Group's feeder cable series to increase its competitiveness.

Cost of goods sold

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Cost of goods sold decreased along with the decrease in turnover by approximately RMB102.5 million, or 8.9%, from approximately RMB1,153.0 million in the first half of 2015 to approximately RMB1,050.5 million in the first half of 2016.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB52.3 million, or 15.5%, from approximately RMB337.5 million in the first half of 2015 to approximately RMB285.2 million in the first half of 2016. Overall gross profit margin decreased from approximately 22.6% in the first half of 2015 to approximately 21.4% in the first half of 2016. The decrease in overall gross profit margin is mainly a result of the increase in sales proportion of the optical fibre cable series which has lower gross profit margin and the lowered selling price for feeder cable series.

Other income

Other income decreased by approximately RMB1.8 million, or 18.1%, from approximately RMB10.1 million in the first half of 2015 to approximately RMB8.3 million in the first half of 2016 primarily due to the decrease in interest income by approximately RMB1.7 million.

Other gains and losses

Other losses incurred in the first half of 2016 amounting to approximately RMB88.7 million compared to other gains of approximately RMB0.2 million resulted in the first half of 2015. The other losses incurred for the first half of 2016 is mainly because of exchange losses of approximately RMB7.0 million as compared to exchange gain of approximately RMB0.1 million in the first half of 2015 and an allowance on bad and doubtful debts of approximately RMB81.7 million.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB1.2 million, or 3.5%, from approximately RMB33.0 million in the first half of 2015 to approximately RMB31.8 million in the first half of 2016, mainly due to the decreased marketing and entertainment costs as a result of continuing cost curb program.

Administrative expenses

Administrative expenses increased by approximately RMB1.3 million, or 4.4%, from approximately RMB28.4 million in the first half of 2015 to approximately RMB29.7 million in the first half of 2016 mainly due to the increase in salary for administrative staff.

Research and development costs

Research and development costs increased by approximately RMB3.2 million, or 14.6%, from approximately RMB21.7 million in the first half of 2015 to approximately RMB24.9 million in the first half of 2016 primarily due to additional research and development costs incurred in order to broaden the varieties of the Group's product portfolio to tailor for the communications network requirement.

Fair value change of warrants

The Company issued the Warrants conferring the holders thereof exercise rights to subscribe for up to 200,000,000 shares in the Company and re-measures them at fair value at each statement of financial position date with the change in fair value recorded in the profit or loss. The fair value change was not related to the Group's operating results. These Warrants are recognised in the consolidated statement of financial position at their fair value using binomial model. A gain on change in fair value of the Warrants amounted to approximately RMB7.4 million was recognised in the first half of 2016 whereas a loss on change in fair value of the warrants of approximately RMB27.3 million was recognised in the first half of 2015.

Finance costs

Finance costs decreased by approximately RMB10.2 million, or 25.2%, from approximately RMB40.6 million in the first half of 2015 to approximately RMB30.4 million in the first half of 2016 primarily due to the decrease the interest rate of bank borrowings which mainly denominated in Renminbi.

Taxation

Taxation charge decreased by approximately RMB33.8 million, or 84.4%, from approximately RMB40.0 million in the first half of 2015 to approximately RMB6.2 million in the first half of 2016. The Group's Enterprise Income Tax arises from its principal subsidiaries in the PRC, which enjoy a reduced Enterprise Income Tax rate of 15% as they are qualified as High and New Technology Enterprises. The decrease in taxation charge in the first half of 2016 is primarily attributable to decreased taxable profit of its principal subsidiaries in the PRC and deferred tax credit arising from the allowance for bad and doubtful debts.

Profit for period attributable to owners of the Company

As a combined result of the foregoing and profit attributable to non-controlling interests, profit for the period attributable to owners of the Company decreased by approximately RMB64.1 million, or 45.6%, from approximately RMB140.5 million in the first half of 2015 to approximately RMB76.4 million in the first half of 2016 and the corresponding net profit margin decreased from approximately 9.4% in the first half of 2015 to approximately 5.7% in the first half of 2016.

Liquidity, Financial Resources and Capital Structure

The operation of the Group is generally financed through a combination of shareholders' equity, internally generated cash flows and bank borrowings. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings.

The following table summarises the cash flows for the six months ended 30 June 2016 and 2015:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net cash (used in) from operating activities	**(15,210)**	33,399
Net cash from (used in) investing activities	**90,240**	(154,898)
Net cash from financing activities	**26,405**	143,963

As at 30 June 2016, the Group had bank balances and cash and pledged bank deposits of approximately RMB760.5 million, with the majority of which were denominated in Renminbi. As at 30 June 2016, the Group had total bank borrowings of approximately RMB1,350.6 million which are repayable within one year. As at 30 June 2016, RMB537.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB813.6 million were variable rate borrowings. As at 30 June 2016, bank borrowings of approximately RMB1,177.0 million were denominated in Renminbi, approximately RMB136.8 million were denominated in Hong Kong dollar and approximately RMB36.8 million were denominated in Euro.

The majority of the Group's transactions are denominated in Renminbi and, accordingly, the Group has not entered into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

Gearing Ratio

Gearing ratio increased from approximately 19.9% as at 31 December 2015 to approximately 21.9% as at 30 June 2016. Such increase was primarily resulted from the additional bank borrowings raised to satisfy the additional working capital required to support the continued business growth. Gearing ratio is calculated by dividing total bank borrowings net of pledged bank deposits and bank balances and cash over total equity.

Pledge of Assets

As at 30 June 2016, the Group pledged certain bank deposits with carrying value of approximately RMB425.3 million (31 December 2015: approximately RMB541.4 million) to certain banks to secure credit facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2016.

Employee Information

As at 30 June 2016, the Group had approximately 1,000 (31 December 2015: 1,000) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, its directors and employees in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

The Group also invests in continuing education and training programmes for management staff and other employees with a view to upgrading their skills and knowledge. These training courses comprise internal courses run by the management of the Group and external courses provided by professional trainers and range from technical training for production staff to financial and administrative trainings for management staff.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.2 cents per share for the first half of 2016 (first half of 2015: HK7 cents) to the shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016. The interim dividend will be payable on or about Friday, 25 November 2016.

CLOSURE OF THE REGISTER OF MEMBERS

To ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 13 September 2016 to Thursday, 15 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the first half of 2016, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Monday, 12 September 2016.

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (“CG Code”) as its own code of corporate governance. The Directors consider that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the six months ended 30 June 2016 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2016.

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control system and risk management systems of the Group. The Audit Committee comprises all independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Professor Jin Xiaofeng, Mr. Ng Wai Hung and Ms. Jia Lina. Mr. Poon Yick Pang Philip is the chairman of the Audit Committee. The interim results of the Group for the first half of 2016 have been reviewed by the Audit Committee.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the first half of 2016 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkexnews.hk) and the Company (www.trigiant.com.hk). The interim report for the first half of 2016 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Qian Lirong
Chairman

Hong Kong, 24 August 2016

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Qian Lirong (Chairman) and Mr. Jiang Wei (Group Chief Executive Officer); one non-executive Director, namely Mr. Fung Kwan Hung; and four independent non-executive Directors, namely Professor Jin Xiaofeng, Mr. Poon Yick Pang Philip, Mr. Ng Wai Hung and Ms. Jia Lina.

* *For identification purpose only*