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 2017

HIGHLIGHTS

Interim results for the six months ended 30 June 2017 compared with the six months ended 30 June 2016:

- Turnover increased by approximately RMB130.0 million, or approximately 9.7%, to approximately RMB1,465.7 million;
- Gross profit margin decreased by approximately 1.6 percentage points to approximately 19.8%;
- Profit for the period attributable to owners of the Company increased by approximately RMB45.9 million, or approximately 60.0%, to approximately RMB122.2 million;
- Net profit margin increased from approximately 5.7% to approximately 8.3%;
- Earnings per share increased from RMB4.88 cents to RMB7.69 cents; and
- Interim dividend declared was HK1.7 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 2017 together with the comparative figures for the corresponding period in 2016 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 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,465,678**	1,335,630
Cost of goods sold		**(1,175,890)**	(1,050,458)
Gross profit		**289,788**	285,172
Other income	*4*	**16,318**	8,303
Other gains and losses	*5*	**(32,890)**	(88,667)
Selling and distribution costs		**(28,645)**	(31,849)
Administrative expenses		**(27,808)**	(29,670)
Research and development costs		**(25,842)**	(24,870)
Fair value change of warrants		**–**	7,429
Finance costs		**(26,246)**	(30,382)
Profit before taxation	*6*	**164,675**	95,466
Taxation	*7*	**(27,571)**	(6,222)
Profit and total comprehensive income for the period		**137,104**	89,244
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**122,234**	76,374
Non-controlling interests		**14,870**	12,870
		137,104	89,244
Earnings per share	*9*		
— basic		**7.69 cents**	4.88 cents
— diluted		**7.69 cents**	4.88 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	NOTES	At 30 June 2017 *RMB'000* (Unaudited)	At 31 December 2016 *RMB'000* (Audited)
Non-current assets			
Investment properties		**6,900**	6,900
Property, plant and equipment		**277,597**	293,834
Land use rights		**72,662**	73,722
Intangible asset		**90,753**	96,803
Goodwill		**41,773**	41,773
Available-for-sale investments		**7,325**	7,325
Deferred tax assets		**35,951**	30,355
		532,961	550,712
Current assets			
Inventories		**132,837**	124,928
Trade and other receivables	*10*	**3,185,382**	2,932,670
Other financial assets		**15,000**	150,000
Pledged bank deposits		**312,947**	476,338
Bank balances and cash		**442,367**	457,193
		4,088,533	4,141,129
Current liabilities			
Trade and other payables	*11*	**369,194**	492,120
Bank borrowings		**1,363,988**	1,292,956
Taxation payable		**45,703**	40,315
		1,778,885	1,825,391
Net current assets		**2,309,648**	2,315,738
Total assets less current liabilities		**2,842,609**	2,866,450
Non-current liabilities			
Government grants		**3,939**	4,307
Deferred tax liabilities		**46,982**	46,582
		50,921	50,889
Net assets		**2,791,688**	2,815,561
Capital and reserves			
Share capital		**14,638**	12,651
Reserves		**2,777,050**	2,641,327
Equity attributable to owners of the Company		**2,791,688**	2,653,978
Non-controlling interests		**–**	161,583
Total equity		**2,791,688**	2,815,561

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, 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

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
- Others (including splitters, couples 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 2017

	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*	**Others** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Turnover							
— External sales	**714,261**	**461,321**	**241,134**	**41,780**	**7,182**	**–**	**1,465,678**
— Inter-segment sales	**–**	**107,183**	**–**	**–**	**–**	**(107,183)**	**–**
	714,261	**568,504**	**241,134**	**41,780**	**7,182**	**(107,183)**	**1,465,678**
Cost of goods sold	**(562,348)**	**(480,155)**	**(198,628)**	**(35,205)**	**(6,737)**	**107,183**	**(1,175,890)**
Segment result	**151,913**	**88,349**	**42,506**	**6,575**	**445**	**–**	**289,788**
Unallocated income and expenses:							
Other income							**16,318**
Other gains and losses							**(32,890)**
Selling and distribution costs							**(28,645)**
Administrative expenses							**(27,808)**
Research and development costs							**(25,842)**
Finance costs							**(26,246)**
Profit before taxation							**164,675**
Taxation							**(27,571)**
Profit for the period							**137,104**

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*	Others *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

4. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Government grants	**4,009**	387
Interest income	**10,566**	6,684
Rental income	**200**	200
Others	**1,543**	1,032
	16,318	8,303

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Allowance for bad and doubtful debts	**(37,305)**	(81,659)
Exchange gain (loss)	**4,415**	(7,008)
	(32,890)	(88,667)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	**1,169,495**	1,044,929
Operating lease rentals in respect of land use rights	**1,060**	1,060
Gain on disposal of property, plant and equipment	**–**	64
Depreciation of property, plant and equipment	**16,412**	14,955
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	
	2017	2016
	RMB'000	*RMB'000*
The charge comprises:		
The People's Republic of China ("PRC") Enterprise Income Tax	**32,767**	27,815
Deferred taxation credit	**(5,196)**	(21,593)
Taxation for the period	**27,571**	6,222

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 Advanced 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 HK1.6 cents per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: final dividend of HK3.5 cents per share in respect of the year ended 31 December 2015). The aggregate amount of the final dividend in respect of the year ended 31 December 2016 declared in the current interim period amounted to HK$28,664,000 (equivalent to approximately RMB25,259,000) (2016: HK$54,722,500 (equivalent to approximately RMB46,309,000)).

Subsequent to the end of the current interim period, interim dividend of HK1.7 cents (six months ended 30 June 2016: HK1.2 cents) per share has been declared by the Board.

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	
	2017	2016
	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	**122,234**	76,374
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,590,100,000**	1,563,500,000

The computation of diluted earnings per share does not assume the exercise of the Company's share options (six months ended 30 June 2016: share options and warrants issued by the Company) because the exercise price of those share options (six months ended 30 June 2016: share options and warrants issued by the Company) was higher than the average market price of the Company's shares during both periods.

10. 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 of allowance for bad and doubtful debts, 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 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade and bills receivables, net, aged		
0–90 days	**903,551**	795,267
91–180 days	**614,706**	613,879
181–365 days	**728,341**	756,838
Over 365 days	**857,420**	749,167
	3,104,018	2,915,151
Current portion of land use rights	**2,120**	2,120
Interest receivables	**6,451**	5,466
Other receivables *(note)*	**56,985**	5,801
Prepaid expenses	**13,653**	597
Staff advances	**2,155**	3,535
	3,185,382	2,932,670

Note: As at 30 June 2017, other receivables included approximately RMB50,937,000 (31 December 2016: nil) receivables relating to resale of copper materials.

11. 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 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade and bills payables, aged		
0–90 days	**173,852**	294,599
91–180 days	**103,329**	51,591
181–365 days	**5,357**	81,637
	282,538	427,827
Accrued expenses	**11,100**	8,560
Payroll and welfare payables	**12,959**	20,100
Other tax payables	**8,366**	9,987
Deposits from suppliers	**14,348**	12,303
Payable for acquisition of property, plant and equipment	**2,668**	2,693
Dividend payables	**24,878**	–
Other payables	**12,337**	10,650
	369,194	492,120

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2017, China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Corporation Limited* (中國聯合網絡通信有限公司) ("China Unicom") and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom"), the three major telecommunications operators in the People's Republic of China ("PRC" or "China") continued to proactively encourage their mobile network users to switch from subscription for the 2G and 3G networks to the 4G network. According to the latest data, mobile network users of the three major telecommunications operators reached approximately 1.36 billion, of which, 4G network users amounted to approximately 890 million, representing a penetration rate of approximately 65.0%. In the first six months of 2017, the net increase in 4G network users was approximately 120 million. The continual growth of 4G network users and an improved 4G coverage drove the demand for the feeder cable products and flame-retardant flexible cable products of the Group. Meanwhile, the optical network continued benefiting from the "Broadband China" policy, enabling a strong demand for the optical fibre cable products of the Group.

According to the Three-Year Action Plan for Key Project Construction of Information Infrastructure* (《信息基礎設施重大工程建設三年行動方案》) ("Three-Year Action Plan for Information Infrastructure") jointly issued by the National Development and Reform Commission and the Ministry of Industry and Information Technology ("MIIT") of the PRC in January 2017, the total investments in developing information infrastructure during the period from 2016 to 2018 are expected to be RMB1.2 trillion, among which, the total investments in 92 major construction design projects, including priority projects such as backbone networks, metropolitan area networks, fixed broadband access networks and mobile broadband access networks, amount to RMB902.2 billion. During the six months ended 30 June 2017 ("Period"), there was a flourishing market of fundamental communication equipment driven by a steady progress in the construction and upgrade of mobile communication networks and optical networks, which had boosted the sales of the Group's feeder cable, flame-retardant flexible cable products and optical fibre cable products, the fundamental components for mobile and optical communication networks.

Copper, the major raw material of the Group's feeder cable products and flame-retardant flexible cable products, recorded a gradual price rebound starting from late 2016. Since the Group has adopted the cost-plus-pricing-model, the average sale prices of these products therefore increased and drove the growth in the turnover of the Group.

Result Analysis

During the Period, a year-on-year rise in the copper price combined with the continued demand from the construction of mobile communication networks contributed to the growth in turnovers of Group's feeder cable and flame-retardant flexible cable products. Together with the rapid growth of optical fibre cable business during the Period, the Group's turnover therefore increased by approximately 9.7% from approximately RMB1,335.6 million for the first half of 2016 to approximately RMB1,465.7 million for the first half of 2017. The overall gross profit increased by approximately 1.6% from approximately RMB285.2 million for the first half of 2016 to RMB289.8 million for the first half of 2017. During the Period, gross profit margin decreased by 1.6 percentage points from approximately 21.4% for the first half of 2016 to approximately 19.8% for the first half of 2017 due to the Group's strategical price adjustments.

During the Period, the Group recognised an exchange gain of approximately RMB4.4 million arising from bank borrowings denominated in foreign currency, as compared to an exchange loss of approximately RMB7.0 million in the corresponding period in last year. On the other hand, the Group's allowance for bad and doubtful debts decreased significantly by approximately 54.3% from approximately RMB81.7 million in the first half of 2016 to approximately RMB37.3 million in the first half of 2017. As a result, profit for the period attributable to owners of the Company significantly increased by 60.0% from approximately RMB76.4 million for the first half of 2016 to approximately RMB122.2 million for the first half of 2017. Basic earnings per share increased by RMB2.81 cents from approximately RMB4.88 cents for the first half of 2016 to approximately RMB7.69 cents for the first half of 2017.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2017	2016	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Feeder cable series	**714,261**	663,846	+50,415	+7.6%
Optical fibre cable series and related products	**461,321**	389,899	+71,422	+18.3%
Flame-retardant flexible cable series	**241,134**	224,132	+17,002	+7.6%
New-type electronic components	**41,780**	51,646	–9,866	–19.1%
Others	**7,182**	6,107	+1,075	+17.6%
Total	**1,465,678**	1,335,630	+130,048	+9.7%

Feeder Cable Series — approximately 48.7% of the total turnover

Due to the continued demand for the construction of indoor coverage of the 4G network and the base stations during the Period, the sales of feeder cable series increased by approximately 1,400 kilometres to approximately 80,100 kilometres. Meanwhile, the copper price rebounded significantly as compared to the corresponding period in last year. The Group adopts cost-plus-pricing-model for its feeder cable products and the rebound of copper price resulted in an increase in the average selling price of such product. For the Period, the turnover of feeder cable series increased by approximately 7.6% to approximately RMB714.3 million as compared to the corresponding period in last year. Gross profit margin decreased by approximately 0.9 percentage point to approximately 21.3% due to strategical price adjustments by the Group.

Optical Fibre Cable Series — approximately 31.5% of the total turnover

Due to the ongoing construction of optical communication networks under the "Broadband China" policy, the market demand for optical fibre cable products kept strong. During the Period, the turnover of optical fibre cable products increased by approximately 18.3% to approximately RMB461.3 million as compared to the corresponding period in last year. Sales increased by approximately 460,000 fibre kilometres to approximately 4,821,000 fibre kilometres for the Period. Gross profit margin dropped by approximately 1.0 percentage point to approximately 19.2% due to strategical price adjustments by the Group.

Flame-retardant Flexible Cable Series — approximately 16.5% of the total turnover

Flame-retardant flexible cable series, another major product of the Group, recorded a turnover growth of approximately 7.6% to approximately RMB241.1 million as compared to the corresponding period in last year due to the rebound in copper price and an accelerating development in the mobile communication infrastructure. Gross profit margin dropped by 0.8 percentage point to approximately 17.6% as compared to the corresponding period in last year.

Major Customers and Sales Network

The Group maintained sound cooperation with the three major telecommunications operators in the PRC leveraging on its solid proven track record, diverse products portfolio, excellent product quality and comprehensive and efficient after-sales services. As at 30 June 2017, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 27 out of the 31 provincial subsidiaries of China Mobile and 26 out of the 31 provincial subsidiaries of China Telecom. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 46.2%, 36.2% and 11.5%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators, the Group also maintained business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2017, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

Patents, Awards and Recognition

As at 30 June 2017, the Group obtained 96 patents and developed 107 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. During the Period, 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") ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for seven consecutive years from 2010 to 2016;

- Trigiant Technology was awarded the National Technology Center and the Jiangsu Outstanding Contribution Manufacturer Award; and

- Jiangsu Trigiant Optic-Electric Communication Co., Ltd. ("Trigiant Optic-Electric") was awarded as Jiangsu Enterprise Technology Center.

Prospects and Future Plans

The 5G network technology is a new focus of the global telecommunication industry. Various countries have increased their investments in the research and development of the 5G network with a view to securing breakthroughs. To keep abreast of the industrial trend, China officially launched the research and development of 5G network and already started to build the 5G network test platform in 2016. According to the work plan of the MIIT and the IMT-2020(5G) promotion team of the PRC as well as the latest 5G network commercial plan of the three major telecommunications operators, China will carry out the second phase testing of the 5G network in 2017 and a large-scale testing for network formation in 2018. Based on these testings, the 5G network construction is expected to commence in 2019 so that 5G network will be in commercial use by 2020.

In 2017, the 5G network rapidly evolved from technical development to scenario verification testing stage. In early July 2017, China Mobile announced that it would carry out field testing in Beijing, Shanghai, Guangzhou, Suzhou and Ningbo in the second half of 2017. China Mobile also announced that the 5G network would be in pre-commercial and mass commercial use in 2019 and 2020, respectively. According to the chairman of China Telecom in late July 2017, China Telecom proposes to carry out field experiments for developing the 5G network from 2017 to 2018, launch its pre-commercial services in 2019 and achieve the scale of business operations by 2020. Save for the three major telecommunications operators in China, other communications enterprises are also proactively carrying out the development and deployment of the 5G technology, our Company has been actively exploring upgrading and developing new products to meet 5G technology's requirements on the basis of existing products.

To coordinate the deployment and construction of information infrastructure from 2016 to 2018, the Three-Year Action Plan for Information Infrastructure proposes that 200 million new fibre-to-the-home ports are to be built, achieving optical coverage in urban areas with more than 1,000 megabits per second. Large and medium city home broadband users will be provided with an option of more than 100 megabits per second, while the fibre coverage proportion of administrative village increases from 75% to 90%. This will bring a new round of demand for the optical fibre cable market.

In view of the accelerated construction and upgrade of mobile communication networks and optical communication networks, the Group believes its feeder cable series products and optical fibre cable products will benefit from the huge market demand. For active preparation, the Group will keep a close eye for any business opportunity and continue to maintain close cooperation with the three major telecommunications operators. On the other hand, the Group will proactively identify suitable optical fibre manufactures to establish business relationship and explore opportunities for optical fibre cable expansion.

Furthermore, the Group will stay focused on overseas development opportunities. To further expand the sources of income in the second half of 2017, the Group will attend the international trade exhibitions to be held in the Asia-pacific region, North America, Middle East and Africa, and visit overseas customers so as to follow up with sales orders. Meanwhile, the sustained rebound of copper price also provides the Group opportunities to further enhance its business performance. Therefore, the Group will continue to improve production efficiency, maintain its leading market position in the industry and embrace new development opportunities at any time.

Financial Review

Turnover

Turnover increased by approximately RMB130.1 million, or 9.7%, from approximately RMB1,335.6 million in the first half of 2016 to approximately RMB1,465.7 million for the first half of 2017. The increase in turnover contributed by feeder cable series, optical fibre cable series, flame-retardant flexible cable series and others of approximately RMB50.4 million, RMB71.4 million, RMB17.0 million and RMB1.1 million, respectively, was partly offset by the decrease in turnover of new-type electronic components of approximately RMB9.9 million. The increase in turnover of feeder cable series and flame-retardant flexible cable series is primarily driven by their increased selling prices, mainly as a result of the increased copper price during the first half of 2017. In addition, the increase in turnover of optical fibre cable products is a result of strong demand in the first half of 2017.

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 increased generally in line with the increase in turnover by approximately RMB125.4 million, or 11.9%, from approximately RMB1,050.5 million for the first half of 2016 to approximately RMB1,175.9 million for the first half of 2017.

Gross profit and gross profit margin

Gross profit increased by approximately RMB4.6 million, or 1.6%, from approximately RMB285.2 million for the first half of 2016 to approximately RMB289.8 million for the first half of 2017. The increase in gross profit is mainly a result of the increase in turnover. Overall gross profit margin decreased from approximately 21.4% for the first half of 2016 to approximately 19.8% for the first half of 2017. The decrease in overall gross profit margin is mainly a result of the strategical price adjustments of the Group's major product series.

Other income

Other income increased by approximately RMB8.0 million, or 96.5%, from approximately RMB8.3 million for the first half of 2016 to approximately RMB16.3 million for the first half of 2017 primarily due to the increase in interest income by approximately RMB3.9 million and government grants of approximately RMB3.6 million.

Other gains and losses

Other gains and losses decreased by approximately RMB55.8 million, or 62.9%, from approximately RMB88.7 million for the first half of 2016 to approximately RMB32.9 million for the first half of 2017. The decrease is mainly because of the decrease in allowance in bad debts recognised in the first half of 2017. In addition, an exchange loss of approximately RMB7.0 million was recognised in the first half of 2016 while an exchange gain of approximately RMB4.4 million was recognised in the first half of 2017.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB3.2 million, or 10.1%, from approximately RMB31.8 million for the first half of 2016 to approximately RMB28.6 million for the first half of 2017, mainly due to the decreased entertainment costs as a result of the Group's continuing cost curb program.

Administrative expenses

Administrative expenses decreased by approximately RMB1.9 million, or 6.3%, from approximately RMB29.7 million for the first half of 2016 to approximately RMB27.8 million for the first half of 2017 mainly due to the decrease in salary expense of administrative staff.

Research and development costs

Research and development costs increased by approximately RMB0.9 million, or 3.9%, from approximately RMB24.9 million for the first half of 2016 to approximately RMB25.8 million for the first half of 2017 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 communication network requirements.

Fair value change of warrants

The Company issued 200,000,000 warrants ("Warrants") in April 2014 and re-measures the Warrants at fair value at each statement of financial position date with the change in fair value recorded in profit or loss. These Warrants were 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 no such fair value change was recognised in the first half of 2017 as all Warrants were redeemed by the Company in December 2016.

Finance costs

Finance costs decreased by approximately RMB4.2 million, or 13.6%, from approximately RMB30.4 million for the first half of 2016 to approximately RMB26.2 million for the first half of 2017 primarily due to the decrease in average bank borrowings and the average interest rate of bank borrowings.

Taxation

Taxation charge increased by approximately RMB21.4 million, or 343.1%, from approximately RMB6.2 million for the first half of 2016 to approximately RMB27.6 million for the first half of 2017. The Group's Enterprise Income Tax ("EIT") arises from its principal subsidiaries in the PRC, which enjoy a reduced EIT rate of 15% as they are qualified as Advanced Technology Enterprises. The increase in taxation charge for the first half of 2017 is primarily attributable to the increased taxable profit of the principal subsidiaries of the Group in the PRC.

Profit for the period attributable to owners of the Company

On 9 June 2017, completion of the acquisition ("Acquisition") of the remaining 40% issued share capital of Jiang Mei Limited ("Jiang Mei") took place. As Jiang Mei holds 87.5% equity interests of Trigiant Optic-Electric, which engages in the manufacturing and sales of optical fibre cable business, the Group's beneficial interests in Trigiant Optic-Electric therefore increased from 65.0% to 100.0% after the Acquisition. Upon completion of the Acquisition, the overall results of the Group was further enhanced.

As a combined result of the foregoing and profit attributable to non-controlling interests, profit for the period attributable to owners of the Company increased by approximately RMB45.9 million, or 60.0%, from approximately RMB76.4 million for the first half of 2016 to approximately RMB122.2 million for the first half of 2017 and the corresponding net profit margin increased from approximately 5.7% for the first half of 2016 to approximately 8.3% for the first half of 2017.

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 flows and, if necessary, by additional equity financing and bank borrowings.

The following table summarises the cash flows for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net cash used in operating activities	**(230,984)**	(15,210)
Net cash from investing activities	**307,772**	90,240
Net cash (used in) from financing activities	**(91,614)**	26,405

As at 30 June 2017, the Group had bank balances and cash and pledged bank deposits of approximately RMB755.3 million, the majority of which were denominated in Renminbi. As at 30 June 2017, the Group had total bank borrowings of approximately RMB1,364.0 million which are repayable within one year. As at 30 June 2017, RMB737.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB627.0 million were variable rate borrowings. As at 30 June 2017, bank borrowings of approximately RMB1,127.0 million were denominated in Renminbi, approximately RMB169.3 million were denominated in Hong Kong dollar and approximately RMB67.7 million were denominated in United States dollar.

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 currency hedging policy but will consider hedging its foreign currency exposure should the need arise.

On 9 June 2017, the Company issued 228,000,000 ordinary shares as part of consideration for the Acquisition of the remaining 40% of the issued share capital of Jiang Mei, which held 87.5% interest in Trigiant Optic-Electric, at the issue price of approximately HK$1.174 per share. The quoted closing price of the Company's shares on 9 June 2017 was HK$1.17.

Gearing Ratio

Gearing ratio increased from approximately 12.8% as at 31 December 2016 to approximately 21.8% as at 30 June 2017. Such increase was primarily resulted from the additional bank borrowings raised and decrease in other reserve as a result of the completion of the Acquisition. 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 2017, the Group pledged certain bank deposits with carrying value of approximately RMB312.9 million (31 December 2016: approximately RMB476.3 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 2017.

Employee Information

As at 30 June 2017, the Group had approximately 1,000 (31 December 2016: 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 HK1.7 cents per share for the first half of 2017 (first half of 2016: HK1.2 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 15 September 2017. The interim dividend will be payable on or about Friday, 24 November 2017.

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, 12 September 2017 to Friday, 15 September 2017, 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 2017, 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, 11 September 2017.

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 2017 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 2017.

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 2017.

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 and risk management systems of the Group. As at the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Professor Jin Xiaofeng 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 2017 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 2017 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 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 2017 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.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 28 August 2017

As at the date of this announcement, the Board comprises the following members:

Executive Directors:	Mr. Qian Lirong *(Chairman)* Mr. Jiang Wei *(Group chief executive officer)*
Non-executive Director:	Dr. Fung Kwan Hung
Independent non-executive Directors:	Professor Jin Xiaofeng Mr. Poon Yick Pang Philip Ms. Jia Lina
Alternate Director to Mr. Qian Lirong:	Mr. Qian Chenhui