TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

Annual results for the year ended 31 December 2017 compared with the annual results for the year ended 31 December 2016:

- Turnover increased by approximately RMB279.8 million, or approximately 9.6%, to approximately RMB3,200.8 million (2016: RMB2,921.0 million)
- Gross profit margin decreased by approximately 1.4 percentage points to approximately 19.6% (2016: 21.0%)
- Profit for the year attributable to owners of the Company increased by approximately RMB84.5 million, or approximately 43.9%, to approximately RMB277.1 million (2016: RMB192.6 million)
- Net profit margin increased by approximately 2.1 percentage points to approximately 8.7% (2016: 6.6%)
- Earnings per share increased to RMB16.38 cents (2016: RMB12.32 cents)
- Proposed final dividend was HK2.1 cents per share (2016: HK1.6 cents per share). Together with the interim dividend of HK1.7 cents paid, total dividend for the year ended 31 December 2017 was HK3.8 cents per share (2016: HK2.8 cents per share)

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Turnover	*4*	**3,200,807**	2,920,995
Cost of goods sold		**(2,573,186)**	(2,308,791)
Gross profit		**627,621**	612,204
Other income	*5*	**26,630**	28,659
Other gains and losses	*6*	**(83,139)**	(148,849)
Selling and distribution costs		**(54,698)**	(60,663)
Administrative expenses		**(52,748)**	(56,568)
Research and development costs		**(55,839)**	(51,448)
Fair value change of warrants		**–**	7,604
Finance costs	*7*	**(56,543)**	(59,804)
Profit before taxation	*8*	**351,284**	271,135
Taxation	*9*	**(59,271)**	(49,191)
Profit and total comprehensive income for the year		**292,013**	221,944
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**277,143**	192,608
Non-controlling interests		**14,870**	29,336
		292,013	221,944
Earnings per share	*11*		
— Basic		**RMB16.38 cents**	RMB12.32 cents
— Diluted		**RMB16.38 cents**	RMB12.32 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment properties		**7,600**	6,900
Property, plant and equipment		**262,428**	293,834
Land use rights		**71,602**	73,722
Intangible asset		**84,702**	96,803
Goodwill		**41,773**	41,773
Available-for-sale investments		**7,325**	7,325
Deferred tax assets		**43,725**	30,355
		519,155	550,712
Current assets			
Inventories		**108,547**	124,928
Trade and other receivables	*12*	**3,257,251**	2,932,670
Other financial assets		**150,000**	150,000
Pledged bank deposits		**337,939**	476,338
Bank balances and cash		**455,268**	457,193
		4,309,005	4,141,129
Current liabilities			
Trade and other payables	*13*	**345,586**	492,120
Bank borrowings — due within one year		**1,466,667**	1,292,956
Taxation payable		**40,695**	40,315
		1,852,948	1,825,391
Net current assets		**2,456,057**	2,315,738
Total assets less current liabilities		**2,975,212**	2,866,450
Non-current liabilities			
Government grants		**3,571**	4,307
Deferred tax liabilities		**48,973**	46,582
		52,544	50,889
Net assets		**2,922,668**	2,815,561

	2017	2016
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**14,638**	12,651
Reserves	**2,908,030**	2,641,327
Equity attributable to owners of the Company	**2,922,668**	2,653,978
Non-controlling interests	**–**	161,583
Total equity	**2,922,668**	2,815,561

NOTES:

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activity of the Company is to act as an investment holding company. The Group is mainly engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series and others for mobile communications and telecommunication equipment.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Except as disclosed below, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2017 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2016.

Basis of Consolidation

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the consideration received and receivable for goods sold during the year, 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, 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 information of segment results is as follows:

For the year ended 31 December 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	**1,623,526**	**974,544**	**514,281**	**78,418**	**10,038**	**–**	**3,200,807**
— Inter-segment sales*	**–**	**186,159**	**–**	**–**	**–**	**(186,159)**	**–**
	1,623,526	**1,160,703**	**514,281**	**78,418**	**10,038**	**(186,159)**	**3,200,807**
Cost of goods sold	**(1,282,165)**	**(976,795)**	**(424,391)**	**(66,388)**	**(9,606)**	**186,159**	**(2,573,186)**
Segment result	**341,361**	**183,908**	**89,890**	**12,030**	**432**	**–**	**627,621**

For the year ended 31 December 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	1,450,555	851,284	484,824	109,601	24,731	–	2,920,995
— Inter-segment sales*	–	272,673	218	–	–	(272,891)	–
	1,450,555	1,123,957	485,042	109,601	24,731	(272,891)	2,920,995
Cost of goods sold	(1,133,412)	(951,904)	(398,113)	(74,593)	(23,660)	272,891	(2,308,791)
Segment result	317,143	172,053	86,929	35,008	1,071	–	612,204

* Inter-segment sales are entered into in accordance with the relevant agreements, if any, governing those transactions, in which the pricing was determined with reference to the cost incurred.

The reportable segment results are reconciled to profit after taxation of the Group as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Reportable segment results	**627,621**	612,204
Unallocated income and expenses		
— Other income	**26,630**	28,659
— Other gains and losses	**(83,139)**	(148,849)
— Selling and distribution costs	**(54,698)**	(60,663)
— Administrative expenses	**(52,748)**	(56,568)
— Research and development costs	**(55,839)**	(51,448)
— Fair value change of warrants	**–**	7,604
— Finance costs	**(56,543)**	(59,804)
Profit before taxation	**351,284**	271,135
Taxation	**(59,271)**	(49,191)
Profit for the year	**292,013**	221,944

As there is no discrete information in respect of segment assets and liabilities and other information available for the assessment of performance and allocation of resources for different reportable segment and thus, no analysis of segment assets and liabilities is presented.

Substantially all of the Group's turnover is derived from the People's Republic of China ("PRC") and substantially all of its non-current assets are also located in the PRC (the place of domicile).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**1,331,396**	1,159,258
Customer B	**1,151,678**	942,678
Customer C	**470,703**	542,235

The three major customers purchased goods from all segments during both years.

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants *(note)*	**5,727**	10,145
Interest income	**14,958**	10,989
Investment income from other financial assets	**3,022**	5,358
Rental income	**400**	400
Others	**2,523**	1,767
	26,630	28,659

Note: As at 31 December 2017, included in government grants is approximately RMB4,991,000 (2016: RMB9,409,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of approximately RMB736,000 (2016: RMB736,000), they are government subsidies received for the acquisition of property, plant and equipment.

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Allowance for bad and doubtful debts	**(89,135)**	(135,272)
Exchange gain (loss)	**5,296**	(13,328)
Gain on fair value changes of investment properties	**700**	–
Loss on redemption of warrants	**–**	(249)
	(83,139)	(148,849)

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**56,543**	59,804

8. PROFIT BEFORE TAXATION

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**2,601**	2,786
Other staff costs:		
Salaries and other benefits	**70,481**	77,600
Retirement benefit schemes contributions	**6,547**	8,155
Share-based payment	**3,793**	5,901
Total staff costs	**83,422**	94,442
Auditor's remuneration	**1,921**	1,923
Amortisation of intangible asset	**12,101**	12,101
Cost of inventories recognised as expenses	**2,558,808**	2,296,259
Depreciation of property, plant and equipment	**32,637**	30,271
Operating lease payment in respect of warehouses and office premises	**1,575**	1,398
Operating lease rentals in respect of land use rights	**2,120**	2,120
Loss on disposal of property, plant and equipment	**2**	–
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	64
Gross rental income from investment properties (net of negligible direct operating expenses)	**400**	400

9. TAXATION

	2017	2016
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC Enterprise Income Tax	**70,250**	63,148
Deferred taxation credit	**(10,979)**	(13,957)
Taxation for the year	**59,271**	49,191

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 in the PRC, the principal subsidiaries of the Company in the PRC were endorsed as an Advanced Technology Enterprise 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, dividend 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 consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both years.

10. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2017 interim — HK1.7 cents (2016: HK1.2 cents) per share	**26,350**	16,250
2016 final — HK1.6 cents (2015: HK3.5cents) per share	**24,801**	47,398
	51,151	63,648

Subsequent to the end of the reporting period, a final dividend of HK2.1 cents per share in respect of the year ended 31 December 2017 (2016: HK1.6 cents per share) has been proposed by the Directors. Such final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**277,143**	192,608

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,692,179**	1,563,500

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 the relevant years.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables, net	**3,126,593**	2,896,818
Bills receivables	**26,107**	18,333
	3,152,700	2,915,151
Current portion of land use rights	**2,120**	2,120
Interest receivables	**5,507**	5,466
Other receivables *(Note)*	**85,485**	5,801
Deposits paid to suppliers	**5,000**	–
Prepaid expenses	**4,171**	597
Staff advances	**2,268**	3,535
	3,257,251	2,932,670

Note: As at 31 December 2017, other receivables mainly included receivables relating to resale of copper materials of approximately RMB81,216,000 (31 December 2016: RMB2,389,000).

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

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

	2017	2016
	RMB'000	*RMB'000*
Age		
0–90 days	**852,252**	795,267
91–180 days	**545,503**	613,879
181–365 days	**892,916**	756,838
Over 365 days	**862,029**	749,167
	3,152,700	2,915,151

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**128,297**	133,365
Bills payables	**153,036**	294,462
	281,333	427,827
Accrued expenses	**10,522**	8,560
Deposits from suppliers	**13,025**	12,303
Other payables	**8,074**	10,650
Other tax payables	**10,965**	9,987
Payable for acquisition of property, plant and equipment	**1,488**	2,693
Payroll and welfare payables	**20,179**	20,100
	345,586	492,120

The Group normally receives credit terms ranging from 30 to 90 days from its suppliers. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Age		
0–90 days	**278,173**	294,599
91–180 days	**3,157**	51,591
181–365 days	**3**	81,637
	281,333	427,827

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2017, the total number of mobile network users in China reached approximately 1,417 million, representing a net increase of 95 million compared with 2016, of which about 997 million were 4G network users with a penetration rate of approximately 70%. China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications 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") all devoted their resources on the promotions and development of the 4G network.

In particular, China Mobile has built the world's largest 4G network. The market competition of the 4G network has driven and accelerated the construction of mobile communications infrastructure. According to the statistics from the Ministry of Industry and Information Technology ("MIIT") of the PRC, the number of new mobile base stations increased by approximately 593,000, of which approximately 652,000 were net increase in 4G base stations, to approximately 6,200,000.

Alongside the mobile communication transmission network, the construction of the broadband network has also been improved. In 2017, with further implementation of the "Broadband China" initiative, optical cable lines increased by 7.0 million kilometres nationwide, representing an increase of approximately 23.2% to a total of about 37.5 million kilometres. The number of broadband access ports also increased by approximately 9.3% to approximately 779 million.

During the year under review, commodity prices fluctuated significantly worldwide where copper price has started to rebound since October 2016. As compared with 2016, the average copper price increased by approximately 30%. The main raw material of the Group's feeder cable series and flame-retardant flexible cable series is copper and the selling price of these products is linked to copper price. During 2017, as a result of the increase in the average copper price, the average selling price of such products had increased, improving the performance of their turnover and gross profit.

Result Analysis

As of 31 December 2017, benefiting from the continuous improvement in the telecommunication infrastructure construction, the overall performance of the Group's major products, including the feeder cables, optical fibre cables and flame-retardant flexible cables, was satisfactory. As the rising copper price in 2017 increased, the selling prices of feeder cables and flame-retardant flexible cables and thus their turnovers also increased. On the other hand, results on optical fiber cable series and related products still recorded a satisfactory growth, and all in all, the Group's annual turnover increased by 9.6% from approximately RMB2,921.0 million in 2016 to approximately RMB3,200.8 million in 2017. Gross profit increased by approximately 2.5% from approximately RMB612.2 million in 2016 to approximately RMB627.6 million in 2017. Gross profit margin decreased by approximately 1.4 percentage points from approximately 21.0% in 2016 to approximately 19.6% in 2017. The increase in gross profit but decrease in gross profit margin were caused by the Group's strategical adjustment on the selling prices of certain products and the automation improvement program which temporarily ceased the production process for capacity improvement.

The profit attributable to owners of the Company increased by RMB84.5 million from approximately RMB192.6 million in 2016 to approximately RMB277.1 million in 2017, and the basic earnings per share increased by approximately RMB4.06 cents from approximately RMB12.32 cents in 2016 to approximately RMB16.38 cents in 2017. The increase in profit attributable to owners of the Company in 2017 were contributed by (i) increase in revenue; (ii) decrease in other gains and losses due to decrease in allowance for bad and doubtful debts for trade receivables by approximately RMB46.2 million and an exchange gain of approximately RMB5.3 million in 2017 as compared with an exchange loss of approximately RMB13.3 million in 2016; and (iii) decrease in selling and distribution costs and administrative expenses by approximately RMB6.0 million and RMB3.8 million respectively due to cost control.

Breakdown of turnover by products

Year ended 31 December	**2017**	2016	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*Percentage*
Feeder cable series	**1,623,526**	1,450,555	+172,971	+11.9%
Optical fibre cable series and related products	**974,544**	851,284	+123,260	+14.5%
Flame-retardant flexible cable series	**514,281**	484,824	+29,457	+6.1%
New-type electronic components	**78,418**	109,601	-31,183	-28.5%
Others	**10,038**	24,731	-14,693	-59.4%
Total	**3,200,807**	2,920,995	279,812	+9.6%

Feeder cable series — approximately 50.7% of the total turnover

In 2017, benefiting from the booming 4G network, the sales volume of the Group's feeder cable products recorded a continuous growth. The sales of the feeder cable series increased by approximately 7,000 kilometres to approximately 171,000 kilometres on a year-on-year basis. Furthermore, an increase in the copper price during the year under review had led to an increase in the average selling price of the feeder cable series. In order to further expand the market share and enhance product competitiveness, the Group made strategical adjustments to the selling price of the feeder cable products during the year. The turnover of feeder cable series rose by approximately 11.9% in 2017 to approximately RMB1,623.5 million as compared with 2016, and the gross profit margin fell slightly by approximately 0.9 percentage points to approximately 21.0% in 2017 as compared with 2016.

Optical fibre cable series and related products — approximately 30.4% of the total turnover

The broadband network construction in 2017 has driven the demand for optical fibre cable products in the market. Annual sales of the optical fibre cable series increased by approximately 3.4% to approximately 9,967,000 fibre kilometres. The turnover of optical fibre cable series increased by approximately 14.5% in 2017 to approximately RMB974.5 million as compared with 2016. The gross profit margin fell by approximately 1.3 percentage points to about 18.9% in 2017 as compared with 2016.

Flame-retardant flexible cable series — approximately 16.1% of the total turnover

As another major product of the Group, the flame-retardant flexible cables had also benefited from the nationwide construction of a mobile communication network in 2017. Rebounded copper price during 2017 caused an upward adjustment to the average selling price of the Group's flame-retardant flexible cables series. Nonetheless, the change in product mix in 2017 such that the turnover of flame-retardant flexible cable series only increased by approximately 6.1% in 2017 to approximately RMB514.3 million as compared with 2016.

Major customer and sales network

Apart from pricing, the three major telecommunications operators in the PRC continued to take other important factors into consideration, including comprehensive strength, delivery capacities, guaranteed service quality, an extensive network coverage in the region when selecting business partners. In addition, developed provinces in the PRC set higher standards for business partners in terms of their comprehensive quality. The Group has a good track record, diverse product portfolio, excellent product quality and comprehensive and efficient after-sales services and therefore maintains its leading position in terms of comprehensive strength and market share amongst business partners with the three major telecommunications operators in the PRC. The Group also succeeded in obtaining additional share of additional projects on top of its existing market share, fully proving the strength and market leadership of the Group.

As at 31 December 2017, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 28 out of the 31 provincial subsidiaries of China Mobile and 26 out of the 31 provincial subsidiaries of China Telecom.

The turnover derived from China Mobile, China Unicom, and China Telecom accounted for approximately 41.6%, 36.0%, and 14.7% of the Group's overall turnover, respectively. Besides having close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a good business relationship with other companies. By closely following the latest movements of its business partners, the Group will timely adjust its business strategy.

Patents, awards and recognition

As at 31 December 2017, the Group had obtained 98 patents and developed 107 new products in the PRC. 45 products of the Group were granted the Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group received various awards and honours including Trigiant Technology ranked 30th in the 30th Session of Top 100 PRC Electronic Component Enterprises 2017 (中國電子元件百強).

Prospect and future plans

In October 2016, the copper price started to bounce back significantly and its strong momentum continued in 2017. The rebound in the copper price brought positive effects on the sales and gross profit of the Group's two major products, namely, feeder cable series and flame-retardant flexible cable series. The Group adopted the mechanism of strategic pricing adjustments in an effort to expand its market shares. Owing to the orderly development plan of the telecommunications business sector in the PRC, the Group continues to anticipate a promising future for its major products.

With the increasing implementation of policies on 5G network, the PRC government has made practical efforts to promote 5G development. In response to the changes in policies, China Mobile announced in early July 2017 that it would carry out 5G network 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 stage in 2019 and mass commercial use in 2020.

On 28 November 2017, the General Office of the National Development and Reform Commission ("NDRC") promulgated the Circular on Coordinating the Implementation of the new generation Information Infrastructure Construction for 2018 (《關於組織實施2018年新一代信息基礎設施建設工程的通知》). In 2018, the NDRC will promote the construction through implementing 5G networking construction and application pilot trial with a focus on municipalities directly under the Central Government, provincial capital cities and major cities of the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, aiming to carry out 5G network construction in at least 5 cities with not less than 50 5G network base stations in each such city. This shows that 5G network development has been a key plan of China. In view of the accelerated construction 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. The Group will keep a close eye on 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 with whom the Group can establish business relationships and explore opportunities for optical fibre cable expansion.

In addition to 5G network construction, Narrowband Internet of Things ("NB-IoT") is another focus in the telecommunications market in the PRC. In June 2017, the MIIT promulgated the Circular on Fully Promoting the Construction and Development of NB-IoT. It is proposed in the circular that the number of China's NB-IoT base stations should reach 400,000 by the end of 2017, and 1.5 million by 2020. In view of the increasingly mature NB-IoT industry, the Group has launched a series of deployment plans to actively identify potential projects and technologies in the NB-IoT industry chain. As early as 2010, the Group invested in development of NB-IoT technology. At present, the Group holds 12.5% interests in a company engaged in the manufacture of light-sensing equipment. Furthermore, the Group will actively seek opportunities in relevant industries and prepare for the market.

Although the market has entered the era of 4G/5G network, there are still some 2G/3G network users. In order to serve these users, operators and equipment vendors still need to maintain and operate the 2G/3G networks. According to the feedback from the major equipment vendors of the Group, the 2G network infrastructure has entered the upgrade phase due to its long service time, leading to a fast growing demand for frequency feeder cable products. The Group will keep a close eye on related market opportunities to broaden its revenue sources.

Looking into the future, the Group will also focus on overseas development opportunities. In line with the "One Belt One Road Initiative", the Group has attended various international trade exhibitions held in the United Arab Emirates, India, Spain, Russia, Singapore, Thailand and Vietnam in 2017. In 2018, the Group will continue to visit overseas customers so as to follow up with sales orders and diversify its revenue sources. The Group will continue to improve production efficiency, maintain its leading market position in the industry and prepare itself to embrace new development opportunities through observing the emerging trends of NB-IoT and optical fibre and cable industry.

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group increased by approximately RMB279.8 million, or approximately 9.6%, from approximately RMB2,921.0 million in 2016 to approximately RMB3,200.8 million in 2017. The increase in turnover was mainly contributed by increase in the turnover of feeder cable series, optical fibre cable series and related products and flame-retardant flexible cable series of approximately RMB173.0 million, RMB123.3 million and RMB29.5 million respectively. The increase in turnover of optical fibre cable and related products was because of the strong demand in optical fibre cable in the PRC. The increase in turnover of feeder cable series and flame-retardant flexible cable series was largely driven by the increase in the average copper price in 2017.

Overall sales to the three major telecommunications operators in the PRC increased by approximately RMB309.6 million from approximately RMB2,644.2 million in 2016 to approximately RMB2,953.8 million in 2017.

Cost of goods sold

Cost of goods sold increased by approximately RMB264.4 million, or approximately 11.5%, from approximately RMB2,308.8 million in 2016 to approximately RMB2,573.2 million in 2017. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 97% of the total cost of goods sold in both 2016 and 2017. The increase in cost of goods sold was in line with the increase in turnover in 2017.

Gross profit and gross profit margin

Gross profit increased by approximately RMB15.4 million, or approximately 2.5%, from approximately RMB612.2 million in 2016 to approximately RMB627.6 million in 2017. Such increase was mainly attributable to rebound of copper price and thus increase in turnover.

Other income

Other income decreased by approximately RMB2.1 million, or approximately 7.3%, from approximately RMB28.7 million in 2016 to approximately RMB26.6 million in 2017. Such decrease was primarily due to the substantial decrease in government grant of approximately RMB4.4 million and investment income from other financial assets of approximately RMB2.3 million, partially offset by increase in interest income of approximately RMB4.0 million.

Other gains and losses

Other gains and losses decreased from a loss of approximately RMB148.8 million in 2016 to a net loss of approximately RMB83.1 million in 2017, by approximately RMB65.7 million, or approximately 44.2%. Such decrease was primarily due to a substantial decrease in allowance for bad and doubtful debts from approximately RMB135.3 million in 2016 to approximately RMB89.1 million in 2017, by RMB46.2 million, and due to an exchange gain of approximately RMB5.3 million in 2017 as compared with an exchange loss of approximately RMB13.3 million in 2016.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB6.0 million, or approximately 9.9%, from approximately RMB60.7 million in 2016 to approximately RMB54.7 million in 2017. Such decrease was mainly due to the decrease in entertainment expenses as a result of the continued cost curbing program and decrease in share based payment expense relating to the share options granted in June 2014.

Administrative expenses

Administrative expenses decreased by approximately RMB3.9 million, or approximately 6.9%, from approximately RMB56.6 million in 2016 to approximately RMB52.7 million in 2017. Such decrease was primarily due to decrease in staff cost and travelling expenses.

Research and development costs

Research and development costs increased by approximately RMB4.4 million, or approximately 8.6%, from approximately RMB51.4 million in 2016 to approximately RMB55.8 million in 2017. Such increase was attributable to increase in the development of new telecommunication products to meet customers' needs.

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 the profit or loss. As such, such 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 values using binomial model. A gain on change in fair value of the Warrants amounted to approximately RMB7.6 million was recognised in 2016 whereas no fair value change was recognised in 2017 as all Warrants were redeemed by the Company in December 2016.

Finance costs

Finance costs decreased by approximately RMB3.3 million, or approximately 5.5%, from approximately RMB59.8 million in 2016 to approximately RMB56.5 million in 2017. Such decrease was mainly attributable to decrease in average bank borrowings balances in 2017.

Taxation

Taxation charge increased by approximately RMB10.1 million, or approximately 20.5%, from approximately RMB49.2 million in 2016 to approximately RMB59.3 million in 2017. 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 an Advanced Technology Enterprise. The increase in taxation charge in 2017 was primarily attributable to increase in taxable profit of Trigiant Technology and Trigiant Optic-Electric.

Profit for the year

The profit for the year attributable to owners of the Company increased by approximately RMB84.5 million, or approximately 43.9%, from approximately RMB192.6 million in 2016 to approximately RMB277.1 million in 2017. The net profit margin increased by 2.1 percentage points from approximately 6.6% in 2016 to approximately 8.7% in 2017.

Liquidity, financial resources and capital structure

The operation of the Group was generally financed through a combination of 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 two years ended 31 December 2016 and 2017:

	2017	2016
	RMB'000	*RMB'000*
Net cash (used in) generated from operating activities	**(94,588)**	472,474
Net cash generated from (used in) investing activities	**153,900**	(101,473)
Net cash used in financing activities	**(61,237)**	(147,633)

As at 31 December 2017, the Group had bank balances and cash and pledged bank deposits of approximately RMB793.2 million and the majority of which were denominated in RMB. As at 31 December 2017, the Group had total bank borrowings of approximately RMB1,466.7 million which were repayable within one year. As at 31 December 2017, approximately RMB477.6 million of the total bank borrowings were fixed rate borrowings and approximately RMB989.1 million were variable rate borrowings. As at 31 December 2017, bank borrowings of approximately RMB1,347.5 million were denominated in RMB, approximately RMB50.2 million were denominated in Hong Kong dollars and approximately RMB69.0 million were denominated in United States dollars.

In 2017, the majority of the Group's transactions were denominated in RMB except for the bank borrowings denominated in United States dollars and Hong Kong dollars and the Group did not enter 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 of the Group, calculated as total bank borrowings net of pledged bank deposits and bank balances and cash divided by total equity, increased from approximately 12.8% as at 31 December 2016 to approximately 23.0% as at 31 December 2017. Such increase was primarily due to the acquisition of remaining 40% interest in a subsidiary by cash settlement of approximately RMB137.7 million and increase in bank borrowings balance of approximately RMB173.7 million as at 31 December 2017.

Pledge of Assets

As at 31 December 2017, the Group pledged banks deposits of approximately RMB337.9 million (2016: RMB476.3 million) to secure certain credit facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017.

Employee Information

As at 31 December 2017, the Group had a total of 904 full time employees (2016: 944). 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, Directors and employees of the Group 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 training for management staff.

INVESTMENT IN INVESTMENT PRODUCTS

The Group held unlisted investment products in an aggregate principal amount of RMB150 million ("Investment Products") issued by several banks (2016: a financial institution) in the PRC with the anticipated (but not guaranteed) annual rates of return from 5.1% to 5.2% (2016: 4.8% to 6.0%). The investment scope of the Investment Products principally include investments in bank savings, listed and private debt equities, money market bonds, bond market funds trust plans, asset-backed securities, and other fixed income in asset nature.

The purchases of the Investment Products were funded by internal resources of the Group and with an intent to maximising the use of its funds with satisfactory return. The Directors believed that such investments can increase the rate of return of its working capital and therefore improve both the investment income and the profits of the Group.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 30 March 2017, Trigiant Holdings Limited ("Trigiant Holdings") (a wholly-owned subsidiary of the Company) as purchaser, Easy Beauty Limited ("Easy Beauty") as vendor and Mr. Zhu Xujin, Mr. Shao Yijun and Mr. Zhao Ting as warrantors entered into a sale and purchase agreement pursuant to which Trigiant Holdings conditionally agreed to purchase and Easy Beauty conditionally agreed to sell 112 shares of Jiang Mei Limited ("Jiang Mei"), representing 40% of the issued share capital of Jiang Mei at the consideration of RMB377,434,849 ("Jiang Mei Acquisition"). Jiang Mei owned 87.5% equity interest in Trigiant Optic-Electric (江蘇俊知光電通信有限公司) (in English for identification purpose only, Jiangsu Trigiant Optic-Electric Communication Co., Ltd.) and the remaining 12.5% equity interest was owned by the Group.

Easy Beauty held approximately 12.79% of the issued share capital of the Company as at the date of the sale and purchase agreement and was thus a substantial shareholder of the Company. Accordingly, Easy Beauty was a connected person of the Company and the Jiang Mei Acquisition was a discloseable and connected transaction under the Listing Rules.

Completion of the Jiang Mei Acquisition was subject to the following conditions:

(1) the independent shareholders having passed the necessary resolution approving the transactions contemplated under the sale and purchase agreement and the allotment and issue of the consideration shares including the specific mandate at the extraordinary general meeting of the Company;

(2) the independent shareholders having passed the necessary resolution approving the whitewash waiver at the meeting;

(3) the Executive Director of the Securities and Futures Commission of Hong Kong having granted the whitewash waiver and the satisfaction of any condition attached to the whitewash waiver granted, and the whitewash waiver not being revoked;

(4) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the consideration shares, and such approval not being revoked;

(5) the compliance with the applicable requirements under the Listing Rules by the Company;

(6) all such waivers, consents or other documents (if any) as Easy Beauty may require in relation to the completion of the transactions contemplated under the sale and purchase agreement having been obtained; and

(7) the representations, warranties and undertakings given by Easy Beauty and the warrantors to Trigiant Holdings remain true, accurate and not misleading.

The consideration of RMB377,434,849 was settled as to RMB140,095,440 in cash and as to RMB237,339,409 by the allotment and issue, credited as fully paid, of 228,000,000 new ordinary shares of the Company to Easy Beauty at completion. All such conditions precedent have subsequently become unconditional and completion of the Jiang Mei Acquisition took place on 9 June 2017. 228,000,000 new ordinary shares of the Company were allotted to Easy Beauty, credited as fully paid at an issue price of approximately HK$1.174 per Share. After completion, the Group holds 100% interest in Jiang Mei.

Over the recent several years, the PRC has witnessed a fast growth in the broadband network coverage and it is expected that investments in the network construction will continue to rise, amongst which investments in the 4G network and the broadband network will take a dominant role. In view of the historical performance of the Jiang Mei through Trigiant Optic-Electric, taking into account the Group's optical quality products and services and given the Group's stable and long-term collaboration with the three major telecommunications operators in the PRC, the Directors are of the view that the Jiang Mei Acquisition will provide a prime opportunity for the Group to continue to develop its optical fibre cable product business segment which will lay a solid foundation for the long-term development of this business and give a positive impact to the operations, financial results and profitability of the Group.

Save for the Jiang Mei Acquisition, the Group had no material acquisition or disposal of subsidiaries or associated companies and no significant investments held during the year ended 31 December 2017.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2.1 cents per share for the year ended 31 December 2017 (2016: HK1.6 cents) to the shareholders whose names appear on the register of members of the Company on 6 July 2018. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or about 27 July 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2018 AGM") is scheduled to be held on 14 May 2018. To ascertain the shareholders' entitlements to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Tuesday, 8 May 2018 to Monday, 14 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the 2018 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office 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, 7 May 2018 (Hong Kong time).

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2017, the register of members of the Company will be closed from Tuesday, 3 July 2018 to Friday, 6 July 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 December 2017, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office 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 Friday, 29 June 2018 (Hong Kong time).

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its code of corporate governance.

Code provision of A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Qian Lirong, the chairman of the Board, is also an executive Director, the Company has therefore deviated from this code provision.

Save for the deviation stated above, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 December 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.

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 and internal control and risk management systems of the Group. The Audit Committee comprises all the independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Professor Jin Xiaofeng, Ms. Jia Lina and Mr. Poon Yick Pang Philip is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 for the year ended 31 December 2017.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.trigiant.com.hk**). The annual report for the year ended 31 December 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
Trigiant Group Limited
Qian Lirong
Chairman

Hong Kong, 26 March 2018

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