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 2018

HIGHLIGHTS

Interim results for the six months ended 30 June 2018 compared with the six months ended 30 June 2017:

- Turnover increased by approximately RMB216.5 million, or approximately 14.8%, to approximately RMB1,682.1 million;
- Gross profit margin slightly decreased by approximately 0.3 percentage point, to approximately 19.5%;
- Profit for the period attributable to owners of the Company increased by approximately RMB44.0 million, or approximately 36.0%, to approximately RMB166.2 million;
- Net profit margin increased by approximately 1.6 percentage points, to approximately 9.9%;
- Earnings per share increased from RMB7.69 cents to RMB9.28 cents; and
- Interim dividend declared was HK2.2 cents per share.

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 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 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2017 RMB'000 (Unaudited)
Turnover	3	**1,682,134**	1,465,678
Cost of goods sold		**(1,354,866)**	(1,175,890)
Gross profit		**327,268**	289,788
Other income	4	**18,513**	16,318
Other gains and losses	5	**(39,595)**	(32,890)
Selling and distribution costs		**(26,283)**	(28,645)
Administrative expenses		**(24,163)**	(27,808)
Research and development costs		**(26,568)**	(25,842)
Finance costs		**(32,428)**	(26,246)
Profit before taxation	6	**196,744**	164,675
Taxation	7	**(30,506)**	(27,571)
Profit and total comprehensive income for the period		**166,238**	137,104
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**166,238**	122,234
Non-controlling interests		**–**	14,870
		166,238	137,104
Earnings per share	9		
— basic		**9.28 cents**	7.69 cents
— diluted		**9.28 cents**	7.69 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	NOTES	**At 30 June 2018** *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Non-current assets			
Investment properties		**7,600**	7,600
Property, plant and equipment		**247,197**	262,428
Land use rights		**70,542**	71,602
Intangible asset		**78,652**	84,702
Goodwill		**41,773**	41,773
Equity instruments at fair value through other comprehensive income		**25,275**	–
Available-for-sale investments		**–**	7,325
Deferred tax assets		**51,934**	43,725
		522,973	519,155
Current assets			
Inventories		**167,691**	108,547
Trade and other receivables	*10*	**3,406,527**	3,257,251
Other financial assets		**120,000**	150,000
Pledged bank deposits		**446,872**	337,939
Bank balances and cash		**442,085**	455,268
		4,583,175	4,309,005
Current liabilities			
Trade and other payables	*11*	**355,832**	345,586
Bank borrowings — due within one year		**1,597,106**	1,466,667
Taxation payable		**42,831**	40,695
		1,995,769	1,852,948
Net current assets		**2,587,406**	2,456,057
Total assets less current liabilities		**3,110,379**	2,975,212
Non-current liabilities			
Government grants		**3,203**	3,571
Deferred tax liabilities		**42,571**	48,973
		45,774	52,544
Net assets		**3,064,605**	2,922,668
Capital and reserves			
Share capital		**14,638**	14,638
Reserves		**3,049,967**	2,908,030
Total equity		**3,064,605**	2,922,668

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

(a) Impact on adoption — HKFRS 9 "Financial Instruments"

HKFRS 9 was generally adopted without restating comparative information. The reclassification and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The adoption of HKFRS 9 resulting in increase in net assets value and reserves attributable to owners of the Company as at 1 January 2018 by approximately RMB6.2 million, primarily due to increase in available-for-sale investments (now classified as equity instruments at fair value through other comprehensive income) previously measured at cost less impairment offset by increase in allowance for bad and doubtful debts of trade receivables upon adoption of expected credit losses model.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except application of HKFRS 9, the application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

The Group's chief operating decision maker has been identified as the executive directors of the Company ("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 profit 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, 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 2018

	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	**869,441**	**517,395**	**262,495**	**25,038**	**7,765**	**–**	**1,682,134**
— Inter-segment sales*	**–**	**108,422**	**–**	**–**	**–**	**(108,422)**	**–**
	869,441	**625,817**	**262,495**	**25,038**	**7,765**	**(108,422)**	**1,682,134**
Cost of goods sold	**(689,278)**	**(529,074)**	**(217,338)**	**(20,278)**	**(7,320)**	**108,422**	**(1,354,866)**
SEGMENT RESULT	**180,163**	**96,743**	**45,157**	**4,760**	**445**	**–**	**327,268**
Unallocated income and expenses:							
Other income							**18,513**
Other gains and losses							**(39,595)**
Selling and distribution costs							**(26,283)**
Administrative expenses							**(24,163)**
Research and development costs							**(26,568)**
Finance costs							**(32,428)**
Profit before taxation							**196,744**
Taxation							**(30,506)**
Profit for the period							**166,238**

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

* 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.

4. OTHER INCOME

	Six months ended 30 June 2018 *RMB'000*	2017 *RMB'000*
Government grants	**3,804**	4,009
Interest income	**10,067**	8,686
Investment income from other financial assets	**3,007**	1,880
Rental income	**200**	200
Others	**1,435**	1,543
	18,513	16,318

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Allowance for bad and doubtful debts	**(40,929)**	(37,305)
Exchange gain	**1,334**	4,415
	(39,595)	(32,890)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible asset	**6,050**	6,050
Cost of inventories recognised as expenses	**1,341,325**	1,169,495
Depreciation of property, plant and equipment	**16,010**	16,412
Operating lease rentals in respect of land use rights	**1,060**	1,060
and after crediting:		
Gross rental income from investment properties (net of negligible direct operating expenses)	**200**	200

7. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
The charge (credit) comprises:		
The People's Republic of China ("PRC") Enterprise Income Tax	**37,547**	32,767
Deferred taxation credit	**(7,041)**	(5,196)
Taxation for the period	**30,506**	27,571

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

The principal subsidiaries of the Company in the PRC, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology") and 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.*) ("Trigiant Optic-Electric"), were endorsed as High and New Technology Enterprises by relevant authorities in the PRC and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15%. The High and New Technology Enterprise qualifications of both Trigiant Technology and Trigiant Optic-Electric were last renewed in 2015 and the next renewal is in 2018.

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 is made in the condensed consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both periods.

8. DIVIDENDS

During the current interim period, the Company declared a final dividend of HK2.1 cents per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: final dividend of HK1.6 cents per share in respect of the year ended 31 December 2016). The aggregate amount of the final dividend in respect of the year ended 31 December 2017 declared in the current interim period amounted to HK$37,621,500 (equivalent to approximately RMB31,583,000) (six months ended 30 June 2017: HK$28,664,000 (equivalent to approximately RMB25,259,000)).

Subsequent to the end of the current interim period, interim dividend of HK2.2 cents (six months ended 30 June 2017: HK1.7 cents) per share has been declared by the directors of the Company.

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	
	2018	2017
	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	**166,238**	122,234
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,791,500,000**	1,590,100,000

The computation of diluted earnings per share does not assume the exercise of the Company's share options for both periods because the exercise price of those share options 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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade and bills receivables, net, aged		
0–90 days	**1,091,692**	852,252
91–180 days	**653,108**	545,503
181–365 days	**683,069**	892,916
Over 365 days	**847,798**	862,029
	3,275,667	3,152,700
Current portion of land use rights	**2,120**	2,120
Interest receivable	**13,330**	5,507
Other receivables *(Note)*	**82,329**	85,485
Deposits paid to suppliers	**29,726**	5,000
Prepaid expenses	**1,690**	4,171
Staff advances	**1,665**	2,268
	3,406,527	3,257,251

Note: At 30 June 2018, other receivables mainly include receivables relating to resale of copper materials of RMB77,241,000 (31 December 2017: RMB81,216,000).

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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Trade and bills payables, aged		
0–90 days	**115,141**	278,173
91–180 days	**155,776**	3,157
181–365 days	**906**	3
	271,823	281,333
Accrued expenses	**12,013**	10,522
Deposits from suppliers	**11,778**	13,025
Dividends payables	**31,719**	–
Other payables	**8,834**	8,074
Other tax payables	**7,705**	10,965
Payable for acquisition of property, plant and equipment	**1,488**	1,488
Payroll and welfare payables	**10,472**	20,179
	355,832	345,586

12. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 July 2018, the Group entered into a share and purchase agreement to acquire 100% of the issued share capital of Rosy Elite Limited from an independent third party at a consideration of RMB243,250,000. Rosy Elite Limited indirectly holds 87.5% equity interest in Jiangsu Trigiant Sensing Technology Co., Ltd. (江蘇俊知傳感技術有限公司), a company established in the PRC and principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronics devices, sensor, micro smart label products and chips, in which the other 12.5% interest was held by the Group as 12.5% equity instrument at fair value through other comprehensive income. Completion of the acquisition took place on 31 July 2018, and Jiangsu Trigiant Sensing Technology Co., Ltd. became a wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcements dated 24 July 2018 and 31 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

As part of the most dynamic areas of China's information industry, mobile communication networks have to date become closely related to people's way of life. Following years of development, the mobile communication networks technology in China is currently at a stage where the fourth-generation (4G) mobile communication technology has enjoyed a fast growth amid ongoing research and development of the fifth-generation (5G) mobile communication technology. In this connection, the number of mobile communication users in China continued to grow in the first half of 2018, of which 4G users exceeded 1.1 billion and mobile broadband users (i.e. 3G and 4G users) amounted to 83.2% of mobile phone users. Meanwhile, the total number of 3G/4G base stations has reached approximately 4.67 million. The huge user base drove a steady growth of various sub-sectors such as the communication networks and system equipment manufacturing, and laid a solid foundation for the sales growth of our feeder cable products and flame-retardant flexible cable products.

In the meantime, since the Ministry of Industry and Information Technology of the PRC ("MIIT") took the lead in promoting the "Broadband China" initiative in 2012, the demand for developing high-quality optical communication networks has appeared increasingly urgent due to a huge fibre-to-the-home base, thus driving a fast growth in the fibre optic cable market. China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Limited* (中國聯合網絡通信股份有限公司) ("China Unicom") and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom") (collectively referred to as the three major telecommunications operators in the PRC) continued to accelerate the infrastructure construction in the field of optical communications. In 2018, the three major telecommunications operators' optical fibre cable products covered more than 280 million fibre kilometres. Enjoying these favourable conditions, the Group achieved a sales growth of our optical fibre cable products. In addition, the plan for standard 5G NR Standalone systems was officially introduced at the 3GPP plenary meeting held on 13 June 2018, marking the first commercial 5G standard. In these conditions, global operators' deployment of 5G networks on a large scale will stimulate the demands for constructing the 5G transmission and bearer networks, thereby providing an important impetus to drive the development of the Group.

According to the work plan of the MIIT and other ministries, China proposed to officially launch the three-year action plan to become an internet powerhouse in 2018, pursuant to which, a 100-megabit broadband network is promoted, while a gigabit network infrastructure is encouraged in cities, to realise a comprehensive coverage of urban and rural high-speed fibre optic broadband networks, as well as further improve the 4G network coverage and speed. Furthermore, the 5G network deployment, next-generation internet deployment and other fields will be strengthened. In this regard, China is expected to witness an investment size exceeding RMB300 billion in network infrastructure construction in the future. Supported by favourable policies and a sound market environment, desirable sales of the basic components for mobile communication and optical communication networks, including our major product lines such as feeder cables, flame-retardant flexible cables and optical fibre cables, is likely to continue.

The Group adopts a cost-plus-pricing-model for feeder cable products and flame-retardant flexible cable products, and the trading price of the main raw material, copper, is linked to the average selling price of our products. In the six months ended 30 June 2018 ("Period"), increase in demand in China and limited copper supply have resulted in increase in copper price as compared to the first half of 2017. However, the Group continued to focus on its main business development in a down-to-earth approach, and thus the copper price fluctuation during the period had no significant impact on the gross profit margin of the Group's related products.

Result Analysis

Due to the stable development of mobile communication networks during the Period, the Group recorded an increase in the turnover of its major products, including feeder cable series, optical fibre cable series and flame-retardant flexible cable series. In particular, the feeder cable and optical fibre cable series saw a fast growth continuing in their respective turnovers, which contributed to an increase of approximately 14.8% in our turnover from approximately RMB1,465.7 million in the first half of 2017 to approximately RMB1,682.1 million in the first half of 2018. While our turnover enjoyed a steady growth, the Group actively adjusted its product mix to generate greater profits. During the Period, the Group's overall gross profit grew by approximately 12.9% from approximately RMB289.8 million in the first half of 2017 to RMB327.3 million. For the first half of 2018, the overall gross profit margin decreased by approximately 0.3 percentage point to approximately 19.5% as a result of the strategical price adjustment.

During the Period, the Group's allowance for bad and doubtful debts of trade receivables increased by approximately 9.7% from approximately RMB37.3 million in the first half of 2017 to approximately RMB40.9 million. The profit attributable to owners of the Company increased by approximately 36.0% from approximately RMB122.2 million for the first half of 2017 to approximately RMB166.2 million for the first half of 2018. Basic earnings per share increased by RMB1.59 cents from approximately RMB7.69 cents for the first half of 2017 to approximately RMB9.28 cents for the first half of 2018.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2018	2017	**Change**	**Change**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Feeder cable series	**869,441**	714,261	+155,180	+21.7%
Optical fibre cable series	**517,395**	461,321	+56,074	+12.2%
Flame-retardant flexible cable series	**262,495**	241,134	+21,361	+8.9%
New-type electronic components	**25,038**	41,780	–16,742	–40.1%
Others	**7,765**	7,182	+583	+8.1%
Total	**1,682,134**	1,465,678	+216,456	+14.8%

Feeder Cable Series — Approximately 51.7% of the Total Turnover

During the Period, metal raw materials such as copper, being the main raw materials for the Group's feeder cable series increased by 11.7% as compared to the first half of 2017. The Group adopted the cost-plus-pricing-model for its feeder cable series products and the average selling price increased. Meanwhile, due to the steady growth of mobile communication network construction, the sales volume of the Group's feeder cable series products increased by approximately 8,500 kilometres to approximately 88,600 kilometres as compared to the corresponding period in last year. Because of the above two factors, the turnover of feeder cable series increased by approximately 21.7% to approximately RMB869.4 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.6 percentage point to approximately 20.7% as a result of the strategical price adjustment.

Optical Fibre Cable Series — Approximately 30.8% of the Total Turnover

As the "Broadband China" initiative proceeded steadily, the market demand for optical fibre cable series products remained strong. During the Period, the turnover of optical fibre cable series products increased by approximately 12.2% to approximately RMB517.4 million as compared to the corresponding period in last year. Sales volume increased by approximately 338,000 fibre kilometres to approximately 5,159,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.5 percentage point to approximately 18.7% as a result of the strategical price adjustment.

Flame-retardant Flexible Cable Series — Approximately 15.6% of the Total Turnover

Flame-retardant flexible cable series, another major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Due to accelerated development in the mobile communication infrastructure, the turnover grew by approximately 8.9% to approximately RMB262.5 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by 0.4 percentage point to approximately 17.2% as compared to the corresponding period in last year.

Major Customers and Sales Network

The Group has long been a major supplier to the three major telecommunications operators and telecommunications equipment manufacturers such as Huawei in the PRC and maintained a good relationship with them leveraging on its reputation in the industry for its diverse products portfolio, excellent product quality, comprehensive and efficient aftersales services, and extensive regional network coverage. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 37.2%, 32.6% and 20.1%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators, the Group also maintained a sound business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2018, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

Patents, Awards and Recognition

As at 30 June 2018, the Group obtained 105 patents and developed 112 new products in the PRC. 39 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. 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 Electronic Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for eight consecutive years from 2010 to 2017;

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

- Trigiant Optic-Electric was awarded as Jiangsu Enterprise Technology Center.

Prospects and Future Plans

In line with the booming development of mobile internet, online streaming, cloud computing and Internet of Things, the network data traffic grows at an exponential rate, spurring rapid growth of high-speed and large-capacity optical transmission networks, large-scale data centres and wireless network markets. According to the "Development Plan for Information and Communication Industry (2016-2020)" (信息通信行業發展規劃 (2016–2020年)) issued by the MIIT, all-out efforts will be made to construct a new generation of national information and communication infrastructures. By 2020, various targets under the "Broadband China" initiative will be achieved, including initial establishment of a modern internet industry system that provides network-connected, intelligent and collaborative services. Meanwhile, the said development plan proposed to promote the application of ultra-high-speed and large-capacity optical transmission technology, upgrade the backbone transmission networks and enhance the capacities of high-speed transmission, flexible scheduling and intelligent adoption. The Group believes that its feeder cable series products and optical cable series products, which are necessary products for mobile communications and optical communications, will continue to benefit from the huge market demand. For active preparation, 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 manufacturers with whom the Group can establish business relationships and explore opportunities for optical fibre cable expansion.

Moreover, according to feedback from the major equipment vendors of the Group, the 2G network infrastructure has entered an 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.

Proactive Expansion of Sensor and Chip Businesses

The sensor technology, together with the communication technology and the computer technology, collectively referred to as the three pillars of the information industry, exhibited a remarkable high-tech development. Amid a gradual recovery of the global market, the global sensor market in 2013 reached approximately US$105.5 billion. Due to an improving economic environment, the market demand for sensors continues to grow. In 2017, the market size exceeded US$170 billion at a growth rate of 9.7%, which will continue to rise in the next few years. In such case, China's 13th Five-Year Plan also listed advanced sensors as a strategic development focus. The "Three-Year Action Plan Guidelines for Smart Sensor Industry (2017-2019)" (《智能傳感器產業三年行動指南 (2017-2019年)》) announced by the MIIT, promoted that intelligence application is the development objective and direction of the sensor industry, and acceleration the scale of intelligent application to the Internet of Things industry. As the market anticipates, China's sensor market size will grow to RMB593.7 billion by 2021, and the average compound annual growth rate of China's sensor industry will be approximately 30% in the five years from 2017 to 2021, significantly outpacing the global average level.

As a leading Chinese high-tech enterprise, the Group has been proactively identifying investment opportunities in the mobile communication and telecommunication equipment market. In view of historical opportunities arising from the approaching 5G era and the development by China of its indigenously innovated network, Chinese enterprises are urgently required to master the core technologies and chip research for 5G equipment. In addition, the global optical device market will, driven by factors such as the application of cloud data centres, the scale deployment of passive fibre networks, the construction requirements of 5G wireless communication networks and the upgrade of metropolitan area network, continue to grow. In this context, the Group believes that the sensor and chip business will usher in a new wave of development opportunities. As mentioned earlier, the Group has been aiming at the development direction of the communication industry to make full preparation and strategic arrangements for the industry, and has been investing in the Internet of Things technology industry and actively exploring business opportunities since 2010.

In July 2018, the Group acquired the 87.5% equity interest of Jiangsu Trigiant Sensing Technology Co., Ltd.* (江蘇俊知傳感技術有限公司) ("Trigiant Sensing") at a total consideration of approximately RMB243 million. As the Group already held 12.5% equity interest, Trigiant Sensing has become an indirect wholly-owned subsidiary of the Group since completion of the acquisition on 31 July 2018.

The major customers of Trigiant Sensing are the major telecommunications operators and equipment suppliers in China, and its products cover sensing and Internet of Things devices. Currently, Trigiant Sensing is actively preparing for the development of core technologies and chips. The Group believes that this acquisition represents an important step for us to enter the Internet of Things industry and the chip industry. The Group will invest more resources in the future to coordinate with relevant development plans by paying close attention to the development opportunities of emerging industries including the Internet of Things, industrial internet, artificial intelligence and smart home, as well as focusing on technological research and development. Besides constantly improving our technical and independent innovation capabilities, we will expand our product categories, thereby providing customers with a wider range of comprehensive technical products and services.

Looking into the future, the Group will also focus on overseas development opportunities. In the first half of 2018, the Group's overseas business expansion was fruitful. In addition to participating in international product exhibitions in countries such as India, Spain, Russia, Singapore and Thailand, we have established business contacts with customers in France, Australia and India. In the second half of 2018, the Group will continue to reach overseas customers so as to follow up sales orders and diversify its revenue sources. On one hand, the Group will continue to improve production efficiency to maintain its leading market position in the industry. On the other hand, The Group will procure the newly acquired Trigiant Sensing to focus on optical devices, passive integrated products and other aspects. While consolidating the leading position in our existing products market, the Group will continue to develop new products and pursue better development by enriching the Group's product portfolio and extending our industry position in the industrial chain.

Financial Review

Turnover

Turnover increased by approximately RMB216.5 million, or 14.8%, from approximately RMB1,465.7 million for the first half of 2017 to approximately RMB1,682.1 million for the first half of 2018. The increase in turnover contributed by feeder cable series, optical fibre cable series, flame-retardant flexible cable series and others of approximately RMB155.2 million, RMB56.1 million, RMB21.4 million and RMB0.6 million, respectively, was partly offset by the decrease in turnover of new-type electronic components of approximately RMB16.7 million. The increase in turnover of feeder cable series is a result of strong demand and the increased copper price during the first half of 2018. The increase in turnover of 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 2018. In addition, the increase in turnover of optical fibre cable series products is mainly due to strong demand in the first half of 2018.

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 RMB179.0 million, or 15.2%, from approximately RMB1,175.9 million for the first half of 2017 to approximately RMB1,354.9 million for the first half of 2018.

Gross profit and gross profit margin

Gross profit increased by approximately RMB37.5 million, or 12.9%, from approximately RMB289.8 million for the first half of 2017 to approximately RMB327.3 million for the first half of 2018. The increase in gross profit is mainly a result of the increase in turnover. Overall gross profit margin decreased from approximately 19.8% for the first half of 2017 to approximately 19.5% the first half of 2018. The slightly 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 RMB2.2 million, or 13.5%, from approximately RMB16.3 million for the first half of 2017 to approximately RMB18.5 million for the first half of 2018 primarily due to the increase in interest income and investment income from other financial assets by approximately RMB1.4 million and RMB1.1 million, respectively and offset by the decrease in government grants and others of approximately RMB0.3 million.

Other gains and losses

Other gains and losses increased by approximately RMB6.7 million, or 20.4%, from approximately RMB32.9 million for the first half of 2017 to approximately RMB39.6 million for the first half of 2018. The increase is mainly because of the increase in allowance for bad and doubtful debts by approximately RMB3.6 million recognised in the first half of 2018. In addition, an exchange gain of approximately RMB4.4 million was recognised in the first half of 2017 while an exchange gain of approximately RMB1.3 million was recognised in the first half of 2018.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB2.3 million, or 8.0%, from approximately RMB28.6 million for the first half of 2017 to approximately RMB26.3 million for the first half of 2018, 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 RMB3.6 million, or 12.9%, from approximately RMB27.8 million for the first half of 2017 to approximately RMB24.2 million for the first half of 2018 mainly due to the decrease in salary expense of administrative staff.

Research and development costs

Research and development costs increased by approximately RMB0.7 million, or 2.8%, from approximately RMB25.8 million for the first half of 2017 to approximately RMB26.6 million for the first half of 2018 primarily due to additional research and development costs incurred in order to broaden the Group's product portfolio to tailor for the communication network requirements.

Finance costs

Finance costs increased by approximately RMB6.2 million, or 23.6%, from approximately RMB26.2 million for the first half of 2017 to approximately RMB32.4 million for the first half of 2018 primarily due to the increase in average bank borrowings and the average interest rate of bank borrowings.

Taxation

Taxation charge increased by approximately RMB2.9 million, or 10.6%, from approximately RMB27.6 million for the first half of 2017 to approximately RMB30.5 million for the first half of 2018. 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 High and New Technology Enterprises. The increase in taxation charge for the first half of 2018 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 effective beneficial interest in Trigiant Optic-Electric therefore increased from 65.0% to 100.0% after the Acquisition. After completion of the Acquisition, the non-controlling interests of Trigiant Optic-Electric was eliminated.

As a combined result of the foregoing, profit for the period attributable to owners of the Company increased by approximately RMB44.0 million, or 36.0%, from approximately RMB122.2 million for the first half of 2017 to approximately RMB166.2 million for the first half of 2018 and the corresponding net profit margin increased from approximately 8.3% for the first half of 2017 to approximately 9.9% for the first half of 2018.

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 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash used in operating activities	**(38,062)**	(230,984)
Net cash (used in) from investing activities	**(74,461)**	307,772
Net cash from (used in) financing activities	**99,340**	(91,614)

As at 30 June 2018, the Group had bank balances and cash and pledged bank deposits of approximately RMB889.0 million, the majority of which were denominated in Renminbi. As at 30 June 2018, the Group had total bank borrowings of approximately RMB1,597.1 million which are repayable within one year. As at 30 June 2018, RMB867.6 million of the total bank borrowings were fixed rate borrowings and approximately RMB729.5 million were variable rate borrowings. As at 30 June 2018, bank borrowings of approximately RMB1,527.5 million were denominated in Renminbi and approximately RMB69.6 million were denominated in Hong Kong 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.

Gearing Ratio

Gearing ratio slightly increased from approximately 23.0% as at 31 December 2017 to approximately 23.1% as at 30 June 2018. Such increase was primarily resulted from the additional bank borrowings raised. 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 2018, the Group pledged certain bank deposits with carrying value of approximately RMB446.9 million (31 December 2017: approximately RMB337.9 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 2018.

Employee Information

As at 30 June 2018, the Group had approximately 900 (31 December 2017: 904) 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 HK2.2 cents per share for the first half of 2018 (first half of 2017: HK1.7 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 14 September 2018. The interim dividend will be payable on or about Friday, 23 November 2018.

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, 11 September 2018 to Friday, 14 September 2018, 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 2018, 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, 10 September 2018.

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 2018 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 2018.

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 2018.

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 2018 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 2018 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 2018 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, 27 August 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