TRIGIANT
— 俊知集团 —

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 2020

HIGHLIGHTS

In the first half of 2020, the outbreak of COVID-19 Pandemic resulted in a suspension of the development of the industry for a period of time and a decline in the Group's orders. With the easing of the COVID-19 Pandemic, the Group expeditiously resumed its work and production, as a result of which, its production capacity was successfully restored to the levels before the pandemic and orders continuously rebounded in the second quarter.

Interim results for the six months ended 30 June 2020 compared with the six months ended 30 June 2019 ("2019H1"):

- Turnover decreased by approximately RMB945.7 million, or approximately 44.9%, to approximately RMB1,158.5 million;
- Gross profit margin slightly decreased by approximately 1.4 percentage point, to approximately 17.9%;
- The Group recorded loss for the period of approximately RMB125.6 million, as compared to profit for the period in 2019H1 of approximately RMB233.5 million;
- Net loss margin was approximately 10.8 percentage points, as compared to net profit margin in 2019H1 of approximately 11.1%;
- The Group recorded loss per share of RMB7.01 cents as compared to earnings per share in 2019H1 of RMB13.04 cents; and
- The Board is optimistic about the industry's development, the investment in advanced technology and the increase in products enhancement, the Board does not recommend the declaration of payment of interim dividend for the six months 30 June 2020 (2019H1: Nil).

* *For identification purposes only*

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,158,509**	2,104,225
Cost of goods sold		**(950,672)**	(1,697,304)
Gross profit		**207,837**	406,921
Other income	*4*	**10,514**	15,016
Impairment losses under expected credit loss model, net of reversal	*5*	**(136,419)**	(24,888)
Impairment loss of goodwill	*10*	**(94,307)**	–
Other loss	*5*	**(3,457)**	(1,580)
Selling and distribution costs		**(29,831)**	(33,134)
Administrative expenses		**(22,126)**	(23,000)
Research and development costs		**(28,764)**	(30,509)
Finance costs		**(33,317)**	(34,647)
(Loss) profit before taxation	*6*	**(129,870)**	274,179
Taxation credit (charge)	*7*	**4,246**	(40,647)
(Loss) profit and total comprehensive (expense) income for the period		**(125,624)**	233,532
(Loss) earnings per share	*9*		
— basic		**(7.01) cents**	13.04 cents
— diluted		**(7.01) cents**	13.04 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	**At 30 June 2020** *RMB'000* **(Unaudited)**	At 31 December 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**216,421**	227,412
Right-of-use assets		**69,264**	70,582
Intangible assets		**117,502**	126,409
Goodwill	*10*	**62,220**	156,527
Equity instruments at fair value through other comprehensive income		**950**	950
Deferred tax assets		**82,545**	62,738
		548,902	644,618
Current assets			
Inventories		**151,446**	125,108
Trade and other receivables	*11*	**4,110,516**	3,977,935
Other financial assets		**50,000**	105,000
Pledged bank deposits		**116,342**	213,225
Bank balances and cash		**538,465**	360,119
		4,966,769	4,781,387
Current liabilities			
Trade and other payables	*12*	**475,472**	503,664
Bank borrowings		**1,535,000**	1,297,000
Lease liabilities		**560**	550
Taxation payable		**40,291**	32,276
		2,051,323	1,833,490
Net current assets		**2,915,446**	2,947,897
Total assets less current liabilities		**3,464,348**	3,592,515
Non-current liabilities			
Lease liabilities		**358**	603
Government grants		**2,229**	2,382
Deferred tax liabilities		**54,058**	56,203
		56,645	59,188
Net assets		**3,407,703**	3,533,327
Capital and reserves			
Share capital		**14,638**	14,638
Reserves		**3,393,065**	3,518,689
Total equity		**3,407,703**	3,533,327

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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to 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 2020 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and other accessories for mobile communication and telecommunication equipment. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's specific location as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods. The contracts signed with the customers are short-term and fixed price contracts.

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
- Other accessories (including 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 (loss charged) by each segment (segment revenue less segment cost of goods sold). Other income, impairment losses under expected credit loss model, net of reversal, impairment loss of goodwill, other loss, 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 2020

	Feeder cable series *RMB'000*	Optical fibre cable series and related products *RMB'000*	Flame-retardant flexible cable series *RMB'000*	New-type electronic components *RMB'000*	Other accessories *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
— External sales	527,312	226,913	343,057	61,198	29	–	1,158,509
— Inter-segment sales*	–	36	–	12,547	–	(12,583)	–
	527,312	226,949	343,057	73,745	29	(12,583)	1,158,509
Cost of goods sold	(427,897)	(184,164)	(289,200)	(61,950)	(44)	12,583	(950,672)
SEGMENT RESULT	99,415	42,785	53,857	11,795	(15)	–	207,837
Unallocated income and expenses:							
Other income							10,514
Impairment losses under expected credit loss model, net of reversal							(136,419)
Impairment loss of goodwill							(94,307)
Other loss							(3,457)
Selling and distribution costs							(29,831)
Administrative expenses							(22,126)
Research and development costs							(28,764)
Finance costs							(33,317)
Loss before taxation							(129,870)
Taxation credit							4,246
Loss for the period							(125,624)

For the six months ended 30 June 2019

	Feeder cable series *RMB'000*	Optical fibre cable series and related products *RMB'000*	Flame-retardant flexible cable series *RMB'000*	New-type electronic components *RMB'000*	Other accessories *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
— External sales	896,367	636,810	460,403	110,543	102	–	2,104,225
— Inter-segment sales*	–	185,322	–	18,919	–	(204,241)	–
	896,367	822,132	460,403	129,462	102	(204,241)	2,104,225
Cost of goods sold	(710,723)	(703,839)	(382,041)	(104,442)	(500)	204,241	(1,697,304)
SEGMENT RESULT	185,644	118,293	78,362	25,020	(398)	–	406,921
Unallocated income and expenses:							
Other income							15,016
Impairment losses under expected credit loss model, net of reversal							(24,888)
Other loss							(1,580)
Selling and distribution costs							(33,134)
Administrative expenses							(23,000)
Research and development costs							(30,509)
Finance costs							(34,647)
Profit before taxation							274,179
Taxation charge							(40,647)
Profit for the period							233,532

* 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.

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" or "China") and substantially all of its non-current assets are also located in the PRC (the place of domicile). No further disaggregation of revenue of the Group is provided other than revenue by products as disclosed above.

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Government grants *(note)*	**2,928**	1,697
Interest income	**4,446**	7,624
Investment income from other financial assets	**2,909**	3,786
Others	**231**	1,909
	10,514	15,016

Note: Included in government grants is RMB2,730,000 (six months ended 30 June 2019: RMB1,471,000) 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 RMB198,000 (six months ended 30 June 2019: RMB226,000), they are government subsidies received for the acquisition of property, plant and equipment.

5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL AND OTHER LOSS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Impairment losses under expected credit loss model, net of reversal include the following:		
Impairment losses on trade receivables	**(136,419)**	(24,888)
Other loss includes the following:		
Exchange loss	**(3,457)**	(1,580)

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**8,907**	8,907
Cost of inventories recognised as expenses	**946,108**	1,689,991
Loss on disposal of property, plant and equipment	**11**	1
Depreciation of right-of-use assets	**1,337**	1,170
Short-term lease payment	**406**	519
Depreciation of property, plant and equipment	**12,188**	12,911
Capitalised in cost of inventories manufactured	**(8,377)**	(9,021)
	3,811	3,890

7. TAXATION CREDIT (CHARGE)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
The credit (charge) comprises:		
PRC Enterprise Income Tax	**(17,706)**	(47,256)
Deferred taxation credit	**21,952**	6,609
Taxation credit (charge) for the period	**4,246**	(40,647)

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

The following subsidiaries of the Company in the PRC, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology"), 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.*) ("Trigiant Optic-Electric") and 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.*) ("Trigiant Sensing"), were endorsed as High and New Technology Enterprises by relevant authorities in the PRC with last renewal on 24 October 2018 and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2021.

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 Enterprise Income Tax Law and Article 91 of its Detail Implementation Rules. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

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

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

During the current interim period, the Company did not declare any final dividend in respect of the year ended 31 December 2019 (six months ended 30 June 2019: final dividend of HK2.3 cents per share in respect of the year ended 31 December 2018). The aggregate amount of the final dividend in respect of the year ended 31 December 2018 declared in prior interim period amounted to HK$41,204,500 (equivalent to approximately RMB36,178,000).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
(Loss) earnings:		
(Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(125,624)**	233,532
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,791,500,000**	1,791,500,000

The computation of diluted loss per share did not assume the exercise of the Company's share options for the current interim period because the exercise of those share options would result in a decrease in loss per share.

The computation of diluted earnings per share did not assume the exercise of the Company's share options for the prior interim period because the exercise price of those share options was higher than the average market price of the Company's shares during the prior interim period.

10. GOODWILL

	RMB'000
COST	
At 1 January 2019, 31 December 2019 and 30 June 2020	156,527
IMPAIRMENT	
At 1 January 2019 and 31 December 2019	–
Impairment provided for the period	94,307
At 30 June 2020	94,307
CARRYING VALUES	
At 30 June 2020	62,220
At 31 December 2019	156,527

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the following cash generating units ("CGU"):

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
— Jiang Mei Limited ("Jiang Mei")	**41,773**	41,773
— Rosy Elite Limited ("Rosy Elite")	**20,447**	114,754
	62,220	156,527

The CGU of Jiang Mei is related to the segment of "Optical fibre cable series and related products" and the CGU of Rosy Elite is related to the segment of "New-type electronic components".

11. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables and an aged analysis of trade 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:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables, net, aged		
0–90 days	**836,062**	629,779
91–180 days	**367,223**	781,738
181–365 days	**1,210,519**	1,495,108
Over 365 days	**1,680,382**	1,022,419
	4,094,186	3,929,044
Interest receivable	**4,795**	5,125
Other receivables *(note)*	**4,888**	36,841
Deposits paid to suppliers	**294**	1,770
Prepaid expenses	**3,778**	2,745
Staff advances	**2,575**	2,410
	4,110,516	3,977,935

Note: At 31 December 2019, other receivables mainly included receivables relating to resale of copper materials of RMB34,943,000 (30 June 2020: Nil).

Included in the Group's trade receivables at 30 June 2020 are bills receivables of RMB14,049,000 (31 December 2019: RMB23,118,000).

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

An impairment loss under expected credit loss model, net of reversal of RMB136,419,000 for the six months ended 30 June 2020 (2019H1: RMB24,888,000) has been recognised during the period. As at 30 June 2020, allowance for impairment losses of trade receivables is RMB550,303,000 (31 December 2019: RMB413,884,000). To promote rapid growth of China's telecommunications industry, the Group has formed marketing strategy for key customers, including China's three major telecommunications operators and China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"), to extend repayment period after basic credit period to gain market share and maintain a long-term partnership with them. The Group performs impairment assessment under expected credit loss model on trade receivables under HKFRS 9 "Financial instruments". The Board believes that the current allowance for impairment losses of trade receivables is sufficient but not excessive based on good repayment records of those debtors and their respective continuous business with the Group.

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade payables, net, aged		
0–90 days	**269,973**	88,760
91–180 days	**102,311**	347,303
181–365 days	**50,314**	14,211
Over 365 days	**–**	56
	422,598	450,330
Accrued expenses	**13,304**	13,586
Deposits from suppliers	**14,135**	13,623
Other payables	**9,100**	8,465
Other tax payables	**5,342**	2,469
Payable for acquisition of property, plant and equipment	**298**	1,000
Payroll and welfare payables	**10,695**	14,191
	475,472	503,664

Included in the Group's trade payables at 30 June 2020 are bills payables of RMB316,109,000 (31 December 2019: RMB351,538,000) issued by the banks through the Group's credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

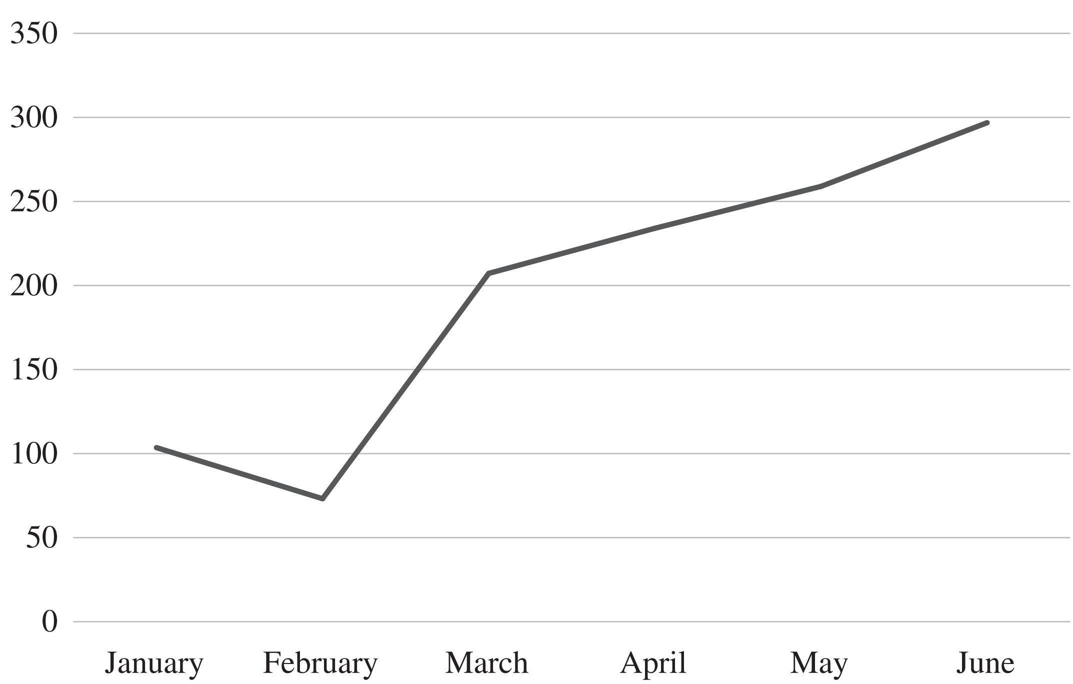
MARKET REVIEW

For the six months ended 30 June 2020 ("Period"), the telecommunications industry celebrated the first anniversary of the 5G commercial licenses issued in the PRC, representing a unique significance. Within one year since the 5G commercial licensing, many industries have been empowered by the application of 5G. In particular, during the fight against the outbreak of the novel coronavirus ("COVID-19 Pandemic") and the production resumption, a number of 5G applications have been introduced expeditiously, such applications include 5G telemedicine, 5G telecommuting, 5G remote class, and 5G smart logistics. The demand for 5G has accelerated the network construction. According to the statistics of the Ministry of Industry and Information Technology in June 2020, at the advent of the first anniversary of 5G commercial licensing, the telecommunications infrastructure enterprises have built more than 250,000 5G base stations in the first half of 2020, with accumulated number of 410,000 5G base stations covering over 66 million 5G terminal connections. It is estimated that by the end of 2020, over 600,000 5G base stations will be established in all cities at or above the prefecture level in the PRC. As a supplier of core products used to construct 5G base stations, the Group becomes a major enterprise benefiting from the 5G industry, which in return has boosted its sales of feeder cable, optical fibre cable, optical and electrical hybrid cable, flame-retardant flexible cable and other products used in macro and micro base stations, indoor coverage and long-distance transmission.

In the first half of 2020, the outbreak of COVID-19 Pandemic resulted in a suspension of the development of the industry for a period of time and a decline in the Group's orders. With the easing of the COVID-19 Pandemic, the Group expeditiously resumed its work and production, as a result of which, its production capacity was successfully restored to the levels before the pandemic and orders continuously rebounded in the second quarter.

Revenue by month for the Period

(in Million)



In comparison with 3G and 4G signals, 5G signal transmits a higher frequency with shorter wavelength. On an equivalent transmission power, the 5G signal travels at a shorter range, as a result of which a single 5G base station has a smaller signal coverage. In this case, more micro base stations are required to boost the range. It is estimated that the number of microcell base stations will be more than double the number of 4G base stations, while the number of micro base stations will be approximately twice to three times as many as that of macro base stations. The Group also aims at the industry prospects of micro base stations and the Company is also actively deploying by mainly introducing optical and electrical hybrid cable products, which helps connecting micro base stations to network equipment. Upon securing the bidding for optical and electrical hybrid cables with a China major telecommunication equipment manufacturer, the Group will continue to work with that manufacturer on research and testing of coding products that apply to 5G optical and electrical hybrid cables and accessories so as to complete the supply delivery as soon as possible.

During the Period, the Group secured the successful bid for centralised procurement project of China Mobile Limited in respect of non-slotted core ribbon optical fibre cable products and secured the successful bid for 5G distributed antenna system — centralised e-commerce procurement project for leaky cables and accessories of China Tower. In July 2020, the Group secured the first successful bid for the centralised procurement project of China Mobile Limited in respect of optical splitter products. These successful bids will contribute to a positive impact on the Group's future results.

Results Analysis

The COVID-19 Pandemic has adversely affected the results of the Company for the Period in the following three major areas:

(1) the turnover of the Group's main products all recorded a significant decrease, which, in aggregate, contributed to a decrease of approximately 44.9% in the turnover of the Group from approximately RMB2,104.2 million in 2019H1 to approximately RMB1,158.5 million in the first half of 2020. During the Period, the Group's overall gross profit decrease by approximately 48.9% from approximately RMB406.9 million in 2019H1 to RMB207.8 million in the first half of 2020. For the Period, the overall gross profit margin decreased by approximately 1.4 percentage point to approximately 17.9%;

(2) as regards the Company's trade receivables as at 30 June 2020, the three major telecommunications operators in China and China Tower accounted for 98% of the total trade receivables. Due to the COVID 19 Pandemic, strict prevention and protection policies were adopted in various regions of the PRC to curb the spread of the pandemic. As most of the major customers of the Group worked from home, the settlement process was delayed and has resulted in an increase in the balance and aging of trade receivables. Therefore by application of HKFRS 9 "Financial Instruments" and adoption of the provision matrix in calculating the expected credit losses on trade receivables, the Group's impairment losses under expected credit loss model net of reversal for the Period was approximately RMB136.4 million, representing an increase of approximately RMB111.5 million as compared with the impairment losses under expected credit loss model net of reversal for 2019H1 (of approximately RMB24.9 million); and

(3) the COVID-19 Pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting value in use calculation. An impairment loss of goodwill arised from the acquisition of a subsidiary in 2018 of approximately RMB94.3 million (2019H1: Nil) should be made in the Period.

The Group recorded loss for the period of approximately RMB125.6 million as compared to profit for the period of approximately RMB233.5 million for 2019H1. The Group recorded loss per share of RMB7.01 cents as compared to earnings per share of approximately RMB13.04 cents for 2019H1.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2020	2019	**Change**	**Change**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Feeder cable series	**527,312**	896,367	(369,055)	–41.2
Optical fibre cable series	**226,913**	636,810	(409,897)	–64.4
Flame-retardant flexible cable series	**343,057**	460,403	(117,346)	–25.5
New-type electronic components	**61,198**	110,543	(49,345)	–44.6
Other accessories	**29**	102	(73)	–71.6
Total	**1,158,509**	2,104,225	(945,716)	–44.9

Feeder Cable Series — Approximately 45.5% of the Total Turnover

Due to the impact of the COVID-19 Pandemic on development progress of mobile communication infrastructure, the turnover of feeder cable series decreased by approximately 41.2% to approximately RMB527.3 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products decreased by approximately 34,300 kilometres to approximately 60,200 kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 1.8 percentage point to approximately 18.9% as compared to the corresponding period in last year.

Optical Fibre Cable Series — Approximately 19.6% of the Total Turnover

Due to the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, the turnover of optical fibre cable series products decreased by approximately 64.4% to approximately RMB226.9 million as compared to the corresponding period in last year. Sales volume decreased by approximately 2,391,000 fibre kilometres to approximately 3,647,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin increased by approximately 0.3 percentage point to approximately 18.9% as a result of the change in sales mix.

Flame-retardant Flexible Cable Series — Approximately 29.6% 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 the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, the turnover decreased by approximately 25.5% to approximately RMB343.1 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by 1.3 percentage point to approximately 15.7% 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, namely 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"), and also 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 regional network extensive coverage. During the Period, the overall turnover of the Group derived from China Mobile, China Telecom and China Unicom accounted for approximately 39.7%, 25.2% and 23.6%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a sound business relationship with China Tower. As at 30 June 2020, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

Patents, Awards and Recognition

As at 30 June 2020, the Group obtained 167 patents and developed 207 new products in the PRC. 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 ten consecutive years from 2010 to 2019;

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

- Trigiant Optic-Electric was awarded as Jiangsu Enterprise Technology Center; and

- Trigiant Technology and Trigiant Optic-Electric have been rated AAA (Integrated Credit) by China's Lianhe Credit Information Service Co., Ltd, Jiangsu Branch in 2020.

Prospects and Future Plans

At the meeting of the Central Politburo of the Communist Party of China in February 2020, it was emphasised that the development of 5G networks should be accelerated. In March 2020, the Standing Committee of the Central Politburo of the Communist Party of China continued to emphasise that construction of novel infrastructure, including 5G networks and data centres, should be accelerated, as a result of which, 5G applications are highly anticipated for novel infrastructure. With pandemic control and prevention in place, various entities, including the central government, the Ministry of Industry and Information Technology, and the three major telecommunications operators, have actively promote the construction of novel infrastructure. In this regard, the Company anticipates that large-scale 5G infrastructure construction will take place in the next three to five years.

It is expected that China plans to construct at least 600,000 5G base stations in 2020, and that Trigiant will also embrace an improvement period for its new development. By capitalising on such opportunity, the Company also plans a business expansion in the emerging economies. In close integration into vertical 5G applications, we will explore our market presence in smart agriculture and forestry, smart manufacturing, railway transportation, and other areas.

Furthermore, the Company will continue with its reserve expansion for forward-looking technologies, and make early preparation for research and development of millimeter-wave products and mirco base stations so that its core competitive strength will be further reinforced in the post-5G era. As a result, the Group will lay a solid foundation for new growth momentum of its business performance.

Expansion of new customer base

In addition to continuing to strengthen the cooperation with the three major telecommunications operators, the Group is also proactively expanding to reach new customers in other areas such as radio and television, rail transit, security, microwave communications and private network communications in China. By capitalising on the core advantages of its products, continuous technical research and development, and outstanding service and after-sales capabilities, the Group is well-positioned to expand the customer base and maintain a long-term cooperative relationship with its major customers and aims to increase the Group's proportion of supply to them in the cooperation.

Active expansion of the Internet of Things ("IoT") business

According to "Research Report on Internet of Things Industry Market in 2019" published by Forward-Looking Industry Research Institution (前瞻產業研究院), the compound annual growth rate of IoT from 2019 to 2022 is approximately 9%. It is estimated that the scale of China's IoT industry will exceed RMB2 trillion and the connection scale will reach RMB7 billion by 2022. In recent years, in line with the accelerating integration of the IoT concept into industrial applications, the Group has seized enormous business opportunities by cooperating with Resources Institute and China Telecom Wuxi Branch (中國電信無錫分公司) to establish the National Innovation Alliance of IoT and AI for Forestry Application (林業和草原物聯網與人工智慧應用國家創新聯盟) as a role model of the smart forestry powered by "internet+" and "Smart+" in accordance with the policy for development and application of forestry business networks, laying a solid foundation for the Group's diversified development.

Overseas development plan

The Group originally planned to attend specialised communications trade exhibitions held in various regions, such as India, Spain, Russia, Singapore, Dubai, and Mexico in 2020. Some of the exhibitions have been postponed to 2021 due to the COVID-19 Pandemic. On top of our established relationship with our current customer base, the Group will focus on the customer expansion and development in the Southeast Asia, the Middle East, and the Americas through local partners. By capitalising on its existing product and technology advantages, the Group plans to increase its market share in overseas markets such as South Korea, the Southeast Asia, Europe, America and the Middle East. 5G construction has become a global undertaking that requires active promotion and development due to the increasing demand for mobile infrastructure. In the future, riding on the momentum of 5G development, the Group will continue to explore overseas development opportunities, further expand its diversified sales channels, and seek growth opportunities. These initiatives aim to generate more profits in appreciation for the continued recognition and support of all shareholders.

Financial Review

Turnover

Due to the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, turnover decreased by approximately RMB945.7 million, or 44.9%, from approximately RMB2,104.2 million for 2019H1 to approximately RMB1,158.5 million for the first half of 2020. The decrease in turnover was contributed by the decrease in turnover of feeder cable series, optical fibre cable series, flame-retardant flexible cable series and new-type electronic components of approximately RMB369.1 million, RMB409.9 million, RMB117.3 million and RMB49.3 million, respectively.

Cost of goods sold

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Cost of goods sold decreased generally in line with the decrease in turnover by approximately RMB746.6 million, or 44.0%, from approximately RMB1,697.3 million for 2019H1 to approximately RMB950.7 million for the first half of 2020.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series, decreased by 7.5% as compared to 2019H1 and the average selling price decreased generally in line with the copper price. The Group adopted the cost-plus-pricing-model for its feeder cable series products to control the price risk of raw materials and maintained good relationship with its customers and suppliers.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB199.1 million, or 48.9%, from approximately RMB406.9 million for 2019H1 to approximately RMB207.8 million for the first half of 2020. The decrease in gross profit is mainly a result of the decrease in turnover. Overall gross profit margin decreased from approximately 19.3% for 2019H1 to approximately 17.9% for the first half of 2020. The decrease in overall gross profit margin is mainly a result of a decrease in revenue but the Group had a certain portion of fixed cost.

Other income

Other income decreased by approximately RMB4.5 million, or 30.0%, from approximately RMB15.0 million for 2019H1 to approximately RMB10.5 million for the first half of 2020 primarily due to the decrease in interest income and investment income from other financial assets.

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, increased by approximately RMB111.5 million, or approximately 448.1% from a loss of approximately RMB24.9 million for 2019H1 to a loss of approximately RMB136.4 million for the first half of 2020, mainly due to increase in aging of trade receivables.

The COVID-19 Pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting asset valuation. The Group recorded an impairment loss of goodwill of approximately RMB94.3 million for the first half of 2020 (2019H1: Nil).

Other loss

Other loss increased by approximately RMB1.9 million, or 118.8% from approximately RMB1.6 million for 2019H1 to approximately RMB3.5 million for the first half of 2020, mainly attributable to the increase in exchange loss.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB3.3 million, or 10.0%, from approximately RMB33.1 million for 2019H1 to approximately RMB29.8 million for the first half of 2020, mainly due to the decrease in consumable materials, entertainment and travelling expenses.

Administrative expenses

Administrative expenses decreased by approximately RMB0.9 million, or 3.8%, from approximately RMB23.0 million for 2019H1 to approximately RMB22.1 million for the first half of 2020 mainly due to the decrease in entertainment and travelling expense of administrative staff.

Research and development costs

Research and development costs decreased by approximately RMB1.7 million, or 5.7%, from approximately RMB30.5 million for 2019H1 to approximately RMB28.8 million for the first half of 2020 primarily due to the decrease in research material cost.

Finance costs

Finance costs decreased by approximately RMB1.3 million, or 3.8%, from approximately RMB34.6 million for 2019H1 to approximately RMB33.3 million for the first half of 2020 primarily due to the decrease in the average interest rate of bank borrowings.

Taxation

The Group recorded a taxation credit of approximately RMB4.2 million for the first half of 2020, as compared to taxation charge of RMB40.6 million for 2019H1. The deferred tax impact on allowance for impairment losses on trade receivable was larger than the PRC Enterprise Income Tax for the period, therefore the Group recorded a deferred tax credit for the period. 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 decrease in taxation charge for the first half of 2020 is primarily attributable to the decreased taxable profit of the principal subsidiaries of the Group in the PRC.

(Loss) profit for the period

As a combined result of the foregoing, the Group recorded a loss for the period of approximately RMB125.6 million, as compared to a profit for the period of approximately RMB233.5 million for 2019H1, and a corresponding net loss margin for the first half of 2020 of approximately 10.8%, as compared to net profit margin for 2019H1 of approximately 11.1%.

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 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net cash (used in) from operating activities	**(180,127)**	155,677
Net cash from (used in) investing activities	**154,749**	(7,774)
Net cash from (used in) financing activities	**203,724**	(421,278)

As at 30 June 2020, the Group had bank balances and cash and pledged bank deposits of approximately RMB654.8 million, the majority of which were denominated in Renminbi. As at 30 June 2020, the Group had total bank borrowings of approximately RMB1,535.0 million which are repayable within one year. As at 30 June 2020, RMB860.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB675.0 million were variable rate borrowings. As at 30 June 2020, bank borrowings of approximately RMB1,535.0 million were denominated in Renminbi.

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 increased from approximately 20.5% as at 31 December 2019 to approximately 25.8% as at 30 June 2020. Such increase was primarily resulted from the addition of bank borrowings. 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 2020, the Group pledged certain bank deposits with carrying value of approximately RMB116.3 million (31 December 2019: approximately RMB213.2 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 2020.

Employee Information

As at 30 June 2020, the Group had approximately 991 (31 December 2019: 921) 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 is optimistic about the industry development, the investment in advanced technology and the increase in products enhancement, the Board does not recommend the declaration of payment of interim dividend for the six months 30 June 2020 (2019H1: Nil).

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") ("Corporate Governance Code") as its own code of corporate governance. The Directors consider that save for the deviation from code provision A.2.1 of the Corporate Governance Code which requires the segregation of the roles of the chairman of the board and chief executive officer, both of which are currently taken up by Mr. Qian Lirong, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2020 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 2020.

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 2020.

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. Chan Fan Shing, Professor Jin Xiaofeng and Mr. Chen Gang. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2020 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 2020 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkexnews.hk) and the Company (www.trigiant.com.hk). The interim report for the first half of 2020 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 2020

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

Executive Directors:	Mr. Qian Lirong *(Chairman and Group chief executive officer)* Mr. Qian Chenhui
Non-executive Director:	Mr. Xia Bin
Independent non-executive Directors:	Professor Jin Xiaofeng Mr. Chan Fan Shing Mr. Chen Gang
Alternate Director to Mr. Qian Lirong:	Ms. Qian Liqian