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 2022

HIGHLIGHTS

Interim results for the six months ended 30 June 2022 compared with 2021H1:

- Turnover decreased by approximately RMB79.6 million, or approximately 6.0%, to approximately RMB1,244.8 million;
- Gross profit margin decreased by approximately 1.3 percentage point, to approximately 14.3%;
- Profit for the period decreased by approximately RMB3.2 million, or approximately 6.1%, to approximately RMB49.7 million (2021H1: RMB52.9 million);
- Net profit margin remained at 4.0% (2021H1: 4.0%);
- Earnings per share decreased from RMB2.95 cents to RMB2.77 cents; and
- The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2022 (2021H1: 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 2022 ("2022H1" or "Period") together with the comparative figures for the six months ended 30 June 2021 ("2021H1") and the relevant explanatory notes as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,244,756**	1,324,369
Cost of goods sold		**(1,066,302)**	(1,117,645)
Gross profit		**178,454**	206,724
Other income	*4*	**8,917**	8,446
Impairment losses under expected credit loss model, net of reversal	*5*	**(12,670)**	(33,648)
Other gains and losses	*5*	**2,071**	(1,399)
Selling and distribution costs		**(26,421)**	(32,447)
Administrative expenses		**(19,861)**	(21,146)
Research and development costs		**(22,876)**	(30,744)
Finance costs		**(31,615)**	(32,420)
Profit before taxation	*6*	**75,999**	63,366
Taxation charge	*7*	**(26,322)**	(10,467)
Profit and total comprehensive income for the period		**49,677**	52,899
Earnings per share	*9*		
— basic		**RMB2.77 cents**	RMB2.95 cents
— diluted		**RMB2.77 cents**	RMB2.95 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	**At 30 June 2022** ***RMB'000*** **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**179,566**	189,312
Right-of-use assets		**66,657**	66,848
Equity instruments at fair value through other comprehensive income		**475**	475
Pledged bank deposits		**155,921**	105,935
Deferred tax assets		**101,330**	99,168
		503,949	461,738
Current assets			
Inventories		**198,415**	242,352
Trade and other receivables	*10*	**4,414,485**	4,341,830
Pledged bank deposits		**87,783**	104,449
Bank balances and cash		**479,455**	459,272
		5,180,138	5,147,903
Current liabilities			
Trade and other payables	*11*	**134,847**	676,471
Borrowings		**1,826,100**	1,265,000
Lease liabilities		**982**	609
Taxation payable		**45,316**	41,830
		2,007,245	1,983,910
Net current assets		**3,172,893**	3,163,993
Total assets less current liabilities		**3,676,842**	3,625,731
Non-current liabilities			
Lease liabilities		**1,498**	994
Government grants		**1,389**	1,588
Deferred tax liabilities		**23,323**	22,194
		26,210	24,776
Net assets		**3,650,632**	3,600,955
Capital and reserves			
Share capital		**14,638**	14,638
Reserves		**3,635,994**	3,586,317
Total equity		**3,650,632**	3,600,955

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim 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.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of feeder cable series, flame-retardant flexible cable series, optical fibre cable series and related products, new-type electronic components and others 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 premises 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 normal credit term is 180 to 360 days upon delivery. 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.

For contracts where the credit period provided to customers upon transfer of the associated goods is less than one year, the Group applies the practical expedient of not adjusting the transaction price for significant financing component, if any.

All sales are provided for periods for one year or less. As permitted under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to the unsatisfied contracts is not disclosed.

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

- Feeder cable series
- Flame-retardant flexible cable series
- Optical fibre cable series and related products
- New-type electronic components
- Others (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 ("ECL") model, net of reversal, 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 2022

	Feeder cable series *RMB'000*	Flame-retardant flexible cable series *RMB'000*	Optical fibre cable series and related products *RMB'000*	New-type electronic components *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
— External sales	**573,598**	**481,322**	**104,575**	**83,796**	**1,465**	**–**	**1,244,756**
— Inter-segment sales*	**–**	**–**	**29,210**	**9,375**	**–**	**(38,585)**	**–**
	573,598	**481,322**	**133,785**	**93,171**	**1,465**	**(38,585)**	**1,244,756**
Cost of goods sold	**(482,151)**	**(419,662)**	**(121,311)**	**(80,405)**	**(1,358)**	**38,585**	**(1,066,302)**
SEGMENT RESULT	**91,447**	**61,660**	**12,474**	**12,766**	**107**	**–**	**178,454**
Unallocated income and expenses:							
Other income							**8,917**
Impairment losses under ECL model, net of reversal							**(12,670)**
Other gains							**2,071**
Selling and distribution costs							**(26,421)**
Administrative expenses							**(19,861)**
Research and development costs							**(22,876)**
Finance costs							**(31,615)**
Profit before taxation							**75,999**
Taxation							**(26,322)**
Profit for the period							**49,677**

For the six months ended 30 June 2021

	Feeder cable series *RMB'000*	Flame-retardant flexible cable series *RMB'000*	Optical fibre cable series and related products *RMB'000*	New-type electronic components *RMB'000*	Others *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover							
— External sales	442,157	593,653	228,313	58,323	1,923	–	1,324,369
— Inter-segment sales*	–	–	100,182	8,649	–	(108,831)	–
	442,157	593,653	328,495	66,972	1,923	(108,831)	1,324,369
Cost of goods sold	(367,145)	(510,435)	(290,107)	(57,261)	(1,528)	108,831	(1,117,645)
SEGMENT RESULT	75,012	83,218	38,388	9,711	395	–	206,724
Unallocated income and expenses:							
Other income							8,446
Impairment losses under ECL model, net of reversal							(33,648)
Other losses							(1,399)
Selling and distribution costs							(32,447)
Administrative expenses							(21,146)
Research and development costs							(30,744)
Finance costs							(32,420)
Profit before taxation							63,366
Taxation							(10,467)
Profit for the period							52,899

* 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.

No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

Substantially all of the Group's revenue 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).

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Government grants *(note)*	**1,410**	2,216
Interest income	**6,109**	5,103
Investment income from other financial assets	**–**	920
Others	**1,398**	207
	8,917	8,446

Note: Included in government grants are RMB27,000 (six months ended 30 June 2021: Nil) subsidies under the Employment Support Scheme provided by the Hong Kong Government, and RMB1,184,000 (six months ended 30 June 2021: RMB2,017,000) 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 RMB199,000 (six months ended 30 June 2021: RMB199,000), it represents release of government subsidies received for the acquisition of property, plant and equipment.

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Impairment losses under ECL model, net of reversal includes the following:		
Impairment losses on trade receivables	**(12,670)**	(33,648)
Other gains and losses includes the following:		
Exchange gains (losses)	**2,071**	(1,399)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets (including in selling and distribution costs)	**–**	7,272
Cost of inventories recognised as expenses	**1,061,062**	1,113,148
Loss on disposal of property, plant and equipment	**6**	2
Depreciation of right-of-use assets	**1,542**	1,316
Short-term lease payments	**403**	526
Depreciation of property, plant and equipment	**10,823**	11,102
Less: capitalised in cost of inventories manufactured	**(8,850)**	(7,569)
	1,973	3,533

7. TAXATION CHARGE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
The charge comprises:		
PRC Enterprise Income Tax	**(15,900)**	(16,497)
Withholding tax	**(11,455)**	–
Deferred taxation credit	**1,033**	6,030
Taxation charge for the period	**(26,322)**	(10,467)

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.) ("Trigiant Technology"), a subsidiary of the Company in the PRC, which was endorsed as a High and New Technology Enterprise by relevant authorities in the PRC and was entitled to and was charged income tax in the PRC at a reduced income tax rate of 15% until the next renewal in October 2024.

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

The withholding tax represents the withholding tax charged for the re-organisation which took place during the six months ended 30 June 2022.

No provision for Hong Kong Profits Tax is made in the condensed consolidated financial statements as the Group does not derive any 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 2022 (six months ended 30 June 2021: Nil).

During the current interim period, the Company did not declare any final dividend in respect of the year ended 31 December 2021 (six months ended 30 June 2021: no final dividend declared in respect of the year ended 31 December 2020).

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	
	2022	2021
	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	**49,677**	52,899
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,791,500,000**	1,791,500,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue for the six months ended 30 June 2022.

The computation of diluted earnings per share does 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. 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 2022	At 31 December 2021
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**4,981,215**	4,896,631
Less: allowance for credit loss	**(591,587)**	(578,917)
	4,389,628	4,317,714
Trade receivables, net, aged		
0–90 days	**642,650**	817,739
91–180 days	**575,585**	647,366
181–365 days	**1,147,133**	1,000,806
Over 365 days	**2,024,260**	1,851,803
	4,389,628	4,317,714
Interest receivables	**8,073**	5,707
Other receivables	**1,087**	2,261
Tender deposits	**5,828**	5,026
Prepaid expenses	**7,474**	8,872
Staff advances	**2,395**	2,250
	4,414,485	4,341,830

Included in the Group's trade receivables at 30 June 2022 are bills receivables of RMB8,329,000 (31 December 2021: RMB17,257,000).

The Group normally allows a credit period ranging from 180 to 360 days to its customers. An impairment loss under ECL model, net of reversal of RMB12,670,000 for the six months ended 30 June 2022 (2021H1: RMB33,648,000) has been recognised during the period. As at 30 June 2022, allowance for impairment losses of trade receivables is RMB591,587,000 (31 December 2021: RMB578,917,000).

11. 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 2022	At 31 December 2021
	RMB'000	*RMB'000*
Trade payables, aged		
0–90 days	**80,760**	251,921
91–180 days	**1,076**	148,719
181–365 days	**38**	220,028
	81,874	620,668
Accrued expenses	**15,517**	13,593
Deposits from suppliers	**15,630**	12,659
Other payables	**6,860**	8,816
Other tax payables	**4,021**	1,991
Payable for acquisition of property, plant and equipment	**90**	509
Payroll and welfare payables	**10,855**	18,235
	134,847	676,471

Included in the Group's trade payables at 30 June 2022 are bills payables of RMB4,100,000 (31 December 2021: RMB502,898,000) issued by the banks through the Group's credit facilities.

The decrease in trade and other payables as at 30 June 2022 was approximately RMB541,600,000 when compared to 31 December 2021. The Group has entered into certain bills payables financing arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates of the bills payables issued by the Group at a discount offered by the suppliers, and the Group has borne such interest payment. In 2022H1, taking into consideration the nature and substance of the above arrangements, the Group presents these bills payables of RMB490,100,000 (31 December 2021: Nil) to the banks under these arrangements as "borrowings" in the condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2022, global inflation remained high and economic growth slowed down due to the overheated US economy, the armed conflict between Russia-Ukraine and the lockdowns which had occurred in some Chinese cities. However, as the COVID-19 pandemic was under control in late May, production activities began to gradually resume. As the top priority of the 14th Five-Year Plan, 5G saw strong development momentum. The Ministry of Industry and Information Technology of China ("MIIT") focuses on pushing forward with the construction of 5G and gigabit networks. As of the end of June 2022, the total number of mobile communication base stations in the PRC amounted to 10.35 million, a net increase of 387,000 from the end of the previous year. Among them, 5G base stations amounted to 1.854 million, accounting for 17.9% of the total base stations. The number of 5G mobile phone users in the PRC exceeded 450 million, a net increase of 100.55 million over the end of the previous year, accounting for 27.3% of the total mobile phone users. All prefecture-level cities have been fully built into all-optical cities, and the number of gigabit fibre users exceeded 61 million. Efforts were made to build a number of trunk cables for the east-data-west-computing project. According to the estimates of the China Academy of Information and Communications Technology, China has built the world's largest and technologically advanced network infrastructure. The National Development and Reform Commission stated that investment in new infrastructure maintained steady growth and is expected to increase in the second half of 2022. Major domestic telecommunications operators have successively unveiled tender projects regarding 5G network infrastructure, including the three major telecommunications operators, which contribute approximately 85% of the Group's sales, and China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). The Group is one of the leading manufacturers engaged in research, development, production and sales of feeder cable series, flame-retardant flexible cable series, optical fibre cable series and related products, new-type electronic components and other accessories for mobile communications and telecommunications transmission in the PRC.

As the main core technology of digital transformation, 5G technology is essential for digital transformation of various industries. Currently, 5G integrated applications empower industry, medical care, education, transportation and many other sectors, covering 40 categories of the Chinese national economy. In addition, the metaverse is an ongoing hot topic, and the concept is constantly being catalysed. The 5G/6G network provides the metaverse with high-speed, low-latency, and large-scale access and transmission channels, becoming the key to achieving breakthroughs in the expansion of the metaverse. As a core product provider for the construction of 4G and 5G base stations, the Group believes it will continuously benefit from this wave.

Forward Industry Research Institute predicts that although the construction of 5G macro base stations is now ahead of 5G small base stations, the construction of 5G small cell base stations will usher in the peak period in 2024. Moreover, ABI Research estimates that the global small cell base station market will reach US$25 billion in the next five years. According to the statistics of the Global System for Mobile Communications ("GSMA"), the number of 5G connections in 2019 was merely 10 million, but will increase rapidly to about 2 billion by 2025. The growth of the 5G small cell base station market should not be underestimated. China has basically completed continuous 5G outdoor coverage. In the next step, indoor coverage and deep coverage will become new trends in 5G network construction, and 5G small cell base stations will become the focus of the upcoming 5G network construction. The Group has actively mapped out a plan on transmission solutions for small cell base stations and has been following up on relevant tenders in a timely manner.

As the large-scale commercial use of 5G is gradually being deployed in the future, sub-6GHz and millimeter wave (mmWave) need to work together to create a more comprehensive 5G experience. Featuring high bandwidth, large capacity, easy integration with beam forming, as well as ultra-low latency, 5G mmWave can deliver larger available bandwidth and higher transmission rate, which is conducive to the development of industries, such as industrial Internet of Things ("IoT"), intelligent manufacturing, real-time computing and cloud computing. At the same time, mmWave can support dense area deployment for high-precision positioning and has a high level of integration with equipment, which is beneficial to facilitate the miniaturisation of base stations and terminals. According to GSMA and related market research agencies, 5G mmWave is expected to contribute US$565 billion to the global GDP by 2035, accounting for 25% of the total 5G contribution. The economic benefit arising from the use of 5G mmWave bands in China is expected to reach approximately US$104 billion by 2034. The Group, a pioneer in the mmWave market with leading cutting-edge technologies, has successfully developed multi-band mmWave products, including 6-50 PIN GHz SPDT switches, 42.5-43.2 GHz transceiver modules, and 12-44 GHz up-converter/built-in phase-locked loop frequency synthesis local oscillator. These products have effectively replaced the import of similar products, breaking the foreign monopoly and filling the domestic gap. The product performance is ahead of the domestic market and on par with the international standard. During the Period, the Group completed the addition of mmWave products on the Chinese version of the Group's website. At present, a group of potential customers have contacted the mmWave construction team through this e-commerce website. The English version of the website is in the trial operation stage. The Group will develop more local and overseas market in the future. The Group will actively increase its presence in the mmWave field and will keep promoting such business development in the future.

During the Period, the Group has actively participated in bidding projects. For instance, it has won the bid for the centralised procurement project of China Telecom's cable products (power and cables), laying the foundation for sustainable business development.

RESULTS ANALYSIS

In the first half of 2022, the recurring COVID-19 epidemic in Mainland China has affected the recovery of the overall economic environment, and the Group's performance was inevitably affected. The Group's turnover slightly decreased by approximately RMB79.6 million, or 6.0%, to approximately RMB1,244.8 million for the first half of 2022.

The profit for the period of the Group decreased by approximately RMB3.2 million, or approximately 6.1%, from approximately RMB52.9 million in 2021H1 to approximately RMB49.7 million in 2022H1. The earnings per share decreased from approximately RMB2.95 cents in 2021H1 to approximately RMB2.77 cents in 2022H1.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2022	2021	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	%
Feeder cable series	**573,598**	442,157	131,441	+29.7%
Flame-retardant flexible cable series	**481,322**	593,653	(112,331)	-18.9%
Optical fibre cable series and related products	**104,575**	228,313	(123,738)	-54.2%
New-type electronic components	**83,796**	58,323	25,473	+43.7%
Other accessories	**1,465**	1,923	(458)	-23.8%
Total	**1,244,756**	1,324,369	(79,613)	-6.0%

Feeder Cable Series — Approximately 46.1% of the Total Turnover

The turnover of feeder cable series increased by approximately 29.7% to approximately RMB573.6 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products increased by approximately 1,800 kilometres to approximately 49,600 kilometres as compared to the corresponding period in last year. As a result of the higher costs of operation due to the COVID-19 pandemic during the Period, the gross profit margin decreased by approximately 1.1 percentage point to approximately 15.9% as compared to the corresponding period in last year.

Flame-retardant Flexible Cable Series — Approximately 38.7% of the Total Turnover

Flame-retardant flexible cable series, a major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. The turnover decreased by approximately 18.9% to approximately RMB481.3 million for the Period as compared to the corresponding period in last year. As a result of the higher costs of operation due to the COVID-19 pandemic during the Period, the gross profit margin decreased by 1.2 percentage point to approximately 12.8% as compared to the corresponding period in last year.

Optical Fibre Cable Series and Related Products — Approximately 8.4% of the Total Turnover

Due to the keen price competition, the turnover of optical fibre cable series and related products decreased by approximately 54.2% to approximately RMB104.6 million as compared to the corresponding period in last year. Sales volume of optical fibre decreased by approximately 3,498,000 fibre kilometres to approximately 1,295,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 4.9 percentage point to approximately 11.9% as a result of the change in sales mix.

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, ZTE 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 Unicom and China Telecom accounted for approximately 37.5%, 36.2% and 11.8%, respectively, of the total turnover of the Group. In addition to the 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 2022, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

Marketing Strategy

Leveraging on finance cost advantages to actively support the development of China's telecommunications industry; focusing on expansion of telecommunications business through scientific research capability and winning customer trust with quality

Since the inception of the Group, overall around 90% of its annual sales have been made to the three major telecommunications operators in China and (the subsequently established) China Tower. From the 3G and 4G eras to the official kick-off of the era of 5G commercialisation in China in 2019, the Group, as a supplier of base station and communication network construction products including feeder cable, optical and electrical hybrid cables and flame-retardant flexible cables, has been benefiting from China's rapid development of the network construction and is one of the key beneficiary enterprises in the industry. To promote the efficiency and effectiveness of telecommunications infrastructure construction as well as to provide strong support to the high-quality development of China's telecommunications industry, as part of its marketing strategies, so as to gain market share and maintain a long-term sound cooperative relationship with the customers, there had been long repayment period from the key customers of the Group, being China's three major telecommunications operators and China Tower, in line with the high growth of their network construction. Since the establishment of the Company and up to date, as part of its marketing strategies, the Group generally grants its customers a credit period ranging from 180 days to 360 days, leading to Group's relatively longer period of turnover days of accounts receivables. In recent years, the turnover days for trade and bills receivables is more than one year. Meanwhile, the proportion of trade receivables in the total assets of the Group is relatively high as a result of the said marketing strategy for supporting the network investment of China's three major telecommunications operators and China Tower. With an emphasis on scientific research and development in the telecommunications industry, the Group makes significant annual investment in research and development, and focuses on the sales of telecommunications equipment to improve the competitiveness of the Group. In terms of overseas sales, the Group strives to win the trust of customers with quality, and is highly cautious in handling accounts receivable from overseas customers. It is expected that the Group will maintain the relevant policies in the 5G era, while expanding sales channels of the Group and seeking growth opportunities for business development.

Patents, Awards and Recognition

As at 30 June 2022, the Group has obtained 189 patents, including 64 invention patents and 125 utility model patents 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 several consecutive years since 2010;

- 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;

- 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; and

- Trigiant Technology was awarded the National-level Specialized and New "Small Giant" Enterprise by the Ministry of Industry and Information Technology in 2020.

Prospects and Future Plans

Looking ahead, due to the complex and changing global political and economic environment, China will face challenges such as COVID-19 uncertainties and supply chain disruptions. However, with the in-depth advancement of 5G in China, empowering a large number of industries, 5G applications officially get in the fast lane of development, and the market demand for related equipment will remain strong. During the large-scale commercial use of 5G, China Mobile released the 6G Network Architecture White Paper in June 2022, proposing the first systematic 6G network architecture design, and aiming to bring a 6G network to the market around 2030. It is expected that the development of 6G networks will enter a strategic window period in the next three to five years, which will promote the evolution of mobile communication networks to the next generation. In the meantime, the pandemic has catalysed demand for technologies such as augmented reality ("AR") and virtual reality ("VR"). Major companies and local governments announced plans to strengthen their focus on the development of the metaverse in the second half of 2022. The demand for communication products with high data transmission rate, low latency and multiple connections will continuously increase. The pace of 5G commercialisation, 6G vision and metaverse development in the communications industry will be accelerated in the second half of 2022. The Group will keep a close eye on the changes in the economic environment, actively respond to and seize the huge opportunities under the current wave of 5G infrastructure. On this basis, it will explore new technologies related to the construction of 5G and 6G base stations, striving to meet the needs to bring and upgrade customer experience.

1. ***Grasping opportunities arising from mmWave to actively promote the research and development and sales of related products***

Due to the three advantages of high transmission rate, high-precision positioning and wide bandwidth, mmWave can better meet the performance requirements in emerging fields, such as AR, VR and smart IoT systems in the future. With the expansion of mmWave applications, the Group will continuously leverage its leading expertise and innovation capabilities and dedicate more resources to the research and development of mmWave products, step up the training on the mmWave research and development team, and recruit more senior engineers with independent development and marketing capabilities. Riding on its own technological advantages, the Group continuously strengthen the development and launch of other products in the "5G mmWave product package", including 24-50 GHz amplifiers. The Group is also capable to promote the development of products in higher mmWave frequency bands, which will meet the requirement for millisecond-level latency in AR and VR services. Furthermore, the Group will focus more on the marketing and sales strategies for mmWave products, in order to gradually enter the active sales stage.

2. ***Orderly development of IoT business***

As 5G is gradually commercialised and applied in all walks of life, the new generation of information technologies collaborating with 5G, such as cloud computing, big data and IoT, will be further integrated with society. The development of 5G will bring opportunities to the communications industry in infrastructure construction and maintenance, and application services for vertical industries. According to the research data from the research firm International Data Corporation (IDC), the global IoT market is expected to exceed US$1.1 trillion by 2026, and China's IoT market is expected to reach US$294 billion, making it the world's largest IoT market. In order to capture the huge business opportunities in IoT-related industries, the Group has actively teamed up with the Institute of Forest Resource Information Techniques of the Chinese Academy of Forestry and the Wuxi branch of China Telecom to jointly establish the National Innovation Alliance of IoT and AI for Forestry and Grassland, which is progressing in an orderly manner. It will promote the development of basic theories and innovative applications of the IoT and AI technology in forestry and grassland, laying a solid foundation for the Group's diversified development.

3 Expansion to reach new customers

In addition to maintaining close relationships with existing partners, such as the three major telecommunications operators, China Tower, ZTE and Huawei, the Group is actively building new partnerships with well-known academic institutes and enterprises in China. We also attach importance to the development of overseas business. The Group is working closely with renowned overseas companies to build 5G network infrastructure and accelerate the development of 5G.

4. Active expansion in overseas markets

Currently, many countries around the world have deployed 5G mmWave networks and launched intelligent terminals that support 5G mmWaves. The Group will seize the overseas market opportunities, maintain and develop markets with stable customers and demands in Thailand, South Korea and other countries. The Group did not attend face-to-face exhibitions overseas amid the pandemic and instead, participated in online exhibitions. The Group plans to participate in four overseas customer-centric meetings in the second half of 2022, namely the Asian session and Euramerican session of a communications and information technology exhibition in Jiangsu, the Belt and Road session of digital trade in Jiangsu, and a session on carrier-grade infrastructure for South America in Jiangsu, with a view to further expanding overseas markets. The Group is committed to introducing existing products to the market, including optoelectronic hybrid cables and mmWave series products, to further expand its business territory.

Financial Review

Turnover

In the first half of 2022, the recurring COVID-19 epidemic in Mainland China has affected the recovery of the overall economic environment, and the Group's performance was inevitably affected. Turnover decreased by approximately RMB79.6 million, or 6.0%, from approximately RMB1,324.4 million for 2021H1 to approximately RMB1,244.8 million for the first half of 2022. The decrease in turnover was mainly contributed by the decrease in turnover of optical fibre cable series and flame-retardant flexible cable series of approximately RMB123.7 million and RMB112.3 million respectively but offset by the increase in turnover of feeder cable series and new-type electronic components, of approximately RMB131.4 million and RMB25.5 million respectively.

Cost of goods sold

For both periods, cost of materials consumed remained the major component of the cost of goods sold. Cost of goods sold decreased generally in line with the decrease in turnover by approximately RMB51.3 million, or 4.6%, from approximately RMB1,117.6 million for 2021H1 to approximately RMB1,066.3 million for 2022H1.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series and flame-retardant flexible cable series increased by 7.8% as compared to 2021H1 and the average selling price increased 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 RMB28.3 million, or 13.7%, from approximately RMB206.7 million for 2021H1 to approximately RMB178.5 million for the first half of 2022. Overall gross profit margin decreased from approximately 15.6% for 2021H1 to approximately 14.3% for the first half of 2022. The decrease in overall gross profit margin is mainly a result of the impact from the keen price competition in the optical fibre cable series products during the Period.

Other income

Other income increased by approximately RMB0.5 million, or 5.6%, from approximately RMB8.4 million for 2021H1 to approximately RMB8.9 million for 2022H1 primarily due to the increase in interest income.

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, decreased by approximately RMB21.0 million, or approximately 62.3% from a loss of approximately RMB33.6 million for 2021H1 to a loss of approximately RMB12.7 million for 2022H1, mainly due to a slower growth in the total amount of trade receivable as compared with that in 2021H1.

Other gains and losses

Other losses were recorded of approximately RMB1.4 million for 2021H1 as compared to other gains of approximately RMB2.1 million in 2022H1, mainly attributable to an exchange loss of approximately RMB1.4 million recorded in 2021H1 as compared to an exchange gain of approximately RMB2.1 million in 2022H1.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB6.0 million, or 18.6%, from approximately RMB32.4 million for 2021H1 to approximately RMB26.4 million for 2022H1 mainly due to the decrease in intangible asset amortisation expense.

Administrative expenses

Administrative expenses decreased by approximately RMB1.3 million, or 6.1%, from approximately RMB21.1 million for 2021H1 to approximately RMB19.9 million for 2022H1 mainly due to the decrease in entertainment and travelling expense of administrative staff.

Research and development costs

Research and development costs decreased by approximately RMB7.9 million, or 25.6%, from approximately RMB30.7 million for 2021H1 to approximately RMB22.9 million for 2022H1 primarily due to the decrease in research budget in optical fibre cable series and related products.

Finance costs

Finance costs decreased by approximately RMB0.8 million, or 2.5%, from approximately RMB32.4 million for 2021H1 to approximately RMB31.6 million for 2022H1 primarily due to the decrease in the average interest rate of borrowings. As compared with 2021H1, the overall bank borrowings interest rate has decreased in 2022H1. On the other hand, the bills payables financing has enjoyed a lower interest rate than corporate loans in general.

Taxation

Taxation charge increased by approximately RMB15.9 million, or 151.5%, from approximately RMB10.5 million for 2021H1 to approximately RMB26.3 million for 2022H1. For 2021H1, the deferred tax impact on allowance for impairment losses on trade receivable was larger than the PRC Enterprise Income Tax ("EIT") for that period, therefore the Group recorded a deferred tax credit for that period. The Group's EIT arises from its principal subsidiaries in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.) ("Trigiant Technology"), a subsidiary of the Company in the PRC, which was endorsed as a High and New Technology Enterprise by relevant authorities in the PRC and was entitled to and was charged income tax in the PRC at a reduced income tax rate of 15% until the next renewal in October 2024. The increase in taxation charge for the first half of 2022 is primarily attributable to the decreased in deferred tax impact from the impairment losses of goodwill and impairment losses on trade receivables, and the withholding tax charged for the re-organisation plan which took place during 2022H1.

Profit for the period

As a combined result of the foregoing, the profit for the period of the Group decreased by approximately RMB3.2 million, or approximately 6.1%, from approximately RMB52.9 million in 2021H1 to approximately RMB49.7 million in 2022H1. The net profit margin remained at 4.0% (2021H1: 4.0%).

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 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 borrowings.

The following table summarises the cash flows for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**14,154**	(155,598)
Net cash used in investing activities	**(31,079)**	(8,591)
Net cash from (used in) financing activities	**37,108**	(12,529)

As at 30 June 2022, the Group had bank balances and cash and pledged bank deposits of approximately RMB723.2 million, the majority of which were denominated in Renminbi. As at 30 June 2022, the Group had total borrowings of approximately RMB1,826.1 million which included bank borrowings of RMB1,336.0 million and borrowings under bills payables financing arrangements of RMB490.1 million, which are repayable within one year. As at 30 June 2022, RMB786.0 million of the total bank borrowings were fixed rate borrowings, approximately RMB550.0 million were variable rate borrowings and approximately RMB490.1 million were fixed rate discounted bills payables classified as borrowings. As at 30 June 2022, borrowings of approximately RMB1,826.1 million were denominated in Renminbi.

For 2022H1, the Group had recorded (a) an increase in borrowings of approximately RMB561.1 million, whereby total borrowings as at 30 June 2022 was approximately RMB1,826.1 million when compared to the total borrowings at 31 December 2021 of approximately RMB1,265.0 million; and (b) on the other hand, a decrease in trade and other payables of approximately RMB541.7 million, whereby trade and other payables as at 30 June 2022 was approximately RMB134.8 million when compared to trade and other payables as at 31 December 2021 of approximately RMB676.5 million. The fluctuation was because the Group has entered into bills payables financing arrangements with banks and has borne such interest payment for a better trading term with those suppliers. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates of the bills payables issued by the Group at a discount offered by the suppliers. In 2022H1, taking into consideration the nature and substance of the above arrangements, the Group presents these bills payables of RMB490.1 million (31 December 2021: Nil) to the banks under these arrangements as “borrowings” in the condensed consolidated statement of financial position.

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 16.5% as at 31 December 2021 to approximately 30.2% as at 30 June 2022. Such increase was primarily resulted from the impact of the bills payables financing classified as borrowings in 2022H1. Gearing ratio is calculated by dividing total borrowings net of pledged bank deposits and bank balances and cash over total equity.

Pledge of Assets

As at 30 June 2022, the Group pledged certain bank deposits with carrying value of approximately RMB243.7 million (31 December 2021: approximately RMB210.4 million) to certain banks to secure credit facilities granted to the Group and performance bond.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022.

Employee Information

As at 30 June 2022, the Group had approximately 834 (31 December 2021: 963) 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 does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2022 (2021H1: Nil).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code as set out in Part 2 of 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 C.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, further details of which are set out in the section headed "Corporate governance report" of the 2021 annual report of the Company, 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 2022 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 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 2022.

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 2022 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 2022 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 2022 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, 26 August 2022

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