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 2023

HIGHLIGHTS

Interim results for the six months ended 30 June 2023 compared with 2022H1:

- Turnover increased slightly by approximately RMB5.8 million, or approximately 0.5%, to approximately RMB1,250.6 million;
- Gross profit margin decreased by approximately 1.7 percentage point, to approximately 12.6%;
- Profit for the period decreased by approximately RMB15.2 million, or approximately 30.6%, to approximately RMB34.5 million (2022H1: RMB49.7 million);
- Net profit margin was approximately 2.8% as compared to net profit margin in 2022H1 of approximately 4.0%;
- Earnings per share decreased from RMB2.77 cents to RMB1.93 cents; and
- The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2023 (2022H1: 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 2023 ("2023H1" or "Period") together with the comparative figures for the six months ended 30 June 2022 ("2022H1") 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 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,250,560**	1,244,756
Cost of goods sold		**(1,093,166)**	(1,066,302)
Gross profit		**157,394**	178,454
Other income	*4*	**8,440**	8,917
Impairment losses under expected credit loss model, net of reversal	*5*	**(23,793)**	(12,670)
Other gains and losses	*5*	**850**	2,071
Selling and distribution costs		**(25,745)**	(26,421)
Administrative expenses		**(22,417)**	(19,861)
Research and development costs		**(23,713)**	(22,876)
Finance costs		**(27,520)**	(31,615)
Profit before taxation	*6*	**43,496**	75,999
Taxation charge	*7*	**(9,007)**	(26,322)
Profit and total comprehensive income for the period		**34,489**	49,677
Earnings per share	*9*		
— basic		**RMB1.93 cents**	RMB2.77 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	**At 30 June 2023** ***RMB'000*** **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**164,405**	173,743
Right-of-use assets		**62,908**	64,175
Equity instruments at fair value through other comprehensive income		**309**	309
Pledged bank deposits		**104,533**	154,647
Deposits paid for acquisition of property, plant and equipment		**21,840**	21,840
Deferred tax assets		**117,653**	113,678
		471,648	528,392
Current assets			
Inventories		**203,216**	172,607
Trade and other receivables	*10*	**4,192,026**	4,115,138
Pledged bank deposits		**64,861**	36,929
Bank balances and cash		**539,967**	536,724
		5,000,070	4,861,398
Current liabilities			
Trade and other payables	*11*	**150,390**	85,611
Borrowings		**1,665,943**	1,685,100
Lease liabilities		**544**	507
Taxation payable		**50,662**	49,631
		1,867,539	1,820,849
Net current assets		**3,132,531**	3,040,549
Total assets less current liabilities		**3,604,179**	3,568,941
Non-current liabilities			
Lease liabilities		**324**	567
Government grants		**992**	1,191
Deferred tax liabilities		**23,947**	22,756
		25,263	24,514
Net assets		**3,578,916**	3,544,427
Capital and reserves			
Share capital		**14,638**	14,638
Reserves		**3,564,278**	3,529,789
Total equity		**3,578,916**	3,544,427

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 (the “Stock Exchange”).

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 change in 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 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRS issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform — Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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 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 2023

	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	640,106	470,743	83,654	54,043	2,014	–	1,250,560
— Inter-segment sales*	–	–	28,086	7,119	–	(35,205)	–
	640,106	470,743	111,740	61,162	2,014	(35,205)	1,250,560
Cost of goods sold	(555,135)	(419,724)	(100,488)	(51,432)	(1,592)	35,205	(1,093,166)
SEGMENT RESULT	84,971	51,019	11,252	9,730	422	–	157,394
Unallocated income and expenses:							
Other income							8,440
Impairment losses under ECL model, net of reversal							(23,793)
Other gains							850
Selling and distribution costs							(25,745)
Administrative expenses							(22,417)
Research and development costs							(23,713)
Finance costs							(27,520)
Profit before taxation							43,496
Taxation							(9,007)
Profit for the period							34,489

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

* 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	
	2023	2022
	RMB'000	*RMB'000*
Government grants *(note)*	**1,515**	1,410
Interest income	**6,198**	6,109
Others	**727**	1,398
	8,440	8,917

Note: Included in government grants are nil (six months ended 30 June 2022: RMB27,000) subsidies under the Employment Support Scheme provided by the Hong Kong Government, and RMB1,316,000 (six months ended 30 June 2022: RMB1,184,000) 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 2022: 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	
	2023	2022
	RMB'000	*RMB'000*
Impairment losses under ECL model, net of reversal includes the following:		
Impairment losses on trade receivables	**(23,793)**	(12,670)
Other gains and losses includes the following:		
Exchange gains	**850**	2,071

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**1,088,420**	1,061,062
(Gain) loss on disposal of property, plant and equipment	**(1)**	6
Depreciation of right-of-use assets	**1,298**	1,542
Provision on inventories	**1,908**	1,279
Short-term lease payments	**552**	403
Depreciation of property, plant and equipment	**10,222**	10,823
Less: capitalised in cost of inventories manufactured	**(8,366)**	(8,850)
	1,856	1,973

7. TAXATION CHARGE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
The taxation charge comprises:		
PRC Enterprise Income Tax	**(11,791)**	(15,900)
Withholding tax	**–**	(11,455)
Deferred taxation credit	**2,784**	1,033
Taxation charge for the period	**(9,007)**	(26,322)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Of 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 authority in the PRC. They were entitled and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in October 2024 or October/December 2025.

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. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the period has been accrued at the tax rate of 10% (2022: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

The withholding tax represents those charged to profit or loss for the re-organisation incurred during the period ended 30 June 2022 which involved the transfer of shares of certain subsidiaries within the Group.

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 2023 (six months ended 30 June 2022: nil).

During the current interim period, the Company did not declare any final dividend in respect of the year ended 31 December 2022 (six months ended 30 June 2022: no final dividend in respect of the year ended 31 December 2021).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	**34,489**	49,677
Number of shares:		
Number of ordinary shares for the purpose of basic 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 both periods.

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 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables from contracts with customers	**4,977,136**	4,875,765
Less: allowance for credit losses	**(806,612)**	(782,819)
	4,170,524	4,092,946
Trade receivables, net, aged		
0–90 days	**663,495**	698,510
91–180 days	**486,224**	640,358
181–365 days	**1,064,161**	936,572
Over 365 days	**1,956,644**	1,817,506
	4,170,524	4,092,946
Interest receivables	**7,151**	5,229
Other receivables	**653**	3,164
Tender deposits	**5,441**	4,666
Prepaid expenses	**5,518**	6,193
Staff advances	**2,739**	2,940
	4,192,026	4,115,138

Included in the Group's trade receivables at 30 June 2023 are bills receivables of RMB22,023,000 (31 December 2022: RMB36,222,000).

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 RMB23,793,000 for the six months ended 30 June 2023 (2022H1: RMB12,670,000) has been recognised during the period. As at 30 June 2023, allowance for impairment losses of trade receivables is RMB806,612,000 (31 December 2022: RMB782,819,000).

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 2023	At 31 December 2022
	RMB'000	*RMB'000*
Trade payables, aged		
0–90 days	**101,547**	27,213
91–180 days	**491**	1,343
181–365 days	**38**	37
	102,076	28,593
Accrued expenses	**11,911**	14,210
Deposits from suppliers	**14,359**	12,597
Other payables	**10,562**	9,981
Other tax payables	**805**	3,656
Payable for acquisition of property, plant and equipment	**274**	523
Payroll and welfare payables	**10,403**	16,051
	150,390	85,611

Included in the Group's trade payables at 30 June 2023 are bills payables of RMB783,000 (31 December 2022: RMB1,719,000) issued by the banks through the Group's credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Global economic growth, reeling from the ongoing Russia-Ukraine conflict, high inflation, the crisis in the European and US banking sectors and the US debt ceiling, slowed in 2023H1. Meanwhile, the Chinese economy gradually recovered with the end of the strict anti-pandemic policy in early 2023 and the normalisation of the economic and social development. The year 2023 marks the fourth year of the issuance of licenses for the commercialisation of 5G. When the economy faces great downward pressure, digitalisation and informatisation will help promote the high-quality growth of the national economy. China made continuous efforts to vigorously strengthen the construction of telecommunication infrastructure such as networks and accelerate the construction of new infrastructure, including 5G, gigabit optical network and the Internet of Things (“IoT”). The penetration rate of gigabit network and 5G network continued to improve, and telecom operators saw a growing number of 5G subscribers. In June 2023, the three major telecommunications operators secured 1.249 billion 5G package subscribers. According to the Economic Performance of the Telecommunications Industry in the First Half of 2023 published by the Ministry of Industry and Information Technology (“MIIT”), the total number of 5G base stations amounted to 2.937 million as at the end of June 2023, accounting for 26% of the total number of mobile base stations. The number of 5G base stations increased by 620,000 in 2023H1 and 900,000 such stations are expected to be built throughout the year, far higher than the target of 600,000 stations planned by the MIIT at the beginning of the year. With the rapid growth of 5G users, the number of 5G mobile subscribers reached 676 million, a net increase of 115 million from the end of 2022. The 5G mobile subscribers made up of 39.5% of mobile phone users, an increase of 6.2 percentage points from the end of 2022. The Global System for Mobile Communications Association (“GSMA”) expects China, the world’s largest 5G market, to become the world’s first market with 1 billion 5G connections by 2025. By 2030, 5G connections in China will reach 1.6 billion. Domestic telecommunications operators expedited the construction of 5G base stations during the period and unveiled multiple tender projects regarding 5G network infrastructure, including the three major telecommunications operators, whose sales account for approximately 90% of the Group’s sales, and China Tower Corporation Limited (“China Tower”). Among them, China Mobile launched two centralised procurement projects of 5G base stations worth more than RMB45 billion, while China Unicom announced a centralised procurement project of 5G base stations in August 2023, with a budget of over RMB40 billion. The Group, as one of the leading manufacturers of accessories for mobile communications and telecommunications transmission in China, is expected to benefit from such 5G development.

The Global Digital Economy White Paper released by the China Academy of Information and Communications Technology (CAICT) indicates that the global 5G population coverage was approximately 30.6% as of May 2023, and the number of 5G users worldwide reached 1.15 billion, with 58% of them in China. 5G shows a rapid development trend. With the continuous development of AR/VR, cloud gaming, high-definition video and other businesses with extremely high requirements for transmission and latency, the domestic 5G network deployment has entered a stage of refinement, and the 5G network construction is gradually moving from outdoors to indoors. In terms of strengthening the 5G indoor coverage, 5G small cells featuring low cost, high performance and easy deployment will be one of the key solutions. The Forward Industry Institute predicts that the volume of 5G small cells to be built in China from 2022 to 2025 will be 600,000, 1.5 million, 2.0 million and 1.9 million, respectively, with corresponding market progress of RMB39 billion, RMB97.5 billion, RMB130 billion and RMB123.5 billion, respectively. The construction of 5G small cells will soon reach the peak, and such small cells will become the focus of future 5G deployment. Market demand will continue to rise. The Group is actively developing small cell transmission solutions and following up the relevant bidding projects in time to keep up with the development of small cells.

Against the backdrop of the optimisation and upgrading of new information infrastructure and the accelerated construction of 5G and gigabit optical network, 5G mmWave with the advantages of large bandwidth, low latency rate and high-speed transmission is increasingly favoured by the market. With the in-depth deployment of 5G and the maturity of mmWave technology, the MIIT released a circular on the adjustment of frequency use plan and radio management for microwave communications systems in January 2023, which for the first time included mmWave frequency band into the usage rules. The mmWave technology is expected to be rapidly applied and promoted in China. In view of specific applications of mmWave, China Unicom has disclosed its overall plan for mmWave in the 5G-A Era. According to the China Unicom 5G Millimeter Wave Technology White Paper 3.0, it will improve mmWave network capabilities in three stages: conduct tests on scenario-based deployment for mmWave networks depending on the frequency policy in 2023, verify R18 and other key capabilities in 2024, and explore innovative applications of mmWave in 2025. China Mobile has completed the key technical verification for 5G mmWave. The market demand for mmWave is expected to increase significantly. During the period, the Group actively participated in mmWave-related exhibitions at home and abroad and developed products in response to customers' needs. The products developed include 76–96 GHz frequency mixer, 75–110 GHz sextupler and 18–30 GHz up/down converters, which were recognised by customers in the industry. With the establishment of its Trigiant mmWave website in both Chinese and English, the Group has been actively expanding its domestic and overseas markets and strengthening its mmWave product portfolio to capture the huge development opportunities in the mmWave market.

Driven by new infrastructure, the demand for digital economy continues to grow, and the communications market continues to improve. The MIIT recently released a new version of the Regulation on Radio Frequency Allocation of the People's Republic of China. It takes the lead in the world in the allocation of the 6GHz frequency band for 5G/6G systems, contributing to wider applications of 5G. The 6GHz spectrum has its coverage and capacity advantages taken into account. The 6GHz range is particularly suitable for the deployment of 5G systems or 6G systems in the future, as it helps to meet the growing demand in network capacity. The new regulation will help stabilise the expectations of the 5G/6G industries, promote global and regional 5G/6G spectrum division in a consistent manner, provide sufficient mid-band resources for the development of 5G/6G, and propel the development and innovation of mobile communications technology.

During the period, the Group actively participated in multiple bidding projects. For instance, it won the bid for China Mobile's centralised procurement project of communications power cables from 2023 to 2025 (two-year period), China Mobile's centralised procurement project of feeder cables and feeder cable connectors from 2023 to 2024 (two-year period) and China Telecom's second centralised procurement project of feeder cables and accessories in 2023, laying a solid foundation for its business development.

RESULTS ANALYSIS

In 2023H1, the Group's turnover slightly increased by approximately RMB5.8 million, or 0.5%, to approximately RMB1,250.6 million for 2023H1.

The profit for the Period of the Group decreased by approximately RMB15.2 million, or approximately 30.6%, from approximately RMB49.7 million in 2022H1 to approximately RMB34.5 million in 2023H1. The earnings per share decreased from approximately RMB2.77 cents in 2022H1 to approximately RMB1.93 cents in 2023H1.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2023	2022	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Feeder cable series	**640,106**	573,598	66,508	11.6
Flame-retardant flexible cable series	**470,743**	481,322	(10,579)	-2.2
Optical fibre cable series and related products	**83,654**	104,575	(20,921)	-20.0
New-type electronic components	**54,043**	83,796	(29,753)	-35.5
Other accessories	**2,014**	1,465	549	37.5
Total	**1,250,560**	1,244,756	5,804	0.5

Feeder Cable Series — Approximately 51.2% of the Total Turnover

The turnover of feeder cable series increased by approximately 11.6% to approximately RMB640.1 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 3,400 kilometres to approximately 53,000 kilometres as compared to the corresponding period in last year. As a result of the continuous competition in the industry during the Period, the gross profit margin decreased by approximately 2.6 percentage points to approximately 13.3% as compared to the corresponding period in last year.

Flame-retardant Flexible Cable Series — Approximately 37.6% 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 2.2% to approximately RMB470.7 million for the Period as compared to the corresponding period in last year. As a result of the continuous competition in the industry during the Period, the gross profit margin decreased by 2.0 percentage points to approximately 10.8% as compared to the corresponding period in last year.

Optical Fibre Cable Series and Related Products — Approximately 6.7% of the Total Turnover

The turnover of optical fibre cable series and related products decreased by approximately 20.0% to approximately RMB83.7 million as compared to the corresponding period in last year. Sales volume of optical fibre increased by approximately 50,000 fibre kilometres to approximately 1,345,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 1.6 percentage points to approximately 13.5% as a result of the continuous competition in the industry.

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 39.2%, 36.9% and 14.0%, 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 2023, the Group was a supplier to 30 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 2023, the Group has obtained 209 patents, including 71 invention patents and 138 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; 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 September 2022.

Prospects and Future Plans

Looking ahead to the second half of 2023, the worlds's economy still faces many challenges. The interest rate hike policies of major central banks in Europe and the United States will amplify global financial risks. Trade frictions and shrinking external demand will put pressure on the domestic economy. The Chinese government has recently rolled out a package of economic stimulus measures to expand domestic demand and stimulate overall economic growth. The value of 5G is increasing, and many industries are actively embracing 5G. The upgrading of personal digital applications and the digital transformation in various vertical industries have put forward higher requirements for the development of 5G. As 5G continues to maintain rapid development, there is still a need for large-scale deployment of 5G base stations. CICT Mobile estimates that there will be approximately 1.8 million low-band 5G base stations, 5 million mid-band 5G base stations, and 1 million high-band 5G base stations in China in the future. According to the GSMA's Mobile Economy China 2023, 5G is expected to overtake 4G to become the dominant mobile technology in China by 2024, and China will be the first market with 1 billion 5G connections by 2025. The Group, as a core product supplier for the construction of 5G base stations, will continue to benefit from the in-depth development of 5G. We will actively invest in the innovation and R&D of related products, including optical-electrical hybrid cable components for 5G base stations and NEX10 connectors with broadband and low insertion loss for 5G communications.

The Third Generation Partnership Project (3GPP) officially confirmed in 2021 5G-Advanced (5G-A) as the official name for the next stage of 5G evolution. 5.5G is regarded as a bridge between 5G and 6G. Recently, Huawei announced that it will launch a complete set of commercial 5.5G network equipment in 2024, marking the beginning of the 5.5G era for the industry. In addition, China is working hard to explore potential key technologies for 6G and promote the R&D of 6G technology. The Group has been keeping a close eye on the development progress of the industry and has been actively conducting pre-studies on 6G products to prepare for the arrival of 6G.

Seizing opportunities from of mmWave development, and accelerating the investment in R&D of related products

At present, mmWave has been fully applied in military fields such as radar detection and satellite remote sensing, as well as in civilian fields such as vehicle and spaceborne telemetry and 5G. The mmWave industry chain is expected to see explosive growth. It is predicted that the critical bottlenecks in mmWave technology will be overcame in the 5.5G era. In addition, baseband manufacturers have already released commercial 5G mmWave chips, and mmWave is becoming commercially available. In its Study on Socio-Economic Benefits of 5G Services Provided in mmWave Bands, the GSMA predicts that the contribution of mmWave 5G to global GDP will grow exponentially over the 2020–2034 period and it will contribute US$565 billion to global GDP by 2034. Relying on its technological advantages and in response to market needs, the Group has been actively promoting the R&D of 75–110 GHz products. Currently, Trigiant MMWave has the capability of researching, developing and testing the full frequency band of 75–110 GHz, and will increase its investment in the R&D of 75–110 GHz products in the future. The Group has also strengthened its R&D and production of various products in the DC-50 GHz frequency range as well as the R&D of 5G mmWave Q-band point-to-point communications product technologies. In terms of market development, the Group actively participates in various exhibitions in the industry to increase it popularity and at the same time serves customers in domestic and overseas markets to continuously expand its business territory. It is expected that the mmWave business will make a more significant contribution to the Group's revenue in the next two years.

Continuously making presence in IoT business

With the increasingly urgent digital transformation of the economy and society, the IoT becomes one of the key technologies in the development of digital economy, and the industry demand shows a rapid growth trend. With the release of the Three-Year Action Plan for the Construction of New IoT Infrastructure (2021–2023), the IoT industry wins great support for development from the government. The International Data Corporation (IDC) forecasts that China's spending on IoT will reach US$300 billion by 2027, ranking first in the world and accounting for approximately a quarter of the world's total IoT investment. The national innovation alliance for IoT and AI applications in forestry and grassland that the Group has joined is currently working in an orderly manner. The Group is actively seeking suitable investment opportunities for the development of its IoT business.

Identifying new customers and actively expanding overseas markets

China has emerged as one of the most aggressive countries promoting 5G and is predicted to be one of the top four markets that will drive the growth of 5G in Asia. It is projected to become the world's largest 5G market by 2025. As the fourth largest operator in China, China Broadcasting had more than 13 million 5G package subscribers as at the end of June 2023, with more than 1 million new subscribers every month. Constant efforts were made to push ahead with its 5G deployment. The Group's cooperation with China Broadcasting is in progress and it has been actively participating in tenders in various provinces. Meanwhile, the Group will continue to maintain long-term partnerships with the three major telecom operators, China Tower, ZTE, Huawei and other partners, closely follow up the relevant tender projects, and deepen the cooperation with universities and colleges, in order to seek different cooperation opportunities from various angles. In terms of overseas market development, the Group plans to attend exhibitions and visit customers in overseas countries such as the US and South Korea to promote customised products with high profit margins and strong demand from customers, so as to further strengthen its market share and cultivate a wider and more diversified customer base.

Financial Review

Turnover

In the first half of 2023, turnover increased slightly by approximately RMB5.8 million, or 0.5%, from approximately RMB1,244.8 million for 2022H1 to approximately RMB1,250.6 million for the first half of 2023. The increase in turnover was mainly contributed by the increase in turnover of feeder cable series of approximately RMB66.5 million but offset by the decrease in turnover of new-type electronic components, optical fibre cable series and related products and flame-retardant flexible cable series, of approximately RMB29.8 million, RMB20.9 million and RMB10.6 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 increased slightly generally in line with the slight increase in turnover by approximately RMB26.9 million, or 2.5%, from approximately RMB1,066.3 million for 2022H1 to approximately RMB1,093.2 million for 2023H1.

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 decreased by 5.3% as compared to 2022H1 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 RMB21.1 million, or 11.8%, from approximately RMB178.5 million for 2022H1 to approximately RMB157.4 million for the first half of 2023. Overall gross profit margin decreased from approximately 14.3% for 2022H1 to approximately 12.6% for the first half of 2023. The decrease in overall gross profit margin is mainly a result of the impact from the continuous competition in the industry during the Period.

Other income

Other income decreased by approximately RMB0.5 million, or 5.3%, from approximately RMB8.9 million for 2022H1 to approximately RMB8.4 million for 2023H1 primarily due to the decrease in resale of optical fibre.

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, increased by approximately RMB11.1 million, or approximately 87.8% from a loss of approximately RMB12.7 million for 2022H1 to a loss of approximately RMB23.8 million for 2023H1, as the aging of trade receivables as of 30 June 2023 has increased.

Other gains and losses

Other gains were recorded of approximately RMB2.1 million for 2022H1 as compared to other gains of approximately RMB0.9 million in 2023H1, mainly attributable to an exchange gain of approximately RMB2.1 million recorded in 2022H1 as compared to an exchange gain of approximately RMB0.9 million in 2023H1.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB0.7 million, or 2.6%, from approximately RMB26.4 million for 2022H1 to approximately RMB25.7 million for 2023H1 mainly due to the decrease in local travelling expense.

Administrative expenses

Administrative expenses increased by approximately RMB2.6 million, or 12.9%, from approximately RMB19.9 million for 2022H1 to approximately RMB22.4 million for 2023H1 mainly due to the increase in legal and professional fee and office expense.

Research and development costs

Research and development costs increased by approximately RMB0.8 million, or 3.7%, from approximately RMB22.9 million for 2022H1 to approximately RMB23.7 million for 2023H1 primarily affected by the progress of research projects.

Finance costs

Finance costs decreased by approximately RMB4.1 million, or 13.0%, from approximately RMB31.6 million for 2022H1 to approximately RMB27.5 million for 2023H1 primarily due to the decrease in the average interest rate of borrowings. As compared with 2022H1, the overall bank borrowings interest rate has decreased in 2023H1.

Taxation

Taxation charge decreased by approximately RMB17.3 million, or 65.8%, from approximately RMB26.3 million for 2022H1 to approximately RMB9.0 million for 2023H1. The decrease in taxation charge for 2023H1 is primarily attributable to the one-off withholding tax charged for the re-organisation plan which took place during 2022H1 with no related tax charge in 2023H1.

Profit for the period

As a combined result of the foregoing, the profit for the period of the Group decreased by approximately RMB15.2 million, or approximately 30.6%, from approximately RMB49.7 million in 2022H1 to approximately RMB34.5 million in 2023H1. The net profit margin decreased from approximately 4.0% for 2022H1 to approximately 2.8% for 2023H1.

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 2023 and 2022:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Net cash from operating activities	**255,673**	14,154
Net cash from/(used in) investing activities	**25,326**	(31,079)
Net cash (used in)/from financing activities	**(277,756)**	37,108

As at 30 June 2023, the Group had bank balances and cash and pledged bank deposits of approximately RMB709.4 million, the majority of which were denominated in Renminbi. As at 30 June 2023, the Group had net borrowings of approximately RMB1,665.9 million which included bank borrowings of RMB1,205.0 million, borrowings under bills payables financing arrangements of RMB466.1 million, which are repayable within one year and prepaid interest of approximately RMB5.2 million partially offset the borrowings. As at 30 June 2023, RMB675.0 million of the total bank borrowings were fixed rate borrowings, approximately RMB530.0 million were variable rate borrowings and approximately RMB466.1 million were fixed rate discounted bills payables classified as borrowings. As at 30 June 2023, borrowings of approximately RMB1,665.9 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 decreased slightly from approximately 27.0% as at 31 December 2022 to approximately 26.7% as at 30 June 2023. Such decrease was primarily resulted from the impact of slight decrease in borrowings in 2023H1. 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 2023, the Group pledged certain bank deposits with carrying value of approximately RMB169.4 million (31 December 2022: approximately RMB191.6 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 2023.

Employee Information

As at 30 June 2023, the Group had approximately 743 (31 December 2022: 748) 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 2023 (2022H1: Nil).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code ("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") 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 2022 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 2023 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 2023.

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 2023.

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. Zhao Huanqi. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2023 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 2023 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 2023 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, 29 August 2023

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. Zhang Dongjie
Independent non-executive Directors:	Professor Jin Xiaofeng Mr. Chan Fan Shing Mr. Zhao Huanqi