TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1300

Interim Report 2012

* For identification purposes only

Contents

Corporate Information

Executive Directors

Qian Lirong *(Chairman)*
Jiang Wei *(Group chief executive officer)*

Independent Non-executive Directors

Professor Jin Xiaofeng
Poon Yick Pang Philip
Ng Wai Hung
Jia Lina

Audit Committee

Poon Yick Pang Philip *(Chairman)*
Jia Lina
Ng Wai Hung
Professor Jin Xiaofeng

Remuneration Committee

Ng Wai Hung *(Chairman)*
Poon Yick Pang Philip
Jiang Wei

Nomination Committee

Professor Jin Xiaofeng *(Chairman)*
Poon Yick Pang Philip
Jia Lina

Corporate Governance Committee

Jiang Wei *(Chairman)*
Poon Yick Pang Philip
Ng Wai Hung

Company Secretary

Lau Chi Hung, *CPA (Practising), FCCA, ACA*

Authorised Representatives

Lau Chi Hung
Qian Lirong
Poon Yick Pang Philip
(alternate to Qian Lirong)

Registered Office

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Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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Wanchai,
Hong Kong

Headquarters and Principal Place of Business in the People's Republic of China ("PRC")

No. 1 Junzhi Road
Industrial Park for Environmental Protection Science & Technology
Yixing City
Jiangsu Province
PRC

Investor Relations

Lau Chi Hung
(Group chief financial officer)
Email: ir@trigiant.com.cn

Company Website

www.trigiant.com.hk

HKEx Stock Code

1300

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Compliance Adviser

RaffAello Capital Limited

Legal Advisers

Leung & Lau *(Hong Kong law)*
Jin Mao PRC Lawyers *(PRC law)*
Conyers Dill & Pearman (Cayman) Limited
(Cayman Islands law)

Principal Bankers

China Construction Bank, Yixing Branch
Bank of China, Yixing Sub-branch
Agricultural Bank of China, Yixing Branch
Bank of JiangSu, Yixing Branch
China Everbright Bank, Wuxi Branch
China Citic Bank, Wuxi Branch
The Hongkong and Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Highlights

Interim results for the six months ended 30 June 2012 compared with the six months ended 30 June 2011:

- Turnover up RMB217.5 million, or 24.8%, to RMB1,093.9 million

- Profit for the period attributable to owners of the Company up 25.3% to RMB127.3 million

- Gross profit margin increased from 21.5% to 24.3%

- Net profit margin stood at 11.6%

- Earnings per share increased from RMB12.70 cents to RMB13.93 cents

- Interim dividend declared was HK5 cents per share

The board ("Board") of directors of Trigiant Group Limited ("Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 and the relevant explanatory notes contained in this report. The interim financial statements are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, and the audit committee of the Board.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF TRIGIANT GROUP LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries set out on pages 7 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	 2011 RMB'000 (Unaudited)
Turnover	3	**1,093,939**	876,385
Cost of goods sold		**(828,601)**	(687,541)
Gross profit		**265,338**	188,844
Other gains and losses	4	**7,241**	6,876
Selling and distribution costs		**(37,770)**	(18,010)
Administrative expenses		**(27,397)**	(28,159)
Other expenses		**(13,275)**	(5,604)
Finance costs		**(41,470)**	(23,270)
Profit before taxation		**152,667**	120,677
Taxation	5	**(25,332)**	(19,050)
Profit and total comprehensive income for the period attributable to owners of the Company	6	**127,335**	101,627
Earnings per share – basic	8	**13.93 cents**	12.70 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Non-current assets			
Investment properties	*9*	**18,600**	18,300
Property, plant and equipment	*10*	**178,517**	181,970
Land use rights		**70,783**	71,683
Available-for-sale investments		**20,000**	20,000
		287,900	291,953
Current assets			
Inventories		**329,865**	111,751
Trade and other receivables	*11*	**1,424,037**	1,168,881
Land use rights		**1,800**	1,800
Pledged bank deposits		**239,390**	242,401
Bank balances and cash		**405,565**	383,548
		2,400,657	1,908,381
Current liabilities			
Trade and other payables	*12*	**462,251**	490,956
Amount due to a director	*13*	**–**	14,680
Taxation payable		**21,604**	10,037
Bank borrowings – amount due within one year	*14*	**1,149,299**	940,300
		1,633,154	1,455,973
Net current assets		**767,503**	452,408
Total assets less current liabilities		**1,055,403**	744,361

	Notes	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Non-current liabilities			
Government grants		2,209	2,431
Bank borrowings – due after one year	14	110,000	110,000
Deferred taxation	15	22,835	18,399
		135,044	130,830
		920,359	613,531
Capital and reserves			
Share capital	16	8,140	82
Reserves		912,219	613,449
		920,359	613,531

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 *(Note a)*	Special reserve RMB'000 *(Note b)*	Other reserve RMB'000	Property revaluation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2012 (audited)	82	191,810	71,982	62,947	24	622	286,064	613,531
Profit and total comprehensive income for the period	–	–	–	–	–	–	127,335	127,335
Capitalisation issue *(note 16)*	6,430	(6,430)	–	–	–	–	–	–
Issue of shares pursuant to initial public offering *(note 16)*	1,628	193,718	–	–	–	–	–	195,346
Expenses incurred in connection with the issue of shares	–	(15,853)	–	–	–	–	–	(15,853)
At 30 June 2012 (unaudited)	8,140	363,245	71,982	62,947	24	622	413,399	920,359
At 1 January 2011 (audited)	7	–	38,718	62,947	–	622	112,543	214,837
Profit and total comprehensive income for the period	–	–	–	–	–	–	101,627	101,627
At 30 June 2011 (unaudited)	7	–	38,718	62,947	–	622	214,170	316,464

Notes:

(a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.) ("Jiangsu Trigiant"), the PRC subsidiary of the Company, is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of Jiangsu Trigiant while the amount and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.

(b) The special reserve represents the difference between the aggregate consideration of US$30,000,000 (equivalent to RMB204,906,000) and the net fair value of assets and liabilities of Jiangsu Trigiant as a result of the acquisition of Jiangsu Trigiant on 29 December 2009.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Net cash used in operating activities	**(304,867)**	(163,379)
Investing activities		
Interest received	**4,632**	2,941
Purchases of property, plant and equipment	**(5,232)**	(88)
Payment for acquisition of land use rights	**(8,000)**	(8,000)
New pledged bank deposits raised	**(150,740)**	(97,335)
Release of pledged bank deposits	**153,751**	61,400
Governments grants received	**–**	382
Net cash used in investing activities	**(5,589)**	(40,700)
Financing activities		
Interest paid	**(41,339)**	(22,142)
Proceeds on issue of shares	**195,346**	–
Expenses incurred in connection to issue of shares	**(15,853)**	–
New bank borrowings raised	**996,299**	447,100
Repayment of bank borrowings	**(787,300)**	(446,700)
(Repayment to) advance from a director	**(14,680)**	5,703
Net cash from (used in) financing activities	**332,473**	(16,039)
Net increase (decrease) in cash and cash equivalents	**22,017**	(220,118)
Cash and cash equivalents at 1 January	**383,548**	338,916
Cash and cash equivalents at 30 June, represented by bank balances and cash	**405,565**	118,798

1. Basis of Preparation

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

In preparation of the initial listing of the shares of the Company ("Listing") on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent a group reorganisation ("Group Reorganisation") to rationalise the group structure. As a result of the Group Reorganisation, the Company became the holding company of the Group on 23 August 2011. Details of the Group Reorganisation are more fully explained in the section headed "Reorganisation" in Appendix V to the prospectus of the Company dated 6 March 2012. The Group resulting from the Group Reorganisation is regarded as a continuing entity. The condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2011 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group during that period.

The shares of the Company were listed on the Stock Exchange on 19 March 2012.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

2. Principal Accounting Policies (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 — Financial Instruments: Disclosures – Transfers to Financial Assets; and
- amendments to HKAS 12 — Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sales for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. Upon the application of the amendments to HKAS 12, the Group continues to recognise deferred tax on change in fair value of investment properties on the basis that the entire carrying amounts of the properties are expected to be recovered through use. As a result, no additional deferred tax provision is required in the current and prior periods.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

3. Segment Information

Turnover represents the fair value of the consideration received and receivable for goods sold during the period.

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

- Radio Frequency ("RF") coaxial cable series
- Flame-retardant flexible cable series
- New-type electronic components
- Others (mainly represented by other accessories)

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the executive directors of the Company when making decisions about allocating resources and assessing performance of the Group.

The flame-retardant flexible cable series operation was introduced in early 2011 to the Group, however, as the result for this operation was insignificant and therefore, it was not separately reported to the CODM in prior periods. During the current interim period, with the expansion of the flame-retardant flexible cable series operation, the related financial information has been reported to the CODM and considered as a separate operating segment. Accordingly, comparative information of flame-retardant flexible cable series, which was included in others, has been re-presented.

The segment result represents the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other gains and losses, selling and distribution costs, administrative expenses, other expenses, finance costs and taxation are not allocated to each reportable segment.

3. Segment Information (Continued)

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2012

	RF coaxial cable series RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Others RMB'000	Total RMB'000
Turnover	832,229	171,839	47,351	42,520	1,093,939
Cost of goods sold	(623,279)	(131,164)	(35,004)	(39,154)	(828,601)
SEGMENT RESULT	208,950	40,675	12,347	3,366	265,338
Unallocated income and expenses:					
Other gains and losses					7,241
Selling and distribution costs					(37,770)
Administrative expenses					(27,397)
Other expenses					(13,275)
Finance costs					(41,470)
Profit before taxation					152,667
Taxation					(25,332)
Profit for the period					127,335

3. Segment Information (Continued)

For the six months ended 30 June 2011

	RF coaxial cable series RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Others RMB'000	Total RMB'000
Turnover	817,108	12,001	36,322	10,954	876,385
Cost of goods sold	(635,694)	(13,471)	(29,318)	(9,058)	(687,541)
SEGMENT RESULT	181,414	(1,470)	7,004	1,896	188,844
Unallocated income and expenses:					
Other gains and losses					6,876
Selling and distribution costs					(18,010)
Administrative expenses					(28,159)
Other expenses					(5,604)
Finance costs					(23,270)
Profit before taxation					120,677
Taxation					(19,050)
Profit for the period					101,627

4. Other Gains And Losses

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Exchange gain	**69**	3,291
Gain on fair value changes on investment properties	**300**	200
Government grants	**1,984**	567
Interest income	**4,469**	2,061
Rental income	**363**	363
Others	**56**	394
	7,241	6,876

5. Taxation

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**20,896**	16,855
Deferred taxation *(Note 15)*	**4,436**	2,195
Taxation for the period	**25,332**	19,050

PRC Enterprise Income Tax represents the income tax in the PRC which is calculated at 12.5% (six months ended 30 June 2011: 12.5%) on the taxable income of Jiangsu Trigiant in accordance with relevant laws and regulations in the PRC.

5. Taxation (Continued)

Pursuant to the relevant laws and regulations, Jiangsu Trigiant was entitled to exemption from Foreign Enterprise Income Tax ("FEIT") for the first two years commencing from its first profit-making year in 2008, followed by a 50% reduction on the FEIT for the following three years.

No provision for Hong Kong Profits Tax is made in the condensed consolidated financial statements as the Group did not have assessable profits in Hong Kong for both periods.

6. Profit for the Period

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as expenses	**828,601**	687,541
Research and development costs (included in administrative expenses)	**4,333**	460
Expenses in relation to initial public offering of the Company's shares (included in other expenses)	**13,275**	5,604
Operating lease rentals in respect of land use rights	**900**	893
Depreciation of property, plant and equipment	**8,583**	7,848

7. Dividends

No dividends were paid, declared or proposed during the interim period. Subsequent to the end of the current interim period, interim dividend of 5 HK cents (six months ended 30 June 2011: nil) per share has been proposed by the directors.

8. Earnings Per Share

The calculation of the basic earnings per share for the period is based on the following data and on the assumption that the Group Reorganisation and capitalisation issue (note 16) has been effective on 1 January 2011:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**127,335**	101,627

	Six months ended 30 June	
	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**914,285,714**	800,000,000

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during the period.

9. Investment Properties

The fair value of the Group's investment properties at 30 June 2012 and 31 December 2011 have been arrived at on the basis of a valuation carried out at those dates by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group. The valuation was arrived at by reference to rental income using applicable market yields for similar locations and types of properties. The resulting increase in fair value of investment properties of RMB300,000 has been recognised directly in profit and loss for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB200,000).

10. Property, Plant and Equipment

During the six months ended 30 June 2012, the Group spent approximately RMB5,130,000 (six months ended 30 June 2011: RMB464,000) on acquisitions of plant and machinery.

11. Trade and Other Receivables

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

The following is an analysis of trade and other receivables and an aged analysis of the trade and bill receivables presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade and bills receivables, aged		
0 – 90 days	**1,033,579**	798,185
91 – 180 days	**310,681**	260,765
181 – 365 days	**65,445**	93,932
Over 365 days	**–**	2,495
	1,409,705	1,155,377
Other receivables and prepayments	**6,917**	13,504
Value added tax recoverable	**7,415**	–
	1,424,037	1,168,881

Included in trade and bills receivables balance are amounts of RMB897,905,000 (31 December 2011: RMB606,299,000) which goods were delivered but invoice not yet issued. The balance is included in 0 to 90 days band in the above aged analysis.

12. Trade and Other Payables

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade and bills payables, aged		
0 – 90 days	**185,824**	280,253
91 – 180 days	**232,743**	169,057
	418,567	449,310
Payroll and welfare payables	**6,919**	7,557
Other tax payables	**673**	3,187
Deposits from suppliers	**9,371**	7,903
Payable for acquisition of property, plant and equipment	**1,430**	1,532
Payables for acquisition of land use rights	**5,502**	13,502
Other payables and accruals	**19,789**	7,965
	462,251	490,956

13. Amount due to a Director

The amount was unsecured, interest-free and fully repaid during the current interim period.

14. Bank Borrowings

During the current interim period, the Group obtained new short-term bank loans amounting to RMB996,299,000 (six months ended 30 June 2011: RMB447,100,000) and repaid bank loans amounting to RMB787,300,000 (six months ended 30 June 2011: RMB446,700,000). The proceeds were used for daily operation of the Group.

15. Deferred Taxation

The following is the deferred tax liabilities recognised by the Group and movements thereon during the current interim period:

	Fair value adjustment on acquisition RMB'000	Tax on undistributed earnings RMB'000	Revaluation of properties RMB'000	Total RMB'000
At 1 January 2011	9,270	3,359	308	12,937
(Credit) charge to profit or loss for the year	(198)	5,560	100	5,462
At 31 December 2011	9,072	8,919	408	18,399
(Credit) charge to profit or loss for the period	(99)	4,460	75	4,436
At 30 June 2012 (unaudited)	8,973	13,379	483	22,835

16. Share Capital

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2011	10,000,000	100,000	
Increase pursuant to the Group Reorganisation	9,990,000,000	99,900,000	
At 31 December 2011 and 30 June 2012	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2011	1	–	–
Issue of shares pursuant to the Group Reorganisation	9,999,999	100,000	82
At 31 December 2011	10,000,000	100,000	82
Capitalisation issue	790,000,000	7,900,000	6,430
Issue of shares pursuant to initial public offering	200,000,000	2,000,000	1,628
At 30 June 2012	1,000,000,000	10,000,000	8,140

16. Share Capital (Continued)

The movements in the Company's authorised and issued share capital during the period from 1 January 2011 to 30 June 2012 are as follows:

(a) On 23 August 2011, pursuant to the Group Reorganisation, the Company (i) allotted and issued, credited as fully paid, 9,999,999 ordinary shares of HK$0.01 each to Trigiant Investments Limited ("Trigiant Investments") and (ii) credited as fully paid the nil paid share of HK$0.01 then held by Trigiant Investments, that was transferred from its then shareholder, as the consideration for the transfer of the entire issued share capital of Trigiant Holdings Limited from its then shareholders to the Company.

(b) On 7 September 2011, the increase in authorised share capital of the Company and the capitalisation issue was approved, pursuant to the resolutions in writing of the sole shareholder of the Company, Trigiant Investments, and on the same date, the authorised share capital of the Company increased to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each. The capitalisation issue was conditional upon Listing as detailed in paragraph (d) below.

(c) On 19 March 2012, the Company issued 200,000,000 ordinary shares of HK$0.01 each at HK$1.20 per share (equivalent to RMB0.008 each at RMB0.977 per share) by way of initial public offering.

(d) On 19 March 2012, pursuant to the resolution of the sole shareholder of the Company on 7 September 2011, the Company capitalised an amount of HK$7,900,000 (approximately RMB6,430,000) standing to the credit of its reserves in paying-up in full 790,000,000 ordinary shares as at 7 September 2011, which were allotted and issued to Trigiant investments, being the then sole shareholder of the Company.

All ordinary shares of the Company issued during current interim period rank pari passu with the then existing ordinary shares in all respects.

17. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within one year	249	573
In the second to fifth years inclusive	163	100
	412	673

The leases are negotiated for a lease term of 1 to 2 years at fixed monthly rental.

The Group as lessor

Property rental income earned during the current period was RMB363,000 (six months ended 30 June 2011: RMB363,000). The Group's properties are expected to generate rental yield of 4.0% on an ongoing basis. All of the properties held have committed tenants for the next one (31 December 2011: two) year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within one year	484	725
In the second to fifth years inclusive	–	121
	484	846

18. Pledge of Assets

At 30 June 2012, the Group has pledged certain property, plant and equipment with an aggregate carrying amount of RMB56,518,000 (31 December 2011: RMB64,148,000) to various banks to secure bank borrowings and general banking facilities granted to the Group.

At 30 June 2012, the Group has pledged its land use rights with carrying value of approximately RMB34,954,000 (31 December 2011: RMB35,387,000) to secure general banking facilities granted to the Group.

19. Related Party Transactions

(a) Other than the transactions and balances with related parties disclosed in the respective notes, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Rented buildings to and received rental income from:		
– Jiangsu Trigiant Opto-electrical Telecommunication Co. Ltd. ("Jiangsu Opto-electrical")	**242**	242
– Jiangsu Trigiant Sensing Technology Co., Ltd. ("Jiangsu Sensing")	**121**	121
	363	363
Sale of goods to:		
– Jiangsu Opto-electrical	**34**	1,286
Purchase of goods from:		
– Jiangsu Opto-electrical	**2,877**	–
– Jiangsu Sensing	**14,923**	–
	17,800	–

19. Related Party Transactions (Continued)

(b) The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2012, directors' emoluments of approximately RMB833,000 (six months ended 30 June 2011: RMB173,000) were paid or payable to the directors of the Company.

20. Capital Commitments

As at 30 June 2012, the Group was committed to acquire property, plant and equipment of RMB152,000 (31 December 2011: RMB1,124,000).

Overview

The Group delivered its remarkable interim results for the six months ended 30 June 2012 ("first half of 2012") amid slowing economy in the People's Republic of China ("China"). The turnover of the Group for the first half of 2012 increased by 24.8% to RMB1,093.9 million, compared with the six months ended 30 June 2011 ("first half of 2011"). Profit attributable to the owners of the Company for the first half of 2012 was RMB127.3 million, up 25.3% compared with the first half of 2011. Earnings per share for the first half of 2012 was RMB13.93 cents (RMB12.70 cents for the first half of 2011).

Business Review

During the first half of 2012, China's three major telecommunication operators, namely 中國移動通信集團公司 China Mobile Communications Corporation ("China Mobile"), 中國聯合網絡通信有限公司 China United Network Communications Limited ("China Unicom") and 中國電信集團公司 China Telecommunications Corporation ("China Telecom") remained as our key customers.

Compared with the first half of 2011, the aggregate sales to China's three major telecommunication operators rose by 26.0% to RMB1,044.7 million in the first half of 2012 primarily due to the increase in sales to China Mobile. Sales to China Mobile, China Unicom and China Telecom in in the first half of 2012 accounted for 59.1%, 35.0% and 1.4% of the Group's total turnover respectively, while the comparative sales portion in the first half of 2011 were 48.4%, 43.9% and 2.2% respectively. The Group sells its products to provincial subsidiaries/branches of China Mobile, China Unicom and China Telecom covering 31 provinces in China, with the latest coverage of 24, 28 and 23 respectively.

RF coaxial cable series

RF coaxial cables are widely used in the transmission systems of telecommunications operators and equipment manufacturers, such as mobile networks, highways, railways, tunnels, underground facilities and high-rise buildings.

During the first half of 2012, the demand for RF coaxial cables remained strong. Compared with the first half of 2011, the sales volume of RF coaxial cables increased by 2,516 km to 54,348 km in the first half of 2012. The corresponding sales of RF coaxial cables grew by RMB15.1 million to RMB832.2 million, accounting for 76.1% of the total turnover.

Primarily driven by the demand from China's major telecommunication operators for their optimisation of certain networks, more RF coaxial cables with higher transmission performance were sold in the first half of 2012 than in the first half of 2011. Such RF coaxial cables had higher unit selling prices and gross profit margins than general RF coaxial cables sold by the Group. As a result, the gross profit margin of RF coaxial cables rose to 25.1% in the first half of 2012.

Despite more RF coaxial cables with higher unit selling prices were sold, the average unit selling price of RF coaxial cables slightly decreased by 2.9% to RMB15,313 per km in the first half of 2012 as compared with the first half of 2011. This was primarily attributable to the decline in the average market price of copper which in turn affected the price of copper-based materials, being the major components of the RF coaxial cables produced by the Group. According to Shanghai Yangtze River Nonferrous Metals Net, the average market price of copper in the first half of 2012 dropped by approximately 18% as compared with the first half of 2011.

Flame-retardant flexible cable series

Flame-retardant flexible cables are mainly used in power systems of telecommunication networks and infrastructure such as base stations and high-rise buildings.

Compared with RMB12.0 million in the first of 2011, sales of flame-retardant flexible cables increased significantly by RMB159.8 million to RMB171.8 million which represented 15.7% of the Group's total turnover in the first half of 2012. This was primarily due to the increase in sales in the second quarter of 2012 after the winning of a tender to supply flame-retardant flexible cables to one of China's three major telecommunication operators.

Benefitting from the improvement in economies of scale, the gross profit margin of this business segment rose to 23.7% in the first half of 2012, whereas there was a gross loss of RMB1.5 million in the first half of 2011 primarily due to the low production volume in the early stage of development.

New-type electronic components and others

In the first half of 2012, sales of new-type electronic components and other accessories accounted for 4.3% and 3.9%, respectively, of the Group's total turnover. Compared with the first half of 2011, the corresponding sales increased by RMB11.0 million and RMB31.6 million respectively, primarily due to increased demand from China's major telecommunication operators for their optimisation of certain networks.

Increased inventories to meet customers' demand

Compared with 31 December 2011, inventories as at 30 June 2012 increased significantly by RMB218.1 million primarily due to the increase in finished goods pending shipment to customers. According to the Group's latest financial information available, the unaudited turnover in July 2012 was RMB211.4 million, RMB141.1 million higher than the unaudited turnover in January 2012.

Prospects

Referring to recent statistics released by China's three major telecommunications operators, the number of 3G subscribers as of June 2012 reached 176 million with a year-on-year growth of 118%. Such number is considered relatively low when compared with the number of over 800 million of 2G subscribers and the population of more than 1.3 billion people in China. With more variety of affordable 3G handsets, lower service fees and improved network quality, it is generally expected that the number of 3G subscribers in China will continue to increase.

In light of China's history of migration from 2G to 3G mobile network which has been taking place for over 15 years and the comparatively low 3G subscribers' penetration since the issue of 3G licenses in 2009, the Board is of the view that there is still much room for 3G development in China in the coming few years with the support of the Twelfth Five-Year Plan to promote the popularization of 3G network. The Board also expects that, before the official launch of 4G licenses in China, the three major telecommunication operators will further increase their capital expenditure in expanding 3G network capacity and optimising different mobile networks in order to cope with the growing number of 3G subscribers and keep pace with intensifying competition.

On the other hand, the development of 4G network in China, such as China Mobile's Time-Division Long-Term Evolution ("TD-LTE"), will also bring new opportunities for the Group though it is too early to consider the momentum of such growth. However, the Board is of the view that 2G, 3G and even 4G mobile networks in China will coexist for some years in the foreseeable future and the Group will benefit regardless of whether the three major telecommunication operators will expand, optimise or upgrade their mobile networks.

Since the second quarter of 2012, the sales performance of flame-retardant flexible cables has been outstanding as the Group won a tender to supply these products to one of the China's major telecommunication operators. As flame-retardant flexible cables are widely used in power systems of telecommunication networks and infrastructure such as base stations and high-rise buildings, the Board considers that the Group's flame-retardant flexible cable series will be another growth driver. With an aim to increasing the market share of flame-retardant flexible cables in China, the Group will participate in a tender to be conducted by one of the China's major telecommunications operators in China in the second half of 2012. Underpinned by its track record in supplying RF coaxial cables to China's major telecommunication operators, the Group is confident to expand the business of flame-retardant flexible cables in China.

In order to diversify the Group's geographic market, the Group will expand its overseas sales team to explore more business opportunities in developing countries, such as Russia, India and Brazil.

Facing rapid development of the global telecommunication industry, the Group will increase its investment in its research and development of more new products with a view to enhancing its competitiveness, such as higher transmission performance RF coaxial cables and leaky coaxial cables for WLAN, 3G or even 4G/TD-LTE networks.

Currently, the Group's annual production capacity of RF coaxial cables exceeds 150,000 km and will further increase in pace with market demand if necessary.

Looking ahead, the Board is optimistic about the demand for the Group's products and its sustainable growth in the future. The Group will strive to maintain its leading position in China's RF coaxial cables market.

Financial Review

Turnover

Compared with RMB876.4 million in the first half of 2011, the total turnover of the Group in the first half of 2012 increased by RMB217.5 million, or 24.8%, to RMB1,093.9 million. Such increase was due to primarily the growth in sales of flame-retardant flexible cable series by RMB159.8 million arising from a new tender awarded by one of the China's major telecommunication operators and the overall increase in sales of RF coaxial cables, new-type electronic components and other accessories by RMB57.7 million primarily driven by increased demand from China's major telecommunication operators for their optimisation of certain networks.

Cost of goods sold

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Compared with RMB687.5 million in the first half of 2011, cost of goods sold increased by RMB141.1 million, or 20.5%, to RMB828.6 million in the first half of 2012. Such increase was in line with the growth in the turnover.

Gross profit and gross profit margin

Overall gross profit margin increased from 21.5% in the first half of 2011 to 24.3% in the first half of 2012, primarily attributable to the improvement in gross profit margin of RF coaxial cables caused by increased sales portion of higher performance RF coaxial cables with higher gross profit margin and the significant improvement in gross profit margin of flame-retardant flexible cables arising from economies of scale. As a result of the above, together with the growth in turnover from all business segments, the gross profit in the first half of 2012 increased by RMB76.5 million, or 40.5% to RMB265.3 million as compared with RMB188.8 million in the first half of 2011.

Other gains and losses

Compared with RMB6.9 million in the first half of 2011, other gains and losses increased slightly by RMB0.3 million to RMB7.2 million in the first half of 2012 primarily due to the increase in interest income and government grants by RMB2.4 million and RMB1.4 million respectively, partly offset by the decrease in exchange gain by RMB3.2 million.

Selling and distribution costs

In the first half of 2012, selling and distribution costs increased by RMB19.8 million, or 109.7%, to RMB37.8 million as compared with RMB18.0 million in the first half of 2011, mainly due to increased transportation costs resulting from the growth in turnover and the increase in other expenses primarily for the purpose of the expansion of sales and distribution network.

Administrative expenses

Administrative expenses amounted to RMB27.4 million in the first half of 2012, a decrease of 2.7% when compared with RMB28.2 million in the first half of 2011. Despite that staff salaries and related staff costs such as staff insurance increased as a result of the increase in headcount and annual salary increment, such increase was offset by the decrease in other administrative expenses in general primarily due to better cost control.

Other expenses

Other expenses in both periods were expenses incurred in relation to the initial public offering of the Company's shares. As the Company's shares have been listed since 19 March 2012, the relevant portion of the listing expenses which were incurred in the first half of 2012 were charged in the statement of comprehensive income in the first half of 2012 and accordingly, other expenses increased by RMB7.7 million to RMB13.3 million as compared with RMB5.6 million in the first half of 2011.

Finance costs

Compared with RMB23.3 million in the first half of 2011, finance costs rose by RMB18.2 million, or 78.2%, to RMB41.5 million primarily due to the increase in bank borrowings as additional working capital for business growth and the rise in average interest rate arising from the increment of People's Bank of China base interest rate.

Taxation

Taxation charge in the first half of 2012 increased by RMB6.2 million to RMB25.3 million as compared with RMB19.1 million in the first half of 2011, primarily due to the increase in China enterprise income tax of 江蘇俊知技術有限公司 Jiangsu Trigiant Technology Co., Ltd ("Jiangsu Trigiant"), an indirect wholly-owned subsidiary of the Company. Jiangsu Trigiant enjoyed a reduced China enterprise income tax rate at 12.5% from 2010 to 2012.

Profit for period

As a combined result of the foregoing, the profit after tax increased by RMB25.7 million, or 25.3%, from RMB101.6 million in the first half of 2011 to RMB127.3 million in the first half of 2012. The corresponding net profit margin for both periods stood at 11.6%.

Liquidity, Financial Resources and Capital Structure

The operation of the Group is generally financed through a combination of shareholder's equity, internally generated cash flows and bank borrowings. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings.

The following table summarises the cash flows for the first half of 2011 and 2012:

	For the first half of	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	**(304,867)**	(163,379)
Net cash used in investing activities	**(5,589)**	(40,700)
Net cash from (used in) financing activities	**332,473**	(16,039)

As at 30 June 2012, the Group had bank balances and cash of RMB405.6 million, with the majority denominated in RMB and Hong Kong dollars. As at 30 June 2012, the Group had total bank borrowings of RMB1,259.3 million comprising RMB1,149.3 million repayable within one year and RMB110.0 million repayable over one year but not more than five years. As at 30 June 2012, RMB728.7 million of the total bank borrowings were fixed rate borrowings and RMB530.6 million were variable rate borrowings. As at 30 June 2012, the majority of bank borrowings were denominated in RMB.

The majority of the Group's transactions are denominated in RMB and, accordingly, the Group has not entered into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

Gearing Ratio

Gearing ratio decreased from 69.2% as at 31 December 2011 to 66.8% as at 30 June 2012. Such decrease was primarily resulted from the increase in total equity which was mainly due to the new issue of shares of the Company and the increase in net profit in the first half of 2012. Gearing ratio is calculated by dividing total bank borrowings net of pledged bank deposits and bank balances and cash over total equity.

Pledge of Assets

As at 30 June 2012, the Group pledged certain of its property, plant and equipment with aggregate carrying value of RMB56.5 million (31 December 2011: RMB64.1 million) and land use rights with carrying value of RMB35.0 million (31 December 2011: RMB35.4 million) to certain banks to secure credit facilities granted to the Group. As at 30 June 2012, the Group also pledged bank deposits of RMB239.4 million (31 December 2011: RMB242.4 million) to certain banks to secure credit facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2012.

Employee Information

As at 30 June 2012, the Group had approximately 790 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. The Group 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 include internal courses run by the management of the Group and external courses provided by professional trainers. They range from technical training for production staff to financial and administrative trainings for management.

Use of Net Proceeds from the Company's Initial Public Offering

On 19 March 2012, the Company issued 200,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("IPO"). The net proceeds after deducting the issuing expenses arising from the IPO amounted to approximately HK$185 million (equivalent to approximately RMB151 million).

As at 30 June 2012, the net proceeds applied in the manner as set out in the Company's prospectus dated 6 March 2012 were summarised as follows:

- approximately RMB4.1 million has been utilised for the expansion of the production capacity and advancement of production facilities;

- approximately RMB29.5 million has been utilised for the repayment of bank borrowings; and

- approximately RMB15.1 million has been utilised for general working capital.

As at 30 June 2012, the remaining net proceeds of approximately RMB102.3 million were deposited with certain licensed financial institutions.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of 5 HK cents per share for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil) to the shareholders whose names appear on the register of members of the Company on Friday, 14 September 2012. The interim dividend will be payable on or about Friday, 28 September 2012.

Closure of the Register of Members

To ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 12 September 2012 to Friday, 14 September 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2012, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 11 September 2012.

Corporate Governance

Before 19 March 2012 ("Listing Date"), the day on which the shares of the Company commenced dealing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company was not required to comply with the requirements under the code provisions set out in Code on Corporate Governance Practices or, as the case may be, those set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Nevertheless, prior to the Listing Date, the Company has adopted the Code on Corporate Governance Practices as its own code of corporate governance. On 30 March 2012, the Company adopted the CG Code as its own code of corporate governance.

Save for the deviation stated below, the board ("Board") of directors ("Directors") consider that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Code on Corporate Governance Practices or, as the case may be, the CG Code during the period from the Listing Date to 30 June 2012 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.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In this regard, Mr. Poon Yick Pang Philip, an independent non-executive Director, did not attend the annual general meeting of the Company held on 29 May 2012 due to his engagement in a business trip.

Model Code for Securities Transactions by Directors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the period from the Listing Date to 30 June 2012.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Future Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) of the Company as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions

Name of Director	The Company/ Name of associated corporations	Capacity/ Nature of interest	Number and class of shares in the Company/ associated corporations	Approximate percentage of interest
Qian Lirong	The Company	Interest of controlled corporation	750,000,000 shares *(Note)*	75.0%
Qian Lirong	Trigiant Investments Limited ("Trigiant Investments")	Interest of controlled corporation	555 shares of no par value	55.5%
Qian Lirong	Abraholme International Limited ("Abraholme")	Beneficial owner	8 shares of US$1 each	80.0%

Note: These shares are registered in the name of Trigiant Investments, a company owned as to 55.5% by Abraholme, which in turn is a company owned as to 80% by Qian Lirong. Under the SFO, Qian Lirong is deemed to be interested in all the shares held by Trigiant Investments. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company.

Substantial Shareholders

As at 30 June 2012, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company as follows:

Long positions

Shareholder name	Capacity	Number of shares held	Percentage of shareholding
Trigiant Investments	Beneficial owner	750,000,000	75%
Abraholme	Interest of controlled corporation	750,000,000 *(Note)*	75%
Qian Jindi	Interest of spouse	750,000,000 *(Note)*	75%

Note: These shares are registered in the name of Trigiant Investments, a company owned as to 55.5% by Abraholme, which in turn is a company owned as to 80% by Qian Lirong. Madam Qian Jindi is the spouse of Qian Lirong. Under the SFO, each of Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments and Madam Qian Jindi is deemed to be interested in all the shares in which Qian Lirong is interested. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

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 period from the Listing Date to 30 June 2012.

Audit Committee

An audit committee has been established with written terms of reference to, among other matters, review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises all independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Ms. Jia Lina, Mr. Ng Wai Hung and Professor Jin Xiaofeng. Mr. Poon Yick Pang Philip is the chairman of the audit committee. The interim results of the Group for the six months ended 30 June 2012 have been reviewed by the audit committee of the Company.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2012 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 Hong Kong Institute of Certified Public Accountants.

Change of Compliance Adviser

As disclosed in the announcement of the Company dated 6 July 2012, the Company and SinoPac Securities (Asia) Limited have mutually agreed to terminate the compliance adviser agreement entered into between the Company and SinoPac Securities (Asia) Limited on 5 March 2012 ("Agreement") with effect from 28 June 2012 for the reason that SinoPac Securities (Asia) Limited could no longer qualify to act as the compliance adviser to the Company pursuant to the Agreement due to its change in personnel. RaffAello Capital Limited has been appointed to replace the role of SinoPac Securities (Asia) Limited as the compliance adviser to the Company with effect from 6 July 2012 pursuant to Rules 3A.19 and 3A.27 of the Listing Rules. RaffAello Capital Limited is a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities.

On behalf of the Board

Qian Lirong
Chairman

Hong Kong, 27 August 2012