



TRIGIANT GROUP LIMITED

俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1300

Interim Report 2015



* For identification purposes only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Qian Lirong (*Chairman*)

Jiang Wei (*Group chief executive officer*)

NON-EXECUTIVE DIRECTOR

Fung Kwan Hung (appointed on 31 August 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Jin Xiaofeng

Jia Lina

Poon Yick Pang Philip

Ng Wai Hung

AUDIT COMMITTEE

Poon Yick Pang Philip (*Chairman*)

Professor Jin Xiaofeng

Jia Lina

Ng Wai Hung

REMUNERATION COMMITTEE

Ng Wai Hung (*Chairman*)

Jiang Wei

Poon Yick Pang Philip

NOMINATION COMMITTEE

Professor Jin Xiaofeng (*Chairman*)

Jia Lina

Poon Yick Pang Philip

CORPORATE GOVERNANCE COMMITTEE

Jiang Wei (*Chairman*)

Ng Wai Hung

Poon Yick Pang Philip

COMPANY SECRETARY

Lau Chi Hung (resigned on 31 August 2015)

Leung Siu Kei (appointed on 31 August 2015)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

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Grand Cayman, KY1-1111

Cayman Islands

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8 Fleming Road

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Hong Kong

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No. 1 Junzhi Road

Industrial Park for Environmental

Protection Science & Technology

Yixing City

Jiangsu Province

PRC

COMPANY WEBSITE

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HKEX STOCK CODE

1300

INVESTOR RELATIONS

Trigiant Group Limited

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DLK Advisory Limited

(*as the Company's investor relations consultant*)

Email: ir@dlkadvisory.com

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

LEGAL ADVISERS

Leung & Lau (*as to Hong Kong laws*)

PRINCIPAL BANKERS

Agricultural Bank of China

Bank of China

Bank of Communication

Bank of JiangSu

Industrial and Commercial Bank of China

China Citic Bank

China Construction Bank

Huaxia Bank

HSBC

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22 Hopewell Centre

183 Queen's Road East

Hong Kong

HIGHLIGHTS

Interim results for the six months ended 30 June 2015 compared with the six months ended 30 June 2014:

- Turnover increased by approximately RMB137.6 million, or 10.2%, to approximately RMB1,490.4 million;
- Fair value change of warrants of the Company amounted to approximately RMB27.3 million and such non-cash item was not related to the Group's operating results. Profit for the period attributable to owners of the Company decreased by approximately RMB14.5 million, or 9.4%, to approximately RMB140.5 million;
- Net profit margin decreased from approximately 11.5% to approximately 9.4%;
- Earnings per share decreased from RMB13.90 cents to RMB10.75 cents; and
- Interim dividend declared was HK7 cents per share.

The board ("**Board**") of directors ("**Directors**") of Trigiant Group Limited ("**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 and the relevant explanatory notes as set out below.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of Trigiant Group Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 23, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover	3	1,490,443	1,352,792
Cost of goods sold		(1,152,969)	(1,041,051)
Gross profit		337,474	311,741
Other income	4	10,134	6,717
Other gains and losses		200	(1,936)
Selling and distribution costs		(32,998)	(23,947)
Administrative expenses		(28,418)	(22,345)
Research and development costs		(21,707)	(11,089)
Fair value change of warrants	17	(27,346)	(47,050)
Finance costs		(40,626)	(18,783)
Profit before taxation	5	196,713	193,308
Taxation	6	(39,967)	(38,357)
Profit and total comprehensive income for the period		156,746	154,951
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		140,450	154,951
Non-controlling interests		16,296	–
		156,746	154,951
Earnings per share	8		
— basic		10.75 cents	13.90 cents
— diluted		10.75 cents	13.90 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	<i>Notes</i>	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Non-current assets			
Investment properties	9	7,100	6,970
Property, plant and equipment	10	293,150	275,346
Land use rights		76,674	64,760
Intangible asset	11	114,955	121,005
Goodwill	12	41,773	41,773
Available-for-sale investments		6,375	6,375
		540,027	516,229
Current assets			
Inventories		157,583	154,925
Trade and other receivables	13	2,772,457	2,431,234
Pledged bank deposits		468,275	354,343
Bank balances and cash		510,178	487,714
		3,908,493	3,428,216
Current liabilities			
Trade and other payables	14	489,339	366,185
Amount due to a related party		39,726	39,739
Bank borrowings — due within one year	15	1,643,166	1,372,722
Tax payables		42,127	33,780
		2,214,358	1,812,426
Net current assets		1,694,135	1,615,790
Total assets less current liabilities		2,234,162	2,132,019
Non-current liabilities			
Government grants		1,243	1,413
Deferred taxation	16	47,669	48,658
Warrants	17	47,261	19,926
		96,173	69,997
Net assets		2,137,989	2,062,022
Capital and reserves			
Share capital	18	10,550	10,629
Reserves		2,005,409	1,945,659
Equity attributable to owners of the Company		2,015,959	1,956,288
Non-controlling interests		122,030	105,734
Total equity		2,137,989	2,062,022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Statutory surplus			Property revaluation reserve	Share option reserve	Accumulated profits	Total	Non-controlling interests	Total
				reserve fund	Special reserve	Other reserve						
				RMB'000	RMB'000	RMB'000						
			(Note a)	(Note b)	(Note c)							
At 1 January 2015 (audited)	10,629	840,175	-	234,519	62,947	24	622	5,663	801,709	1,956,288	105,734	2,062,022
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	140,450	140,450	16,296	156,746
Repurchase of shares	(79)	(12,965)	79	-	-	-	-	-	(79)	(13,044)	-	(13,044)
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	4,316	-	4,316	-	4,316
Final dividend recognised as distribution	-	-	-	-	-	-	-	-	(72,051)	(72,051)	-	(72,051)
At 30 June 2015 (unaudited)	10,550	827,210	79	234,519	62,947	24	622	9,979	870,029	2,015,959	122,030	2,137,989
At 1 January 2014 (audited)	9,051	641,507	-	162,529	62,947	24	3,248	-	624,938	1,504,244	-	1,504,244
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	154,951	154,951	-	154,951
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	292	-	292	-	292
Final dividend recognised as distribution	-	-	-	-	-	-	-	-	(61,987)	(61,987)	-	(61,987)
At 30 June 2014 (unaudited)	9,051	641,507	-	162,529	62,947	24	3,248	292	717,902	1,597,500	-	1,597,500

Notes:

- (a) During the current interim period, 10,000,000 shares of HK\$0.01 each were repurchased at a total consideration of approximately HK\$16,541,000 (approximately RMB13,044,000). All of the shares repurchased during the period were cancelled and the nominal value of such cancelled shares was credited to capital redemption reserve and paid out from the Company's accumulated profits, and the relevant premium was paid out from the Company's share premium.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries of the Company are 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 the PRC subsidiaries while the amount and allocation basis are decided by directors of those subsidiaries 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.
- (c) The special reserve represents the deemed contribution arising from acquisition of a subsidiary in 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash from (used in) operating activities	33,399	(147,087)
Investing activities		
New pledged bank deposits placed	(518,718)	(160,509)
Purchase of property, plant and equipment	(35,500)	(36,678)
Payment for acquisition of land use rights	(12,896)	–
Release of pledged bank deposits	404,786	75,166
Interest received	7,390	6,312
Proceeds from disposal of property, plant and equipment	40	143
Investment in an available-for-sale investment	–	(375)
Net cash used in investing activities	(154,898)	(115,941)
Financing activities		
Repayment of bank borrowings	(1,042,765)	(655,969)
Dividends paid	(72,051)	(61,987)
Interest paid	(41,423)	(39,204)
Repurchase of shares	(13,044)	–
New bank borrowings raised	1,313,246	1,034,350
Proceeds from issue of warrants	–	1,587
Net cash from financing activities	143,963	278,777
Net increase in cash and cash equivalents	22,464	15,749
Cash and cash equivalents at 1 January	487,714	438,247
Cash and cash equivalents at 30 June, represented by bank balances and cash	510,178	453,996

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Group has not early adopted the amendments to Appendix 16 to the Listing Rules issued by the Stock Exchange in early 2015 that are effective for accounting period ending on or after 31 December 2015.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

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 that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

3. TURNOVER AND SEGMENT INFORMATION

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

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

- Radio frequency (“RF”) coaxial cable series
- Optical fibre cable series and related products
- Flame-retardant flexible cable series
- New-type electronic components
- Other accessories (including splitters, couplers and combiners)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. TURNOVER AND SEGMENT INFORMATION (continued)

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.

In December 2014, the Group acquired a new business which engages in the manufacture and sales of optical fibre cable series and related products.

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other income, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, fair value change of warrants, 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 2015

	RF coaxial cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame- retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	797,929	375,967	248,233	51,282	17,032	—	1,490,443
— Inter-segment sales	—	150,357	350	—	—	(150,707)	—
Cost of goods sold	797,929 (609,436)	526,324 (444,159)	248,583 (198,450)	51,282 (37,149)	17,032 (14,482)	(150,707) 150,707	1,490,443 (1,152,969)
SEGMENT RESULT	188,493	82,165	50,133	14,133	2,550	—	337,474
Unallocated income and expenses:							
Other income							10,134
Other gains and losses							200
Selling and distribution costs							(32,998)
Administrative expenses							(28,418)
Research and development costs							(21,707)
Fair value change of warrants							(27,346)
Finance costs							(40,626)
Profit before taxation							196,713
Taxation							(39,967)
Profit for the period							156,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. TURNOVER AND SEGMENT INFORMATION (continued)

For the six months ended 30 June 2014

	RF coaxial cable series RMB'000	Flame- retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Total RMB'000
Turnover — External sales	971,719	299,802	47,965	33,306	1,352,792
Cost of goods sold	(740,830)	(237,112)	(32,581)	(30,528)	(1,041,051)
SEGMENT RESULT	230,889	62,690	15,384	2,778	311,741
Unallocated income and expenses:					
Other income					6,717
Other losses					(1,936)
Selling and distribution costs					(23,947)
Administrative expenses					(22,345)
Research and development costs					(11,089)
Fair value change of warrants					(47,050)
Finance costs					(18,783)
Profit before taxation					193,308
Taxation					(38,357)
Profit for the period					154,951

4. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Government grants	291	1,899
Interest income	8,433	3,893
Rental income	200	759
Others	1,210	166
	10,134	6,717

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	1,152,969	1,041,051
Operating lease rentals in respect of land use rights	875	865
Depreciation of property, plant and equipment	13,967	10,016
Amortisation of intangible asset	6,050	–
Exchange loss (included in other gains and losses)	–	2,336
and after crediting:		
Gross rental income from investment properties (net of nil direct operating expenses)	200	759
Gain on fair value changes on investment properties (included in other gains and losses)	130	400
Exchange gain (included in other gains and losses)	70	–

6. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax	40,956	36,281
Deferred taxation (<i>note 16</i>)	(989)	2,076
Taxation for the period	39,967	38,357

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations, the PRC subsidiaries of the Company were endorsed as Advanced Technology Enterprises in 2012 and entitled to a preferential tax rate of 15% from 2013 to 2015 pursuant to the Enterprise Income Tax Law ("EIT Law") of the PRC.

According to 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. DIVIDENDS

During the current interim period, the Company paid a final dividend of HK7 cents per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: final dividend of HK7 cents per share in respect of the year ended 31 December 2013). The aggregate amount of the final dividend in respect of the year ended 31 December 2014 declared in the current interim period amounted to HK\$91,350,000 (equivalent to approximately RMB72,051,000) (2014: HK\$78,050,000 (equivalent to approximately RMB61,987,000)).

Subsequent to the end of the current interim period, interim dividend of HK7 cents (six months ended 30 June 2014: HK7 cents) per share has been declared by the directors of the Company.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Earnings:		
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	140,450	154,951
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,306,782,044	1,115,000,000

The computation of diluted earnings per share does not assume the exercise of the Company's share options and warrants because the exercise price of those share options and warrants were higher than the average market price of the Company's share during both periods.

9. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30 June 2015 and 31 December 2014 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 based on income method on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance for reversionary income potential of the property and where appropriate, also considered direct comparison approach by making reference to the comparable market transactions as available in the market.

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The resulting increase in fair value of investment properties of RMB130,000 has been recognised directly in profit and loss for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB400,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group spent approximately RMB31,778,000 (six months ended 30 June 2014: RMB40,393,000) on acquisition of property, plant and equipment.

11. INTANGIBLE ASSET

The intangible asset represents customer relationship acquired by the Group as part of a business combination in 2014 and has finite useful life and is amortised on a straight line basis over 10 years.

12. GOODWILL

The goodwill is allocated to the respective cash generating unit ("CGU"). At 30 June 2015, the directors of the Company conducted a review of the carrying value of goodwill and determine that there is no impairment of the CGU containing that goodwill. The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a period of 5 year period and discount rate of 16.46% (31 December 2014: 16.46%). The CGU's cash flows beyond the 5 year period are extrapolated using a steady 3% (31 December 2014: 3%) growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of this CGU.

13. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade and other receivables and an aged analysis of trade and bills receivables 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 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills receivables, aged		
0-90 days	1,027,874	900,991
91-180 days	598,718	616,164
181-365 days	1,102,782	888,833
Over 365 days	24,663	7,838
	2,754,037	2,413,826
Current portion of land use rights	1,830	1,723
Interest receivables	6,251	5,208
Other receivables	6,618	6,158
Prepaid expenses	1,484	1,273
Staff advances	2,237	3,046
	2,772,457	2,431,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and bills receivables balance are amounts of RMB889,156,000 (31 December 2014: RMB746,354,000) which goods were delivered but invoice not yet issued. The balance is included in 0 to 90 days band in the above aged analysis.

14. TRADE AND OTHER PAYABLES

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade and bills payables, aged		
0–90 days	96,745	180,266
91–180 days	206,687	119,094
181–365 days	3,459	3,419
Over 365 days	–	3
	306,891	302,782
Accrued expenses	14,900	17,600
Payroll and welfare payables	10,083	14,868
Other tax payables	15,484	9,923
Deposits from suppliers	11,410	10,824
Payable for acquisition of property, plant and equipment	353	4,075
Dividend payables	72,040	–
Deposits received from placement of shares (note 18(c))	46,723	–
Other payables	11,455	6,113
	489,339	366,185

15. BANK BORROWINGS

During the current interim period, the Group obtained new short-term bank loans amounting to RMB1,313,246,000 (six months ended 30 June 2014: RMB1,034,350,000) and repaid bank loans amounting to RMB1,042,765,000 (six months ended 30 June 2014: RMB655,969,000). The proceeds were used for daily operation of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. DEFERRED TAXATION

The followings are the deferred tax liabilities recognised by the Group and movements thereon during the period:

	Intangible asset RMB'000	Fair value adjustment on acquisition RMB'000	Tax on undistributed earnings RMB'000	Revaluation of properties RMB'000	Total RMB'000
At 1 January 2014	-	8,694	12,435	1,809	22,938
Acquisition of subsidiaries	30,252	-	-	-	30,252
(Credited) charged to profit or loss for the year	-	(179)	5,422	225	5,468
Withholding tax recognised	-	-	(10,000)	-	(10,000)
At 31 December 2014	30,252	8,515	7,857	2,034	48,658
(Credited) charged to profit or loss for the period	(1,513)	(89)	5,580	33	4,011
Withholding tax recognised	-	-	(5,000)	-	(5,000)
At 30 June 2015	28,739	8,426	8,437	2,067	47,669

17. WARRANTS

	Number of underlying shares upon exercise of Warrants	Exercise price HK\$
Balance at 31 December 2014 and 30 June 2015	200,000,000	3.15
Exercisable at 31 December 2014 and 30 June 2015	200,000,000	3.15

On 10 April 2014, the Company issued unlisted warrants ("Warrants") at an issue price of HK\$0.01 per unit of Warrant (approximately RMB0.008 each) entitling the holders thereof to subscribe in cash for up to an aggregate amount of HK\$630,000,000 for new shares of the Company ("Warrant Share(s)") upon the exercise of the subscription rights attached to the Warrants at a subscription price of HK\$3.15 per Warrant Share (subject to adjustments) at any time for the period commencing from the date of issue of the Warrants (i.e. 10 April 2014) and ending on the third anniversary thereof (or if that is not a business day, the first business day immediately following such date (both days inclusive)). Based on the initial subscription price of HK\$3.15 per Warrant Share, upon the exercise of the subscription rights attached to the Warrants in full, 200,000,000 Warrant Shares will be issued.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. WARRANTS (continued)

The ascribed values of the Warrants at the issue date and at the end of the respective reporting period were determined using binomial option pricing model and the inputs used are as follows:

	Date of issue 10 April 2014	31 December 2014	30 June 2015
Share price	HK\$2.28	HK\$1.29	HK\$2.40
Exercise price	HK\$3.15	HK\$3.15	HK\$3.15
Risk rate	0.77%	0.69%	0.28%
Dividend yield	6.14%	6.63%	7.19%
Volatility	54.98%	63.13%	49.67%
Remaining life	3 years	2.28 years	1.78 years

The movement of the carrying amount of Warrants during the period is set out below:

	RMB'000
At 1 January 2015	19,926
Change in fair value	27,346
Exchange realignment	(11)
At 30 June 2015	47,261

At 30 June 2015, the fair value of the Warrants outstanding was RMB47,261,000 (31 December 2014: RMB19,926,000). A fair value change of RMB27,346,000 (six months ended 30 June 2014: RMB47,050,000) is recognised in the current period and the amount has been charged to profit or loss. None of the Warrants have been exercised during the current and prior period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. 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 2014, 31 December 2014 and 30 June 2015	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2014	1,115,000,000	11,150,000	9,051
Issue of shares (<i>note a</i>)	200,000,000	2,000,000	1,578
At 31 December 2014	1,315,000,000	13,150,000	10,629
Repurchase of shares (<i>note b</i>)	(10,000,000)	(100,000)	(79)
At 30 June 2015	1,305,000,000	13,050,000	10,550

Notes:

- On 30 December 2014, the Group acquired 60% of the issued share capital of Jiang Mei Limited and the consideration was fully settled by the issue of 200,000,000 ordinary shares of the Company with par value of HK\$0.01 each.
- During the current interim period, 10,000,000 shares of HK\$0.01 each were repurchased at a total consideration of approximately HK\$16,541,000 (equivalent to approximately RMB13,044,000). The price of repurchases was ranging from HK\$1.61 to HK\$1.80 for each share.
- On 6 June 2015, the Company entered into a subscription agreement ("Subscription Agreement") with an independent third party to allot and issue 261,000,000 ordinary shares of HK\$0.01 each ("Subscription Shares") at a subscription price of HK\$2.27 per Subscription Share, further particulars of which are set out in the announcement of the Company dated 7 June 2015. As at 30 June 2015, a deposit of HK\$59,247,000 was received from the subscriber according to the Subscription Agreement. As set out in the announcement of the Company dated 14 July 2015, completion of the Subscription Agreement took place on 14 July 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19. SHARE OPTIONS

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 May 2014, the Company adopted a share option scheme ("Scheme").

Under the Scheme which is valid for a period of ten years commencing on 29 May 2014, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long term growth and profitability of the Company. The Eligible Participants include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, in order to provide incentives or rewards for the Eligible Participants' contribution to the Group.

The subscription price for the Company's shares shall be a price at least equal to the highest of (i) the nominal value of the Company's shares; (ii) the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options; and (iii) the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 21 business days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the Scheme.

The initial total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The maximum number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19. SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF THE COMPANY (continued)

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and remained outstanding as at 30 June 2015. The closing price of the shares of the Company immediately before the date of grant of share options was HK\$2.0. The fair value of the share options on date of grant was approximately HK\$33,019,000 (approximately RMB26,085,000) which is calculated using Black-Scholes Pricing Model based on risk free rate of 0.742% to 1.724%, expected volatility of 53.663%, expected life of 3 to 7 years and expected dividend rate of 7.0%. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The Group recognised a share-based payment expense of approximately RMB4,316,000 during the period ended 30 June 2015 (six months ended 30 June 2014: RMB292,000). In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

As at 30 June 2015, no shares were issuable under the Scheme (31 December 2014: Nil).

A summary of the movements of the number of share options under the Scheme for the period is as follows:

Date of grant	Balance at 31 December 2014 and 30 June 2015	Exercise price	Exercisable period
Granted to directors on			
20 June 2014	720,000	HK\$3.15	4 July 2015 to 3 July 2017
20 June 2014	720,000	HK\$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	HK\$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	HK\$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	HK\$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000		
Granted to employees on			
20 June 2014	14,160,000	HK\$3.15	4 July 2015 to 3 July 2017
20 June 2014	14,160,000	HK\$3.15	4 July 2016 to 3 July 2018
20 June 2014	14,160,000	HK\$3.15	4 July 2017 to 3 July 2019
20 June 2014	14,160,000	HK\$3.15	4 July 2018 to 3 July 2020
20 June 2014	14,160,000	HK\$3.15	4 July 2019 to 3 July 2021
Sub-total	70,800,000		
Total	74,400,000		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liability	Fair value at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs and relationship
	30 June 2015	31 December 2014			
	RMB'000	RMB'000			
Financial liability at fair value through profit or loss: Warrants	47,261	19,926	Level 2	Binomial model Key inputs: (1) Share price (2) Exercise price (3) Risk free rate (4) Dividend yield (5) Expected volatility (6) Expected life	The higher the risk free rate, dividend yield and expected volatility, the higher the fair value.

There were no transfers between Level 1, 2 and 3 in both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

21. 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 2015 RMB'000	At 31 December 2014 RMB'000
Within one year	930	603
In the second to fifth years inclusive	286	–
	1,216	603

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 RMB200,000 (six months ended 30 June 2014: RMB759,000). The Group's properties are expected to generate rental yield of 4.0% on an ongoing basis. All of the properties held have a committed tenant for the next two years (31 December 2014: two years).

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within one year	267	400
In the second to fifth years inclusive	–	67
	267	467

22. PLEDGE OF ASSETS

At 30 June 2015, the Group pledged its land use rights with carrying value of approximately RMB11,530,000 (31 December 2014: RMB11,854,000) to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. RELATED PARTY TRANSACTIONS

The Group had no significant transactions and balances with related parties during the period. The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2015, directors' emoluments of approximately RMB1,332,000 (six months ended 30 June 2014: RMB1,116,000) were paid or payable to the directors of the Company.

24. CAPITAL COMMITMENTS

As at June 2015, the Group was committed to acquire property, plant and equipment of RMB127,500 (31 December 2014: nil).

25. EVENT AFTER THE REPORTING PERIOD

On 14 July 2015, the Subscription Shares were issued following the satisfaction of all the conditions precedent as set out in the Subscription Agreement as mentioned in note 18(c).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the onset of the “Internet Plus” era, traditional businesses seek opportunities of integrating with the Internet, while at the same time continue to reform business models to promote business development. Due to the fast growth of the Internet of Vehicles and the Internet of Things, Internet technologies have gradually penetrated into our way of life. Big data collection and fast data transmission, as the important links of the “Internet Plus” era, call for increasing demand for network coverage, capacity and speed, which has in turn stimulated construction and development of communication network and driven demand for communications products of the Group, including the RF coaxial cable series and optical fibre cable series.

On 17 February 2015, the Ministry of Industry and Information Technology (“MIIT”) of the People’s Republic of China (“PRC”) officially granted the LTE FDD operation permits for 4G network to China United Network Communications Corporation Limited* (中國聯合網絡通信有限公司) (“China Unicom”) and China Telecommunications Corporation* (中國電信集團公司) (“China Telecom”). The upgrade of mobile communication from the 3G network to the 4G network will further expedite construction of infrastructures of the PRC mobile communication network. According to the MIIT, as of the end of June 2015, the number of mobile communication subscribers in China was nearly 1.3 billion in which the total number of 4G network subscribers reached 225 million, representing approximately 17.4% of the number of mobile communication subscribers. The total number of broadband subscribers of the three major telecommunications operators, namely China Mobile Communications Corporation* (中國移動通信集團公司) (“China Mobile”), China Unicom and China Telecom, reached approximately 207 million. In addition, in order to implement the “Broadband China” policy, the construction of optical fibre broadband services has also been accelerated.

Following the beginning of 2015, the stringent internal review by the Chinese government on certain major telecommunications operators provisionally slows down the tender processes. Notwithstanding that, the construction demand of mobile communication network and broadband network remains considerable. In addition, as all core products of the Group, such as RF coaxial cables, flame-retardant flexible cables and optical fibre cables, are the backbone components of the mobile communication signal and optical signal transmission networks, it is expected that there are continued demands in the market.

RESULT ANALYSIS

The Group has started to consolidate the optical fibre business after the completion of acquisition a majority stake of the holding company of Jiangsu Trigiant Optic-Electric Communication Co., Ltd. 江蘇俊知光電通信有限公司 (“Trigiant Optic-Electric”) on 30 December 2014. The result of the Group during the six months ended 30 June 2015 (“Period”) therefore included the result of the optical fibre business whereas no such result was included for the six months ended 30 June 2014.

During the Period, copper price decreased by approximately 12.5% on average as compared with the corresponding period in last year. Together with the internal factors of the three major telecommunications operators, sales of certain products including the RF coaxial cable series and flame-retardant flexible cable series slowed down but the business of the Group as a whole maintained steady growth. Turnover of the Group increased by approximately 10.2% from approximately RMB1,352.8 million in the first half of 2014 to approximately RMB1,490.4 million in the first half of 2015. Gross profits increased by approximately 8.3% from approximately RMB311.7 million in the first half of 2014 to approximately RMB337.5 million in the first half of 2015. During the Period, gross profit margin slightly decreased by approximately 0.4 percentage points from approximately 23.0% in the first half of 2014 to approximately 22.6% in the first half of 2015 due to a change in sales mix.

* For identification only

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the results of the Group included a non-cash item which is the change in the fair value of the warrants issued by the Company amounting to approximately RMB27.3 million. In addition, the operating expenses of the Group increased due to the consolidation of the optical fibre cable business for the Period notwithstanding the continued cost curb program. On the other hand, the delayed settlement by major customers of the Group, namely the three major telecommunications operators, had caused the Group to increase average banking borrowings such that finance costs increased by approximately 116.3% to approximately RMB40.6 million. The net profit margin for the Period therefore decreased by approximately 2.1 percentage points to approximately 9.4% as compared with the corresponding period in last year.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2015 RMB'000	2014 RMB'000	Change RMB'000	Change %
RF coaxial cable series	797,929	971,719	-173,790	-17.9%
Optical fibre cable series and related products	375,967	–	+375,967	N/A
Flame-retardant flexible cable series	248,233	299,802	-51,569	-17.2%
New-type electronic components	51,282	47,965	+3,317	+6.9%
Other accessories	17,032	33,306	-16,274	-48.9%
Total	1,490,443	1,352,792	+137,651	+10.2%

RF COAXIAL CABLE SERIES AND FLAME-RETARDANT FLEXIBLE CABLE SERIES

Turnover from sales of the RF coaxial cable series for the Period decreased by approximately RMB173.8 million to approximately RMB797.9 million, representing approximately 53.5% of the total turnover of the Group, and sales volume decreased by approximately 4.2% to approximately 71,400 kilometres as compared with the corresponding period in last year. Turnover from sales of the flame-retardant flexible cable series for the Period decreased by approximately RMB51.6 million to approximately RMB248.2 million, representing approximately 16.7% of the total turnover of the Group, as compared to the corresponding period in last year.

During the Period, copper price decreased resulting in a decrease in average selling price. Nonetheless, as the Group adopts the cost-plus-profit pricing model, the selling price of RF coaxial cable and flame-retardant flexible cable are adjusted accordingly when copper price fluctuates, which in turn effectively helps stabilise the gross profit margin. During the Period, gross profit margin of RF coaxial cable series slightly decreased by approximately 0.2 percentage points to approximately 23.6% while gross profit margin of the flame-retardant flexible cable series decreased by approximately 0.7 percentage points to approximately 20.2% as compared with the corresponding period in last year.

OPTICAL FIBRE CABLE SERIES

On 30 December 2014, the Group's effective equity interest in Trigiant Optic-Electric increased from 12.5% to 65.0% and started to consolidate the optical fibre cable business. Trigiant Optic-Electric is mainly engaged in manufacturing and sale of optical fibre cables and related products. Its major customers are the three major telecommunications operators in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, turnover from sales of optical fibre cable series amounted to approximately RMB376.0 million, accounting for approximately 25.2% of total turnover of the Group, and sales volume amounted to approximately 3.7 million fibre kilometres. Gross profit margin of fibre cable series was approximately 21.9%, which was lower than that of RF coaxial cable series (the major products of the Group) and thus pared down the Group's overall gross profit margin.

OTHER ACCESSORIES

Turnover from sales of other accessories for the Period decreased by approximately RMB16.3 million to approximately RMB17.0 million as compared with corresponding period in last year. Sales of other accessories in the first half of 2014 included resale of optic fibre cable purchased from Trigiant Optic-Electric by Jiangsu Trigiant Technology Co., Ltd. ("Trigiant Technology"), a wholly-owned subsidiary of the Group, and such resale is eliminated on consolidation in the first half of 2015 resulting in the decrease in turnover during the Period.

MAJOR CUSTOMERS AND SALES NETWORK

The Group maintained sound cooperation with the three major telecommunications operators in the PRC by providing excellent products as well as comprehensive and efficient after-sales services. In particular, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 25 out of the 31 provincial subsidiaries of China Mobile and 25 out of the 31 provincial subsidiaries of China Telecom. During the Period, turnover derived from China Mobile, China Unicom and China Telecom accounted for approximately 40.8%, 25.3% and 19.2% of the Group's overall turnover, respectively. Among them, China Telecom recently completed its latest round of tendering, further indicating the strong demand for network distribution in communication sector. In addition, the Group has gradually established good business partnership with China Tower Company Limited (中國鐵塔股份有限公司) ("China Tower"), which was jointly established by the three major telecommunications operators. As at 30 June 2015, the Group is a supplier to 17 provincial subsidiaries of China Tower.

While strengthening its development in the domestic market, the Group also actively explored broader overseas markets. Through participation in telecommunications exhibitions and bidding for local telecommunications equipment projects, the Group has gradually penetrated into the overseas markets. During the Period, the Group had satisfactory negotiations with certain telecommunications equipment distributors in the Middle East and Southeast Asia, being shortlisted as a candidate for possible business cooperation and moving to the sample testing stage.

PRODUCTION BASE AND CAPACITY

The production base of the Group is located in Yixing City, Jiangsu Province, the PRC, occupying an area of approximately 268,000 square metres. As at 30 June 2015, the annual production capacity of the Group's RF coaxial cable series was 200,000 kilometres. To capture the future opportunities arising from telecommunications networks, the Group managed to increase its production capacity of optical fibre cable series to 11,000,000 fibre kilometres in the first half of 2015, with a view to enabling it to make additional contribution to the Group in the second half of 2015. The Group will also closely monitor the demand for its other products and adjust its RF coaxial cable series production capacity to cope with the needs for 4G network construction.

MANAGEMENT DISCUSSION AND ANALYSIS

PATENTS, AWARD AND RECOGNITION

As at 30 June 2015, the Group had obtained 67 patents and developed 100 new products in the PRC. 42 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. During the Period, 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 Electronics Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology, a wholly-owned subsidiary of the Group, ranked first in terms of sales volume of RF coaxial cable among the RF coaxial cable manufacturers in the PRC for five consecutive years from 2010 to 2014; and
- ranked 15th in 28th Section of Top 100 PRC Electronic Component Enterprises 2015 (中國電子元件百強).

PROSPECTS AND FUTURE PLANS

While the PRC spared no efforts to promote the “Internet Plus” strategy, the MIIT issued the opinion on the 2015 “Broadband China” project on 8 May 2015, expressly laying out the targets for 2015: 200 million more 4G network subscribers, over 600,000 more 4G network base stations, and 40 million more fibre-to-the-home (FTTH) subscribers. During 2015, the 4G network coverage will be further improved through promoting in-depth coverage in urban areas and achieving continuous coverage in urban, county and town areas and effective coverage in rural areas. Furthermore, 2G network subscribers will be encouraged to migrate to the 3G/4G network. A variety of policies and market orientation indicate that there is a continued demand for network expansion, which will in turn spur demand for Group’s core products.

In the future, the Group will continue to maintain close partnerships with the three major telecommunications operators in the PRC and gradually expand its business to more provinces through effective marketing strategies and good communication with sales teams. The Group will, on the other hand, actively establish business relationships with China Tower to contribute to the network construction. In addition, the Group will strive to ramp up its production capacity of optical fibre cables to be in a better position to seize the business opportunities in the fibre broadband market brought about by such policies as “One Belt, One Road” and “Broadband China”.

As to overseas markets, the Group will attend the exhibitions to be held in Dubai and South Africa in the second half of 2015. Dubai is an economic engine in the Middle East and plays an important role in the region’s economy. The Group’s participation in the exhibitions held in Dubai will help market its products to Saudi Arabia, Turkey and other Middle Eastern states, thereby effectively elevating the Group’s international reputation. The Group aims to explore overseas markets and steadily expand its presence globally.

FINANCIAL REVIEW

TURNOVER

Turnover increased by approximately RMB137.6 million, or 10.2%, from approximately RMB1,352.8 million in the first half of 2014 to approximately RMB1,490.4 million in the first half of 2015. Turnover of optical fibre cable series amounted to approximately RMB376.0 million in the first half of 2015 whereas no such sales was recorded in the first half of 2014. The increase in turnover contributed by the sale of optical fibre cable series was offset by the decrease in turnover of RF coaxial cable series, flame-retardant flexible cable series and other accessories of approximately RMB173.8 million, RMB51.6 million, and RMB16.3 million, respectively. Decrease in turnover of RF coaxial cable series and flame-retardant flexible cable series were mainly driven by the decrease in the average copper price in the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF GOODS SOLD

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Cost of goods sold increased by approximately RMB111.9 million, or 10.8%, from approximately RMB1,041.1 million in the first half of 2014 to approximately RMB1,153.0 million in the first half of 2015, which was in line with the growth in the turnover.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by approximately RMB25.8 million, or 8.3%, from approximately RMB311.7 million in the first half of 2014 to approximately RMB337.5 million in the first half of 2015. Overall gross profit margin decreased slightly from approximately 23.0% in the first half of 2014 to approximately 22.6% in the first half of 2015. The slight decrease in overall gross profit margin is mainly a result of the introduction of the sales of optical fibre cable series which has lower gross profit margin.

OTHER INCOME

Other income increased by approximately RMB3.4 million, or 50.9%, from approximately RMB6.7 million in the first half of 2014 to approximately RMB10.1 million in the first half of 2015 primarily due to the increase in interest income by approximately RMB4.6 million.

OTHER GAINS AND LOSSES

Other gains resulted in the first half of 2015 amounting to approximately RMB0.2 million while other losses of approximately RMB1.9 million incurred in the first half of 2014. The other losses incurred for the first half of 2014 is mainly because of exchange losses of approximately RMB2.4 million as compared with exchange gain of approximately RMB0.1 million in the first half of 2015.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by approximately RMB9.1 million, or 37.8%, from approximately RMB23.9 million in the first half of 2014 to approximately RMB33.0 million in the first half of 2015, mainly due to selling and distribution costs of the optical fibre cable business and recognition of share based payment expense relating to share options granted in June 2014 partially offset by the decreased marketing and entertainment costs as a result of the continued cost curb program.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB6.1 million, or 27.2%, from approximately RMB22.3 million in the first half of 2014 to approximately RMB28.4 million in the first half of 2015 mainly due to administrative expenses of the optical fibre cable business and recognition of share based payment expense relating to share options granted in June 2014.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by approximately RMB10.6 million, or 95.8%, from approximately RMB11.1 million in the first half of 2014 to approximately RMB21.7 million in the first half of 2015 primarily due to research and development costs of the optical fibre cable business.

MANAGEMENT DISCUSSION AND ANALYSIS

FAIR VALUE CHANGE OF WARRANTS

The Company issued 200,000,000 warrants in April 2014 and re-measures them at fair value at each statement of financial position date with the change in fair value recorded in the profit or loss. As such, such fair value change was not related to the Group's operating results. These warrants are recognised in the consolidated statement of financial position at their fair value using binomial model. The change in fair value of the warrants in the first half of 2015 amounted to approximately RMB27.3 million is recognised in the consolidated statement of profit or loss.

FINANCE COSTS

Finance costs increased by approximately RMB21.8 million, or 116.3%, from approximately RMB18.8 million in the first half of 2014 to approximately RMB40.6 million in the first half of 2015 primarily due to the increase the Group's average bank borrowings in order to finance its working capital.

TAXATION

Taxation charge increased by approximately RMB1.6 million, or 4.2%, from approximately RMB38.4 million in the first half of 2014 to approximately RMB40.0 million in the first half of 2015. The Group's Enterprise Income Tax arises from Trigiant Technology and Trigiant Optic-Electric, which enjoy a reduced Enterprise Income Tax rate of 15% as each of which being qualified as a High and New Technology Enterprise. The increase in taxation charge in the first half of 2015 is primarily attributable to additional taxable profit of Trigiant Optic-Electric offset by decrease in taxable profit of Trigiant Technology.

PROFIT FOR PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a combined result of the foregoing and profit attributable to non-controlling interests, profit for the period attributable to owners of the Company decreased by approximately RMB14.5 million, or 9.4%, from approximately RMB155.0 million in the first half of 2014 to approximately RMB140.5 million in the first half of 2015 and the corresponding net profit margin decreased from approximately 11.5% in the first half of 2014 to approximately 9.4% in the first half of 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the six months ended 30 June 2015 and 2014:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash from (used in) operating activities	33,399	(147,087)
Net cash used in investing activities	(154,898)	(115,941)
Net cash from financing activities	143,963	278,777

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2015, the Group had bank balances and cash and pledged bank deposits of approximately RMB978.5 million, with the majority denominated in RMB. As at 30 June 2015, the Group had total bank borrowings of approximately RMB1,643.2 million which are repayable within one year. As at 30 June 2015, RMB376.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB1,267.2 million were variable rate borrowings. As at 30 June 2015, bank borrowings of approximately RMB921.0 million were denominated in Renminbi, approximately RMB90.7 million were denominated in Hong Kong dollar, approximately RMB470.7 million were denominated in United States dollar and approximately RMB160.8 million was denominated in Euro.

The majority of the Group's transactions other than bank borrowings are denominated in Renminbi. 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.

ISSUE OF SHARES

On 6 June 2015, the Company and Eternal Asia (HK) Limited ("Subscriber") entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 261,000,000 Subscription Shares at the subscription price of HK\$2.27 per Subscription Share. The Subscriber is a wholly-owned subsidiary of 深圳市怡亞通供應鏈股份有限公司 (in English, for identification only, Shenzhen Eternal Asia Supply Chain Management Ltd.) ("Eternal Asia"). Eternal Asia is a joint stock company established in the PRC with limited liability whose shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange.

Subsequently, all the conditions precedents as set out in the Subscription Agreement were satisfied and the Group issued an aggregate of 261,000,000 Subscription Shares to the Subscriber and received net proceeds of approximately HK\$562.0 million (approximately RMB443.2 million) on 14 July 2015.

As the completion of the subscription took place after the Period, no proceeds from the subscription as described above had been used during the Period.

GEARING RATIO

Gearing ratio increased from approximately 25.7% as at 31 December 2014 to approximately 31.1% as at 30 June 2015. Such increase was primarily resulted from the additional bank borrowings raised to satisfy the additional working capital required to support the continued business growth. 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 2015, the Group pledged certain of its land use rights and bank deposits with carrying value of approximately RMB11.5 million and RMB468.3 million (31 December 2014: approximately RMB11.9 million and RMB354.3 million), respectively, to certain banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 30 June 2015, the Group had approximately 900 (31 December 2014: 900) 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. On 20 June 2014, the Group granted an aggregate of 74,400,000 share options to certain directors and employees of 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK7 cents per share for the first half of 2015 (first half of 2014: HK7 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 18 September 2015. The interim dividend will be payable on or about Friday, 20 November 2015.

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, 16 September 2015 to Friday, 18 September 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the first half of 2015, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 15 September 2015.

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("CG Code") as its own code of corporate governance. The Directors consider that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the six months ended 30 June 2015 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

During the six months ended 30 June 2015, the Company repurchased a total of 10,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$16,540,596.4 for enhancing the net asset value and earnings per share of the Company. All the 10,000,000 shares of the Company repurchased were cancelled and details of the repurchases are as follows:

Date of repurchase	No. of ordinary shares repurchased	Price paid per share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
19 January 2015	4,470,000	1.65	1.63	7,367,904.0
20 January 2015	874,000	1.66	1.65	1,450,015.2
21 January 2015	1,772,000	1.67	1.64	2,938,507.6
22 January 2015	1,692,000	1.70	1.61	2,777,925.6
23 January 2015	840,000	1.66	1.61	1,372,644.0
26 March 2015	352,000	1.80	1.80	633,600.0
	<u>10,000,000</u>			<u>16,540,596.4</u>

Save as disclosed above, 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 2015.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company’s securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2015.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2015. In addition, the Group had no significant investments held during the six months ended 30 June 2015.

SHARE OPTION SCHEME

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme (“Scheme”) to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group.

Further details of the Scheme and the share options granted are disclosed in Note 19 of the Notes to the condensed consolidated financial statements.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2015, 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

(1) Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest
Mr. Qian Lirong	Interest in controlled corporation	516,189,750 (Note a)	–	516,189,750	39.55%
	Interest in controlled corporation	250,000 (Note b)	–	250,000	0.02%
	Beneficial owner	6,582,000	–	6,582,000	0.51%
Mr. Jiang Wei	Beneficial owner	60,000	2,000,000 (Note c)	2,060,000	0.16%
Professor Jin Xiaofeng	Beneficial owner	–	400,000 (Note c)	400,000	0.03%
Ms. Jia Lina	Beneficial owner	–	400,000 (Note c)	400,000	0.03%
Mr. Poon Yick Pang Philip	Beneficial owner	–	400,000 (Note c)	400,000	0.03%
Mr. Ng Wai Hung	Beneficial owner	–	400,000 (Note c)	400,000	0.03%

Notes:

- (a) These shares are registered in the name of Trigiant Investments Limited ("Trigiant Investments"), a company owned as to 91.79% by Abraholme International Limited ("Abraholme"), which is wholly owned by Mr. Qian Lirong. Under the SFO, Mr. Qian Lirong is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.
- (b) These shares are registered in the name of Abraholme.
- (c) These interests in underlying shares represent interests in options granted on 20 June 2014 under the Company's share option scheme conditionally adopted on 27 May 2014 which were accepted on 4 July 2014. Please refer to Note 19 of the Notes to the condensed consolidated financial statements for further details of the share option granted.

OTHER INFORMATION

(2) Interests in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number and class of shares in the associated corporation	Approximate percentage of interest
Mr. Qian Lirong	Abrahamholme	Beneficial owner	10 ordinary shares	100.00%
Mr. Qian Lirong	Trigiant Investments	Interest in controlled corporation	615 ordinary shares	91.79%

Save as disclosed above, as at 30 June 2015, 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 2015, 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

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Trigiant Investments	Beneficial owner	516,189,750	39.55%
Abrahamholme	Beneficial owner	250,000	0.02%
	Interest in controlled corporation	516,189,750 (Note a)	39.55%
Madam Qian Jundi	Interest of spouse	523,021,750 (Note b)	40.08%
Eternal Asia (HK) Limited	Beneficial owner	261,000,000 (Note c)	20.00%
Shenzhen Eternal Asia Supply Chain Management Ltd. * 深圳市怡亞通供應鏈股份有限公司	Interest in controlled corporation	261,000,000 (Note c)	20.00%
Shenzhen Eternal Asia Investment Holding Limited * 深圳市怡亞通投資控股有限公司	Interest in controlled corporation	261,000,000 (Note c)	20.00%
Zhou Guohui	Interest in controlled corporation	261,000,000 (Note c)	20.00%
Easy Beauty Limited	Beneficial owner	200,000,000 (Note d)	15.33%
Zhu Xujun	Interest in controlled corporation	200,000,000 (Note d)	15.33%

* For identification purpose only

OTHER INFORMATION

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Haier Electrical Appliances Second Holdings (BVI) Limited	Beneficial owner	67,000,000 (Note e)	5.10%
Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司	Interest in controlled corporation	67,000,000 (Note e)	5.10%
Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會	Interest in controlled corporation	67,000,000 (Note e)	5.10%

Notes:

- (a) These shares are registered in the name of Trigiant Investments, a company owned as to 91.79% by Abraholme, which is wholly owned by Qian Lirong. Under the SFO, each of Mr. Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.
- (b) Madam Qian Jindi is the spouse of Mr. Qian Lirong and under the SFO, she is deemed to be interested in all the shares in which Mr. Qian Lirong is interested or deemed to be interested.
- (c) Based on the notices of disclosure of interests of Eternal Asia (HK) Limited, Shenzhen Eternal Asia Supply Chain Management Ltd. 深圳市怡亞通供應鏈股份有限公司, Shenzhen Eternal Asia Investment Holding Limited 深圳市怡亞通投資控股有限公司 and Mr. Zhou Guohui each filed with the Stock Exchange on 10 June 2015, these interest are registered in the name of Eternal Asia (HK) Limited, a company wholly owned by Shenzhen Eternal Asia Supply Chain Management Ltd. 深圳市怡亞通供應鏈股份有限公司, which in turn is owned as to 38.12% by Shenzhen Eternal Asia Investment Holding Limited 深圳市怡亞通投資控股有限公司, which in turn is wholly owned by Mr. Zhou Guohui. These interests were acquired from the entering into of a Subscription Agreement by Eternal Asia (HK) Limited with the Company dated 6 June 2015 to subscribe for 261,000,000 shares, further details of which are disclosed in the announcement of the Company dated 7 June 2015.
- (d) Based on the notices of disclosure of interests of Easy Beauty Limited and Mr. Zhu Xujun each filed with the Stock Exchange filed, these interests in shares are registered in the name of Easy Beauty Limited, a company owned as to 30.00% by Mr. Zhu Xujun.
- (e) Based on the notices of disclosure of interests of Haier Electrical Appliances Second Holdings (BVI) Limited, Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司 and Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會 each filed with the Stock Exchange on 30 December 2014, these interests in underlying shares are registered in the name of Haier Electrical Appliances Second Holdings (BVI) Limited, a company wholly owned by Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司, which in turn is owned as to 63.42% by Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會.

AUDIT COMMITTEE

An audit committee of the Board 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 first half of 2015 have been reviewed by the audit committee of the Board.

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 2015 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.

On behalf of the Board
Qian Lirong
 Chairman

Hong Kong, 24 August 2015