TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

INTERIM REPORT **2017**

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Dr. Fung Kwan Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Jin Xiaofeng
Poon Yick Pang Philip
Jia Lina

ALTERNATE DIRECTOR

Qian Chenhui *(alternate director to Qian Lirong)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Jia Lina *(Chairman)*
Jiang Wei
Poon Yick Pang Philip

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Jiang Wei *(Chairman)*
Professor Jin Xiaofeng
Poon Yick Pang Philip

COMPANY SECRETARY

Leung Siu Kei

AUTHORISED REPRESENTATIVES

Qian Lirong
Leung Siu Kei
Poon Yick Pang Philip *(alternate to Qian Lirong)*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801, 18/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

In this report, the English translation of names in Chinese or another language which are marked with "*" is for identification purpose only. If there is any inconsistency between the Chinese names of entities established in the People's Republic of China and their English translations, the Chinese names shall prevail.

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

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

INVESTOR RELATIONS

Trigiant Group Limited
Email: ir@trigiant.com.cn

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

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communication
China Citic Bank
Bank of JiangSu
HSBC
OCBC Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers 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 2017 compared with the six months ended 30 June 2016:

- Turnover increased by approximately RMB130.1 million, or approximately 9.7%, to approximately RMB1,465.7 million;
- Gross profit margin decreased by approximately 1.6 percentage point to approximately 19.8%;
- Profit for the period attributable to owners of the Company increased by approximately RMB45.9 million, or approximately 60.0%, to approximately RMB122.2 million;
- Net profit margin increased from approximately 5.7% to approximately 8.3%;
- Earnings per share increased from RMB4.88 cents to RMB7.69 cents; and
- Interim dividend declared was HK1.7 cents per share.

The board ("Board") of directors ("Directors", each a "Director") 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 2017 together with the comparative figures for the corresponding period in 2016 and the relevant explanatory notes as set out below.

Deloitte. 德勤

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 22, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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
28 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited)
Turnover	3	**1,465,678**	1,335,630
Cost of goods sold		**(1,175,890)**	(1,050,458)
Gross profit		**289,788**	285,172
Other income	4	**16,318**	8,303
Other gains and losses	5	**(32,890)**	(88,667)
Selling and distribution costs		**(28,645)**	(31,849)
Administrative expenses		**(27,808)**	(29,670)
Research and development costs		**(25,842)**	(24,870)
Fair value change of warrants		**–**	7,429
Finance costs		**(26,246)**	(30,382)
Profit before taxation	6	**164,675**	95,466
Taxation	7	**(27,571)**	(6,222)
Profit and total comprehensive income for the period		**137,104**	89,244
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**122,234**	76,374
Non-controlling interests		**14,870**	12,870
		137,104	89,244
Earnings per share	9		
— basic		**7.69 cents**	4.88 cents
— diluted		**7.69 cents**	4.88 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current assets			
Investment properties	10	**6,900**	6,900
Property, plant and equipment	11	**277,597**	293,834
Land use rights		**72,662**	73,722
Intangible asset	12	**90,753**	96,803
Goodwill	13	**41,773**	41,773
Available-for-sale investments		**7,325**	7,325
Deferred tax assets	17	**35,951**	30,355
		532,961	550,712
Current assets			
Inventories		**132,837**	124,928
Trade and other receivables	14	**3,185,382**	2,932,670
Other financial assets		**15,000**	150,000
Pledged bank deposits		**312,947**	476,338
Bank balances and cash		**442,367**	457,193
		4,088,533	4,141,129
Current liabilities			
Trade and other payables	15	**369,194**	492,120
Bank borrowings	16	**1,363,988**	1,292,956
Taxation payable		**45,703**	40,315
		1,778,885	1,825,391
Net current assets		**2,309,648**	2,315,738
Total assets less current liabilities		**2,842,609**	2,866,450
Non-current liabilities			
Government grants		**3,939**	4,307
Deferred tax liabilities	17	**46,982**	46,582
		50,921	50,889
Net assets		**2,791,688**	2,815,561
Capital and reserves			
Share capital	18	**14,638**	12,651
Reserves		**2,777,050**	2,641,327
Equity attributable to owners of the Company		**2,791,688**	2,653,978
Non-controlling interests		**–**	161,583
Total equity		**2,791,688**	2,815,561

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve fund RMB'000 (note a)	Special reserve RMB'000 (note b)	Other reserve RMB'000	Property revaluation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (audited)	**12,651**	**1,279,211**	**101**	**312,809**	**62,947**	**24**	**622**	**21,394**	**964,219**	**2,653,978**	**161,583**	**2,815,561**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**122,234**	**122,234**	**14,870**	**137,104**
Acquisition of additional interests in a subsidiary *(note 18)*	**1,987**	**230,553**	**–**	**–**	**–**	**(312,858)**	**–**	**–**	**119,039**	**38,721**	**(176,453)**	**(137,732)**
Recognition of equity-settled share based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,014**	**–**	**2,014**	**–**	**2,014**
Final dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,259)**	**(25,259)**	**–**	**(25,259)**
Transfer	**–**	**–**	**–**	**22,357**	**–**	**–**	**–**	**–**	**(22,357)**	**–**	**–**	**–**
At 30 June 2017 (unaudited)	**14,638**	**1,509,764**	**101**	**335,166**	**62,947**	**(312,834)**	**622**	**23,408**	**1,157,876**	**2,791,688**	**–**	**2,791,688**
At 1 January 2016 (audited)	12,651	1,279,211	101	290,326	62,947	24	622	15,194	857,742	2,518,818	132,247	2,651,065
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	–	76,374	76,374	12,870	89,244
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	2,134	–	2,134	–	2,134
Final dividend recognised as distribution	–	–	–	–	–	–	–	–	(46,309)	(46,309)	–	(46,309)
Transfer	–	–	–	(9,476)	–	–	–	–	9,476	–	–	–
At 30 June 2016 (unaudited)	12,651	1,279,211	101	280,850	62,947	24	622	17,328	897,283	2,551,017	145,117	2,696,134

Notes:

(a) 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.

(b) 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 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(230,984)**	(15,210)
Investing activities		
Release of pledged bank deposits	**925,874**	864,009
Proceeds received upon maturity of other financial assets	**135,000**	–
Interest received	**9,581**	6,683
Proceeds from disposal of property, plant and equipment	**8**	256
New pledged bank deposits placed	**(762,483)**	(747,843)
Purchase of property, plant and equipment	**(208)**	(32,485)
Investment in available-for-sale investments	**–**	(380)
Net cash from investing activities	**307,772**	90,240
Financing activities		
Repayment of bank borrowings	**(832,602)**	(984,854)
Acquisition of additional interests in a subsidiary	**(137,732)**	–
Interest paid	**(26,122)**	(21,842)
New bank borrowings raised	**904,842**	1,033,101
Net cash (used in) from financing activities	**(91,614)**	26,405
Net (decrease) increase in cash and cash equivalents	**(14,826)**	101,435
Cash and cash equivalents at 1 January	**457,193**	233,825
Cash and cash equivalents at 30 June, represented by bank balances and cash	**442,367**	335,260

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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

In the current interim period, the Group acquired the remaining 40% of the issued share capital of a non-wholly owned subsidiary of the Company, Jiang Mei Limited, from a shareholder of the Company (see note 18 for details). Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 ("Executive Directors") who review the business with the following reportable and operating segments by products:

- Feeder cable series
- Optical fibre cable series and related products
- Flame-retardant flexible cable series
- New-type electronic components
- Others (including splitters, couples and combiners)

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

The segment results represent the gross profits 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:

3. TURNOVER AND SEGMENT INFORMATION (continued)

For the six months ended 30 June 2017

	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	714,261	461,321	241,134	41,780	7,182	–	1,465,678
— Inter-segment sales	–	107,183	–	–	–	(107,183)	–
	714,261	568,504	241,134	41,780	7,182	(107,183)	1,465,678
Cost of goods sold	(562,348)	(480,155)	(198,628)	(35,205)	(6,737)	107,183	(1,175,890)
SEGMENT RESULT	151,913	88,349	42,506	6,575	445	–	289,788
Unallocated income and expenses:							
Other income							16,318
Other gains and losses							(32,890)
Selling and distribution costs							(28,645)
Administrative expenses							(27,808)
Research and development costs							(25,842)
Finance costs							(26,246)
Profit before taxation							164,675
Taxation							(27,571)
Profit for the period							137,104

3. TURNOVER AND SEGMENT INFORMATION (continued)

For the six months ended 30 June 2016

	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	663,846	389,899	224,132	51,646	6,107	–	1,335,630
— Inter-segment sales	–	168,420	218	–	–	(168,638)	–
	663,846	558,319	224,350	51,646	6,107	(168,638)	1,335,630
Cost of goods sold	(516,272)	(479,752)	(183,088)	(34,707)	(5,277)	168,638	(1,050,458)
SEGMENT RESULT	147,574	78,567	41,262	16,939	830	–	285,172
Unallocated income and expenses:							
Other income							8,303
Other gains and losses							(88,667)
Selling and distribution costs							(31,849)
Administrative expenses							(29,670)
Research and development costs							(24,870)
Fair value change of warrants							7,429
Finance costs							(30,382)
Profit before taxation							95,466
Taxation							(6,222)
Profit for the period							89,244

4. OTHER INCOME

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Government grants	**4,009**	387
Interest income	**10,566**	6,684
Rental income	**200**	200
Others	**1,543**	1,032
	16,318	8,303

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Allowance for bad and doubtful debts	**(37,305)**	(81,659)
Exchange gain (loss)	**4,415**	(7,008)
	(32,890)	(88,667)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	**1,169,495**	1,044,929
Operating lease rentals in respect of land use rights	**1,060**	1,060
Gain on disposal of property, plant and equipment	**–**	64
Depreciation of property, plant and equipment	**16,412**	14,955
Amortisation of intangible asset	**6,050**	6,050
and after crediting:		
Gross rental income from investment properties (net of nil direct operating expenses)	**200**	200

7. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**32,767**	27,815
Deferred taxation credit *(note 17)*	**(5,196)**	(21,593)
Taxation for the period	**27,571**	6,222

The PRC Enterprise 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 principal subsidiaries of the Company in the PRC were endorsed as Advanced Technology Enterprises and entitled to a preferential tax rate of 15% pursuant to the Enterprise Income Tax Law ("EIT Law") of the PRC.

According to the relevant tax law in the PRC, dividends distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the 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.

8. DIVIDENDS

During the current interim period, the Company declared a final dividend of HK1.6 cents per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: final dividend of HK3.5 cents per share in respect of the year ended 31 December 2015). The aggregate amount of the final dividend in respect of the year ended 31 December 2016 declared in the current interim period amounted to HK$28,664,000 (equivalent to approximately RMB25,259,000) (2016: HK$54,722,500 (equivalent to approximately RMB46,309,000)).

Subsequent to the end of the current interim period, interim dividend of HK1.7 cents (six months ended 30 June 2016: HK1.2 cents) per share has been declared by the directors of Company ("Directors").

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	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	**122,234**	76,374
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,590,100,000**	1,563,500,000

The computation of diluted earnings per share does not assume the exercise of the Company's share options (six months ended 30 June 2016: share options and warrants issued by the Company) because the exercise price of those share options (six months ended 30 June 2016: share options and warrants issued by the Company) was higher than the average market price of the Company's shares during both periods.

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at 30 June 2017 was determined by the Directors.

At 31 December 2016, the fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out at that date by Savills Valuation and Professional Services Limited, an 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 for both periods.

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.

There is no change in fair value of investment properties recognised in profit and loss for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately RMB183,000 (six months ended 30 June 2016: RMB30,016,000) on acquisition of property, plant and equipment.

12. INTANGIBLE ASSET

The intangible asset represents customer relationship acquired by the Group as part of a business combination during the year ended 31 December 2014 and has a finite useful life and is amortised on a straight line basis over 10 years.

13. GOODWILL

The goodwill is allocated to the respective cash generating unit ("CGU"). At 30 June 2017, the Directors 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 15.80% (31 December 2016: 15.80%). The CGU's cash flows beyond the 5 year period are extrapolated using a steady 3% (31 December 2016: 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 budget sales and gross margin. The Directors 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.

14. 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, net of allowance for bad and doubtful debts, 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 2017 RMB'000	At 31 December 2016 RMB'000
Trade and bills receivables, net, aged		
0–90 days	**903,551**	795,267
91–180 days	**614,706**	613,879
181–365 days	**728,341**	756,838
Over 365 days	**857,420**	749,167
	3,104,018	2,915,151
Current portion of land use rights	**2,120**	2,120
Interest receivables	**6,451**	5,466
Other receivables *(Note)*	**56,985**	5,801
Prepaid expenses	**13,653**	597
Staff advances	**2,155**	3,535
	3,185,382	2,932,670

Note: As at 30 June 2017, other receivables mainly included approximately RMB50,937,000 (31 December 2016: nil) receivables relating to resale of copper materials.

15. 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 2017 RMB'000	At 31 December 2016 RMB'000
Trade and bills payables, aged		
0–90 days	**173,852**	294,599
91–180 days	**103,329**	51,591
181–365 days	**5,357**	81,637
	282,538	427,827
Accrued expenses	**11,100**	8,560
Payroll and welfare payables	**12,959**	20,100
Other tax payables	**8,366**	9,987
Deposits from suppliers	**14,348**	12,303
Payable for acquisition of property, plant and equipment	**2,668**	2,693
Dividend payables	**24,878**	–
Other payables	**12,337**	10,650
	369,194	492,120

16. BANK BORROWINGS

During the current interim period, the Group obtained new short-term bank loans amounting to RMB904,842,000 (six months ended 30 June 2016: RMB1,033,101,000) and repaid bank loans amounting to RMB832,602,000 (six months ended 30 June 2016: RMB984,854,000). The proceeds were used for daily operation of the Group.

17. DEFERRED TAXATION

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

	Fair value adjustment of intangible asset on acquisition RMB'000	Fair value adjustment of property, plant and equipment and land use rights on acquisition RMB'000	Tax on undistributed earnings RMB'000	Revaluation of properties RMB'000	Allowance for bad and doubtful debts RMB'000	Total RMB'000
At 1 January 2016	27,227	8,336	8,285	2,016	(15,680)	30,184
(Credited) charged to profit or loss for the period	(1,512)	(89)	423	–	(20,415)	(21,593)
At 30 June 2016	25,715	8,247	8,708	2,016	(36,095)	8,591
At 1 January 2017	**24,202**	**8,157**	**12,207**	**2,016**	**(30,355)**	**16,227**
(Credited) charged to profit or loss for the period	**(1,513)**	**(90)**	**2,003**	**–**	**(5,596)**	**(5,196)**
At 30 June 2017	**22,689**	**8,067**	**14,210**	**2,016**	**(35,951)**	**11,031**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Deferred tax assets	**35,951**	30,355
Deferred tax liabilities	**(46,982)**	(46,582)
	(11,031)	(16,227)

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 2016, 31 December 2016 and 30 June 2017	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2016 and 31 December 2016	1,563,500,000	15,635,000	12,651
Issue of shares *(Note)*	228,000,000	2,280,000	1,987
At 30 June 2017	1,791,500,000	17,915,000	14,638

Note: During the current period, the Group acquired the remaining 40% of the issued share capital of a non-wholly owned subsidiary of the Company, Jiang Mei Limited, from a shareholder of the Company ("Acquisition"). The Acquisition was completed on 9 June 2017 ("Completion Date"). Upon the completion of the Acquisition, Jiang Mei Limited became a wholly-owned subsidiary of the Company.

The consideration for the Acquisition based on the Completion Date was approximately RMB370,272,000, which was settled partly as to approximately RMB137,732,000 in cash and partly as to RMB232,540,000 by the allotment and issue of 228,000,000 shares to the vendor upon completion of the Acquisition. The fair value of each ordinary share of the Company of HK$1.17 is determined using the quoted closing price of the Company's share on the Completion Date. The non-controlling interests of RMB176,453,000 was transferred to accumulated profits and the difference arising on these adjustments is recognised in other reserve. Details of the Acquisition are set out in the Company's circular dated 10 May 2017 and the announcement dated 9 June 2017.

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 Directors 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), 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.

19. SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF THE COMPANY (continued)

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 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.

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 71,600,000 share options remained outstanding as at 30 June 2017. 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 RMB2,014,000 during the period ended 30 June 2017 (six months ended 30 June 2016: RMB2,134,000). 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 2017, 28,640,000 shares were issuable under the Scheme (31 December 2016: 28,640,000 shares).

19. SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF THE COMPANY (continued)

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 1 January 2016, 31 December 2016 and 30 June 2017	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		

Date of grant	Balance at 1 January 2016	Lapsed during the year	Balance at 31 December 2016	Lapsed during the period	Balance at 30 June 2017	Exercise price	Exercisable period
Granted to employees on							
20 June 2014	13,840,000	(240,000)	13,600,000	–	13,600,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	13,840,000	(240,000)	13,600,000	–	13,600,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	13,840,000	(240,000)	13,600,000	–	13,600,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	13,840,000	(240,000)	13,600,000	–	13,600,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	13,840,000	(240,000)	13,600,000	–	13,600,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	69,200,000	(1,200,000)	68,000,000	–	68,000,000		
Total	72,800,000	(1,200,000)	71,600,000	–	71,600,000		

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

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 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	**980**	249
In the second to fifth years inclusive	**323**	–
	1,303	249

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 2016: RMB200,000). 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 2016: 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 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	**400**	400
In the second to fifth years inclusive	**233**	467
	633	867

22. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had no significant transactions and balances with related parties during the period. The key management personnel of the Group are the Directors. During the six months ended 30 June 2017, directors' emoluments of approximately RMB1,349,000 (six months ended 30 June 2016: RMB1,368,000) were paid or payable to the Directors.

MARKET REVIEW

In 2017, China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), 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 three major telecommunications operators in the People's Republic of China ("PRC" or "China") continued to proactively encourage their mobile network users to switch from subscription for the 2G and 3G networks to the 4G network. According to the latest data, mobile network users of the three major telecommunications operators reached approximately 1.36 billion, of which, 4G network users amounted to approximately 890 million, representing a penetration rate of approximately 65.0%. In the first six months of 2017, the net increase in 4G network users was approximately 120 million. The continual growth of 4G network users and an improved 4G coverage drove the demand for the feeder cable products and flame-retardant flexible cable products of the Group. Meanwhile, the optical network continued benefiting from the "Broadband China" policy, enabling a strong demand for the optical fibre cable products of the Group.

According to the Three-Year Action Plan for Key Project Construction of Information Infrastructure* (《信息基礎設施重大工程建設三年行動方案》) ("Three-Year Action Plan for Information Infrastructure") jointly issued by the National Development and Reform Commission and the Ministry of Industry and Information Technology ("MIIT") of the PRC in January 2017, the total investments in developing information infrastructure during the period from 2016 to 2018 are expected to be RMB1.2 trillion, among which, the total investments in 92 major construction design projects, including priority projects such as backbone networks, metropolitan area networks, fixed broadband access networks and mobile broadband access networks, amount to RMB902.2 billion. During the six months ended 30 June 2017 ("Period"), there was a flourishing market of fundamental communication equipment driven by a steady progress in the construction and upgrade of mobile communication networks and optical networks, which had boosted the sales of the Group's feeder cable, flame-retardant flexible cable products and optical fibre cable products, the fundamental components for mobile and optical communication networks.

Copper, the major raw material of the Group's feeder cable products and flame-retardant flexible cable products, recorded a gradual price rebound starting from late 2016. Since the Group has adopted the cost-plus-pricing-model, the average sale prices of these products therefore increased and drove the growth in the turnover of the Group.

RESULT ANALYSIS

During the Period, a year-on-year rise in the copper price combined with the continued demand from the construction of mobile communication networks contributed to the growth in turnovers of Group's feeder cable and flame-retardant flexible cable products. Together with the rapid growth of optical fibre cable business during the Period, the Group's turnover therefore increased by approximately 9.7% from approximately RMB1,335.6 million for the first half of 2016 to approximately RMB1,465.7 million for the first half of 2017. The overall gross profit increased by approximately 1.6% from approximately RMB285.2 million for the first half of 2016 to RMB289.8 million for the first half of 2017. During the Period, gross profit margin decreased by 1.6 percentage points from approximately 21.4% for the first half of 2016 to approximately 19.8% for the first half of 2017 due to the Group's strategical price adjustments.

During the Period, the Group recognised an exchange gain of approximately RMB4.4 million arising from bank borrowings denominated in foreign currency, as compared to an exchange loss of approximately RMB7.0 million in the corresponding period in last year. On the other hand, the Group's allowance for bad and doubtful debts decreased significantly by approximately 54.3% from approximately RMB81.7 million in the first half of 2016 to approximately RMB37.3 million in the first half of 2017. As a result, the profit for the period attributable to owners of the Company significantly increased by 60.0% from approximately RMB76.4 million for the first half of 2016 to approximately RMB122.2 million for the first half of 2017. Basic earnings per share increased by RMB2.81 cents from approximately RMB4.88 cents for the first half of 2016 to approximately RMB7.69 cents for the first half of 2017.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2017	2016	Change	Change
	RMB'000	RMB'000	RMB'000	%
Feeder cable series	**714,261**	663,846	+50,415	+7.6%
Optical fibre cable series and related products	**461,321**	389,899	+71,422	+18.3%
Flame-retardant flexible cable series	**241,134**	224,132	+17,002	+7.6%
New-type electronic components	**41,780**	51,646	–9,866	–19.1%
Others	**7,182**	6,107	+1,075	+17.6%
Total	**1,465,678**	1,335,630	+130,048	+9.7%

Feeder Cable Series — *Approximately 48.7% of the Total Turnover*

Due to the continued demand for the construction of indoor coverage of the 4G network and the base stations during the Period, the sales of feeder cable series increased by approximately 1,400 kilometres to approximately 80,100 kilometres. Meanwhile, the copper price rebounded significantly as compared to the corresponding period in last year. The Group adopts cost-plus-pricing-model for its feeder cable products and the rebound of copper price resulted in an increase in the average selling price of such product. For the Period, the turnover of feeder cable series increased by approximately 7.6% to approximately RMB714.3 million as compared to the corresponding period in last year. Gross profit margin decreased by approximately 0.9 percentage point to approximately 21.3% due to strategical price adjustments by the Group.

Optical Fibre Cable Series — *Approximately 31.5% of the Total Turnover*

Due to the ongoing construction of optical communication networks under the "Broadband China" policy, the market demand for optical fibre cable products kept strong. During the Period, the turnover of optical fibre cable products increased by approximately 18.3% to approximately RMB461.3 million as compared to the corresponding period in last year. Sales increased by approximately 460,000 fibre kilometres to approximately 4,821,000 fibre kilometres for the Period. Gross profit margin dropped by approximately 1.0 percentage point to approximately 19.2% due to strategical price adjustments by the Group.

Flame-retardant Flexible Cable Series — *Approximately 16.5% of the Total Turnover*

Flame-retardant flexible cable series, another major product of the Group, recorded a turnover growth of approximately 7.6% to approximately RMB241.1 million as compared to the corresponding period in last year due to the rebound in copper price and an accelerating development in the mobile communication infrastructure. Gross profit margin dropped by 0.8 percentage point to approximately 17.6% as compared to the corresponding period in last year.

MAJOR CUSTOMERS AND SALES NETWORK

The Group maintained sound cooperation with the three major telecommunications operators in the PRC leveraging on its solid proven track record, diverse products portfolio, excellent product quality and comprehensive and efficient after-sales services. As at 30 June 2017, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 27 out of the 31 provincial subsidiaries of China Mobile and 26 out of the 31 provincial subsidiaries of China Telecom. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 46.2%, 36.2% and 11.5%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators, the Group also maintained business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2017, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

PATENTS, AWARDS AND RECOGNITION

As at 30 June 2017, the Group obtained 96 patents and developed 107 new products in the PRC. 44 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), Jiangsu Trigiant Technology Co., Ltd. ("Trigiant Technology") ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for seven consecutive years from 2010 to 2016;

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

- Jiangsu Trigiant Optic-Electric Communication Co., Ltd. ("Trigiant Optic-Electric") was awarded as Jiangsu Enterprise Technology Center.

PROSPECTS AND FUTURE PLANS

The 5G network technology is a new focus of the global telecommunication industry. Various countries have increased their investments in the research and development of the 5G network with a view to securing breakthroughs. To keep abreast of the industrial trend, China officially launched the research and development of 5G network and already started to build the 5G network test platform in 2016. According to the work plan of the MIIT and the IMT-2020(5G) promotion team of the PRC as well as the latest 5G network commercial plan of the three major telecommunications operators, China will carry out the second phase testing of the 5G network in 2017 and a large-scale testing for network formation in 2018. Based on these testings, the 5G network construction is expected to commence in 2019 so that 5G network will be in commercial use by 2020.

In 2017, the 5G network rapidly evolved from technical development to scenario verification testing stage. In early July 2017, China Mobile announced that it would carry out field testing in Beijing, Shanghai, Guangzhou, Suzhou and Ningbo in the second half of 2017. China Mobile also announced that the 5G network would be in pre-commercial and mass commercial use in 2019 and 2020, respectively. According to the chairman of China Telecom in late July 2017, China Telecom proposes to carry out field experiments for developing the 5G network from 2017 to 2018, launch its pre-commercial services in 2019 and achieve the scale of business operations by 2020. Save for the three major telecommunications operators in China, other communications enterprises are also proactively carrying out the development and deployment of the 5G technology, our Company has been actively exploring upgrading and developing new products to meet 5G technology's requirements on the basis of existing products.

To coordinate the deployment and construction of information infrastructure from 2016 to 2018, the Three-Year Action Plan for Information Infrastructure proposes that 200 million new fibre-to-the-home ports are to be built, achieving optical coverage in urban areas with more than 1,000 megabits per second. Large and medium city home broadband users will be provided with an option of more than 100 megabits per second, while the fibre coverage proportion of administrative village increases from 75% to 90%. This will bring a new round of demand for the optical fibre cable market.

In view of the accelerated construction and upgrade of mobile communication networks and optical communication networks, the Group believes its feeder cable series products and optical fibre cable products will benefit from the huge market demand. For active preparation, the Group will keep a close eye for any business opportunity and continue to maintain close cooperation with the three major telecommunications operators. On the other hand, the Group will proactively identify suitable optical fibre manufactures to establish business relationship and explore opportunities for optical fibre cable expansion.

Furthermore, the Group will stay focused on overseas development opportunities. To further expand the sources of income in the second half of 2017, the Group will attend the international trade exhibitions to be held in the Asia-pacific region, North America, Middle East and Africa, and visit overseas customers so as to follow up with sales orders. Meanwhile, the sustained rebound of copper price also provides the Group opportunities to further enhance its business performance. Therefore, the Group will continue to improve production efficiency, maintain its leading market position in the industry and embrace new development opportunities at any time.

FINANCIAL REVIEW

TURNOVER

Turnover increased by approximately RMB130.1 million, or 9.7%, from approximately RMB1,335.6 million in the first half of 2016 to approximately RMB1,465.7 million for the first half of 2017. The increase in turnover contributed by feeder cable series, optical fibre cable series, flame-retardant flexible cable series and others of approximately RMB50.4 million, RMB71.4 million, RMB17.0 million and RMB1.1 million, respectively, was partly offset by the decrease in turnover of new-type electronic components of approximately RMB9.9 million. The increase in turnover of feeder cable series and flame-retardant flexible cable series is primarily driven by their increased selling prices, mainly as a result of the increased copper price during the first half of 2017. In addition, the increase in turnover of optical fibre cable products is a result of strong demand in the first half of 2017.

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 generally in line with the increase in turnover by approximately RMB125.4 million, or 11.9%, from approximately RMB1,050.5 million for the first half of 2016 to approximately RMB1,175.9 million for the first half of 2017.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by approximately RMB4.6 million, or 1.6%, from approximately RMB285.2 million for the first half of 2016 to approximately RMB289.8 million for the first half of 2017. The increase in gross profit is mainly a result of the increase in turnover. Overall gross profit margin decreased from approximately 21.4% for the first half of 2016 to approximately 19.8% for the first half of 2017. The decrease in overall gross profit margin is mainly a result of the strategical price adjustments of the Group's major product series.

OTHER INCOME

Other income increased by approximately RMB8.0 million, or 96.5%, from approximately RMB8.3 million for the first half of 2016 to approximately RMB16.3 million for the first half of 2017 primarily due to the increase in interest income by approximately RMB3.9 million and government grants of approximately RMB3.6 million.

OTHER GAINS AND LOSSES

Other gains and losses decreased by approximately RMB55.8 million, or 62.9%, from approximately RMB88.7 million for the first half of 2016 to approximately RMB32.9 million for the first half of 2017. The decrease is mainly because of the decrease in allowance in bad debts recognised in the first half of 2017. In addition, an exchange loss of approximately RMB7.0 million was recognised in the first half of 2016 while an exchange gain of approximately RMB4.4 million was recognised in the first half of 2017.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by approximately RMB3.2 million, or 10.1%, from approximately RMB31.8 million for the first half of 2016 to approximately RMB28.6 million for the first half of 2017, mainly due to the decreased entertainment costs as a result of the Group's continuing cost curb program.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately RMB1.9 million, or 6.3%, from approximately RMB29.7 million for the first half of 2016 to approximately RMB27.8 million for the first half of 2017 mainly due to the decrease in salary expense of administrative staff.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by approximately RMB0.9 million, or 3.9%, from approximately RMB24.9 million for the first half of 2016 to approximately RMB25.8 million for the first half of 2017 primarily due to additional research and development costs incurred in order to broaden the varieties of the Group's product portfolio to tailor for the communication network requirements.

FAIR VALUE CHANGE OF WARRANTS

The Company issued 200,000,000 warrants ("Warrants") in April 2014 and re-measures the Warrants at fair value at each statement of financial position date with the change in fair value recorded in profit or loss. These Warrants were recognised in the consolidated statement of financial position at their fair value using binomial model. A gain on change in fair value of the Warrants amounted to approximately RMB7.4 million was recognised in the first half of 2016 whereas no such fair value change was recognised in the first half of 2017 as all Warrants were redeemed by the Company in December 2016.

FINANCE COSTS

Finance costs decreased by approximately RMB4.2 million, or 13.6%, from approximately RMB30.4 million for the first half of 2016 to approximately RMB26.2 million for the first half of 2017 primarily due to the decrease in average bank borrowings and the average interest rate of bank borrowings.

TAXATION

Taxation charge increased by approximately RMB21.4 million, or 343.1%, from approximately RMB6.2 million for the first half of 2016 to approximately RMB27.6 million for the first half of 2017. The Group's Enterprise Income Tax ("EIT") arises from its principal subsidiaries in the PRC, which enjoy a reduced EIT rate of 15% as they are qualified as Advanced Technology Enterprises. The increase in taxation charge for the first half of 2017 is primarily attributable to the increased taxable profit of the principal subsidiaries of the Group in the PRC.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

On 9 June 2017, completion of the acquisition ("Acquisition") of the remaining 40% issued share capital of Jiang Mei Limited ("Jiang Mei") took place. As Jiang Mei holds 87.5% equity interests of Trigiant Optic-Electric, which engages in the manufacturing and sales of optical fibre cable business, the Group's beneficial interests in Trigiant Optic-Electric therefore increased from 65.0% to 100.0% after the Acquisition. Upon completion of the Acquisition, the overall results of the Group was further enhanced.

As a combined result of the foregoing and profit attributable to non-controlling interests, profit for the period attributable to owners of the Company increased by approximately RMB45.9 million, or 60.0%, from approximately RMB76.4 million for the first half of 2016 to approximately RMB122.2 million for the first half of 2017 and the corresponding net profit margin increased from approximately 5.7% for the first half of 2016 to approximately 8.3% for the first half of 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Net cash used in operating activities	**(230,984)**	(15,210)
Net cash from investing activities	**307,772**	90,240
Net cash (used in) from financing activities	**(91,614)**	26,405

As at 30 June 2017, the Group had bank balances and cash and pledged bank deposits of approximately RMB755.3 million, the majority of which were denominated in Renminbi. As at 30 June 2017, the Group had total bank borrowings of approximately RMB1,364.0 million which are repayable within one year. As at 30 June 2017, RMB737.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB627.0 million were variable rate borrowings. As at 30 June 2017, bank borrowings of approximately RMB1,127.0 million were denominated in Renminbi, approximately RMB169.3 million were denominated in Hong Kong dollar and approximately RMB67.7 million were denominated in United States dollar.

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

On 9 June 2017, the Company issued 228,000,000 ordinary shares as part of consideration for the Acquisition of the remaining 40% of the issued share capital of Jiang Mei, which held 87.5% interest in Trigiant Optic-Electric, at the issue price of approximately HK$1.174 per share. The quoted closing price of the Company's shares on 9 June 2017 was HK$1.17.

GEARING RATIO

Gearing ratio increased from approximately 12.8% as at 31 December 2016 to approximately 21.8% as at 30 June 2017. Such increase was primarily resulted from the additional bank borrowings raised and decrease in other reserve as a result of the completion of the Acquisition. 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 2017, the Group pledged certain bank deposits with carrying value of approximately RMB312.9 million (31 December 2016: approximately RMB476.3 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 2017.

EMPLOYEE INFORMATION

As at 30 June 2017, the Group had approximately 1,000 (31 December 2016: 1,000) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, its directors and employees in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

The Group also invests in continuing education and training programmes for management staff and other employees with a view to upgrading their skills and knowledge. These training courses comprise internal courses run by the management of the Group and external courses provided by professional trainers and range from technical training for production staff to financial and administrative trainings for management staff.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.7 cents per share for the first half of 2017 (first half of 2016: HK1.2 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 15 September 2017. The interim dividend will be payable on or about Friday, 24 November 2017.

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 Tuesday, 12 September 2017 to Friday, 15 September 2017, 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 2017, 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 Monday, 11 September 2017.

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 2017 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

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 2017.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 30 March 2017, Trigiant Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with, among other parties, Easy Beauty Limited ("Vendor") in relation to the Acquisition pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the remaining 40% issued share capital of Jiang Mei, a company then owned as to 60% by the Group. Jiang Mei holds 87.5% equity interest in Trigiant Optic-Electric, a limited liability company established in the PRC which is principally engaged in the manufacturing and sales of optical fibre cable business. Completion of the Acquisition took place on 9 June 2017 whereby each of Jiang Mei and Trigiant Optic-Electric became a wholly-owned subsidiary of the Company. Further details of the Acquisition are set out in the Company's circular dated 10 May 2017 and announcement dated 9 June 2017.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2017. In addition, the Group had no significant investments held during the six months ended 30 June 2017.

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 the 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.

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

As at 30 June 2017, 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

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	28.81%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.01%
	Beneficial owner	6,582,000	–	6,582,000	0.37%
Mr. Jiang Wei	Beneficial owner	60,000	2,000,000 *(Note c)*	2,060,000	0.11%
Professor Jin Xiaofeng	Beneficial owner	–	400,000 *(Note c)*	400,000	0.02%
Mr. Poon Yick Pang Philip	Beneficial owner	–	400,000 *(Note c)*	400,000	0.02%
Ms. Jia Lina	Beneficial owner	–	400,000 *(Note c)*	400,000	0.02%
Mr. Ng Wai Hung	Beneficial owner	–	400,000 *(Notes c & d)*	400,000	0.02%
Mr. Qian Chenhui	Beneficial owner	–	1,200,000 *(Note c)*	1,200,000	0.07%

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

LONG POSITIONS (continued)

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

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 in turn wholly owned by Mr. Qian Lirong. By virtue of the provisions in Part XV of 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.

(d) Mr. Ng Wai Hung resigned as an independent non-executive Director with effect from 22 August 2017.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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:

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	28.81%
Abraholme	Beneficial owner	250,000	0.01%
	Interest in controlled corporation	516,189,750 *(Note a)*	28.81%
Madam Qian Jundi	Interest of spouse	523,021,750 *(Note b)*	29.19%
Eternal Asia (HK) Limited	Beneficial owner	292,876,000 *(Note c)*	16.35%

SUBSTANTIAL SHAREHOLDERS (continued)

LONG POSITIONS (continued)

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Shenzhen Eternal Asia Investment Holding Limited ("Eternal Asia Investment")* 深圳市怡亞通投資控股有限公司	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
Shenzhen Eternal Asia Supply Chain Management Ltd. ("Eternal Asia")* 深圳市怡亞通供應鏈股份有限公司	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
Zhou Guohui	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
People's Bank of China	Interest in controlled corporation	261,000,000 *(Note d)*	14.57%
Easy Beauty Limited	Beneficial owner	428,000,000 *(Note e)*	23.89%
Zhu Xujun	Interest in controlled corporation	428,000,000 *(Note e)*	23.89%

Note:

(a) These shares are registered in the name of Trigiant Investments, a company owned as to 91.79% by Abraholme, which is in turn wholly owned by Mr. Qian Lirong, an executive Director and the chairman of the Board. By virtue of the provisions in 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 dated 9 June 2017 of Eternal Asia (HK) Limited, Eternal Asia, Eternal Asia Investment and Mr. Zhou Guohui each filed with the Stock Exchange, these interest are registered in the name of Eternal Asia (HK) Limited, a company wholly owned by Eternal Asia, which in turn is owned as to 36.22% by Eternal Asia Investment, which in turn is wholly owned by Mr. Zhou Guohui.

(d) Based on the notice of disclosure of interests dated 31 March 2016 of the People's Bank of China filed with the Stock Exchange, these interests in shares are registered in the name of 中國進出口銀行, a company owned by the People's Bank of China as to 98%.

(e) Based on the notices of disclosure of interests dated 9 June 2017 of Easy Beauty Limited and Mr. Zhu Xujun each filed with the Stock Exchange, these interests in shares are registered in the name of Easy Beauty Limited, a company owned as to 40.00% by Mr. Zhu Xujun.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the 2016 annual report of the Company are set out below:

Mr. Ng Wai Hung, an independent non-executive Director, resigned as Director with effect from 22 August 2017.

Save as disclosed above, as at the date of this report, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control and risk management systems of the Group. As at the date of this report, the Audit Committee comprises all independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Professor Jin Xiaofeng and Ms. Jia Lina. Mr. Poon Yick Pang Philip is the chairman of the Audit Committee. The interim results of the Group for the first half of 2017 have been reviewed by the Audit Committee.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the first half of 2017 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, 28 August 2017