TRIGIANT
俊知集团

TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

2018
Interim Report

* 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

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Cayman Islands

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Industrial Park for Environmental
Protection Science & Technology
Yixing City
Jiangsu Province
PRC

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

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.

CORPORATE INFORMATION

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 2018 compared with the six months ended 30 June 2017:

- Turnover increased by approximately RMB216.5 million, or approximately 14.8%, to approximately RMB1,682.1 million;
- Gross profit margin slightly decreased by approximately 0.3 percentage point, to approximately 19.5%;
- Profit for the period attributable to owners of the Company increased by approximately RMB44.0 million, or approximately 36.0%, to approximately RMB166.2 million;
- Net profit margin increased by approximately 1.6 percentage points, to approximately 9.9%;
- Earnings per share increased from RMB7.69 cents to RMB9.28 cents; and
- Interim dividend declared was HK2.2 cents per share.

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 and the relevant explanatory notes as set out below. The interim financial information are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, and the audit committee of the Board.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 6 to 30 which comprise the condensed consolidated statement of financial position as of 30 June 2018 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
27 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Turnover	3	**1,682,134**	1,465,678
Cost of goods sold		**(1,354,866)**	(1,175,890)
Gross profit		**327,268**	289,788
Other income	4	**18,513**	16,318
Other gains and losses	5	**(39,595)**	(32,890)
Selling and distribution costs		**(26,283)**	(28,645)
Administrative expenses		**(24,163)**	(27,808)
Research and development costs		**(26,568)**	(25,842)
Finance costs		**(32,428)**	(26,246)
Profit before taxation	6	**196,744**	164,675
Taxation	7	**(30,506)**	(27,571)
Profit and total comprehensive income for the period		**166,238**	137,104
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**166,238**	122,234
Non-controlling interests		**–**	14,870
		166,238	137,104
Earnings per share	9		
— basic		**9.28 cents**	7.69 cents
— diluted		**9.28 cents**	7.69 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current assets			
Investment properties	10	**7,600**	7,600
Property, plant and equipment	11	**247,197**	262,428
Land use rights		**70,542**	71,602
Intangible asset	12	**78,652**	84,702
Goodwill	13	**41,773**	41,773
Equity instruments at fair value through other comprehensive income		**25,275**	–
Available-for-sale investments		**–**	7,325
Deferred tax assets	17	**51,934**	43,725
		522,973	519,155
Current assets			
Inventories		**167,691**	108,547
Trade and other receivables	14	**3,406,527**	3,257,251
Other financial assets		**120,000**	150,000
Pledged bank deposits		**446,872**	337,939
Bank balances and cash		**442,085**	455,268
		4,583,175	4,309,005
Current liabilities			
Trade and other payables	15	**355,832**	345,586
Bank borrowings — due within one year	16	**1,597,106**	1,466,667
Taxation payable		**42,831**	40,695
		1,995,769	1,852,948
Net current assets		**2,587,406**	2,456,057
Total assets less current liabilities		**3,110,379**	2,975,212
Non-current liabilities			
Government grants		**3,203**	3,571
Deferred tax liabilities	17	**42,571**	48,973
		45,774	52,544
Net assets		**3,064,605**	2,922,668
Capital and reserves			
Share capital	18	**14,638**	14,638
Reserves		**3,049,967**	2,908,030
Total equity		**3,064,605**	2,922,668

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	Investment revaluation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017 (audited)	**14,638**	**1,509,764**	**101**	**362,249**	**62,947**	**(312,834)**	**622**	**–**	**19,352**	**1,265,829**	**2,922,668**	**–**	**2,922,668**
Opening adjustments *(see note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,950**	**–**	**(11,730)**	**6,220**	**–**	**6,220**
At 1 January 2018 (restated)	**14,638**	**1,509,764**	**101**	**362,249**	**62,947**	**(312,834)**	**622**	**17,950**	**19,352**	**1,254,099**	**2,928,888**	**–**	**2,928,888**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**166,238**	**166,238**	**–**	**166,238**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,062**	**–**	**1,062**	**–**	**1,062**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,583)**	**(31,583)**	**–**	**(31,583)**
Transfer	**–**	**–**	**–**	**25,898**	**–**	**–**	**–**	**–**	**–**	**(25,898)**	**–**	**–**	**–**
At 30 June 2018 (unaudited)	**14,638**	**1,509,764**	**101**	**388,147**	**62,947**	**(312,834)**	**622**	**17,950**	**20,414**	**1,362,856**	**3,064,605**	**–**	**3,064,605**
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
Dividends 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

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 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(38,062)**	(230,984)
Investing activities		
New pledged bank deposits placed	**(251,569)**	(762,483)
Purchase of other financial assets	**(20,000)**	–
Purchase of property, plant and equipment	**(779)**	(208)
Release of pledged bank deposits	**142,636**	925,874
Redemption of other financial assets	**50,000**	135,000
Interest received	**5,251**	9,581
Proceeds from disposal of property, plant and equipment	**–**	8
Net cash (used in) from investing activities	**(74,461)**	307,772
Financing activities		
New bank borrowings raised	**1,026,000**	904,842
Repayment of bank borrowings	**(895,561)**	(832,602)
Interest paid	**(31,099)**	(26,122)
Acquisition of additional interests in a subsidiary	**–**	(137,732)
Net cash from (used in) financing activities	**99,340**	(91,614)
Net decrease in cash and cash equivalents	**(13,183)**	(14,826)
Cash and cash equivalents at 1 January	**455,268**	457,193
Cash and cash equivalents at 30 June, represented by bank balances and cash	**442,085**	442,367

1. BASIS OF PREPARATION

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

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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded Hong Kong Accounting & Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series and others for mobile communication and telecommunication equipment.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

The directors of the Company considered the application of HKFRS15 has no material impact of the timing and amounts of revenue recognised in the respective reporting periods.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments RMB'000	Equity instruments at FVTOCI RMB'000	Investment revaluation reserve RMB'000	Amortised cost (Previously classified as loans and receivables) RMB'000	Deferred tax assets RMB'000	Accumulated profits RMB'000
Closing balance at 31 December 2017 — HKAS 39		7,325	-	-	4,048,338	43,725	1,265,829
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	*(a)*	(7,325)	7,325	-	-	-	-
Remeasurement							
Impairment under ECL model	*(b)*	-	-	-	(13,800)	2,070	(11,730)
From cost less impairment to fair value	*(a)*	-	17,950	17,950	-	-	-
Opening balance at 1 January 2018		-	25,275	17,950	4,034,538	45,795	1,254,099

Notes:

(a) *Available-for-sale investments*

From available-for-sale equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of its equity investments previously classified as available-for-sale, of which RMB7,325,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB7,325,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB7,325,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of RMB17,950,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging analysis of the trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB13,800,000 and the related deferred tax assets of RMB2,070,000 have been recognised against accumulated profits. The additional loss allowance is charged and the additional deferred taxation is credited against the respective assets.

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:

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

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other income, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's turnover and results by reportable segments:

For the six months ended 30 June 2018

	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	869,441	517,395	262,495	25,038	7,765	–	1,682,134
— Inter-segment sales*	–	108,422	–	–	–	(108,422)	–
	869,441	625,817	262,495	25,038	7,765	(108,422)	1,682,134
Cost of goods sold	(689,278)	(529,074)	(217,338)	(20,278)	(7,320)	108,422	(1,354,866)
SEGMENT RESULT	180,163	96,743	45,157	4,760	445	–	327,268
Unallocated income and expenses:							
Other income							18,513
Other gains and losses							(39,595)
Selling and distribution costs							(26,283)
Administrative expenses							(24,163)
Research and development costs							(26,568)
Finance costs							(32,428)
Profit before taxation							196,744
Taxation							(30,506)
Profit for the period							166,238

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

* Inter-segment sales are entered into in accordance with the relevant agreements, if any, governing those transactions, in which the pricing was determined with reference to the cost incurred.

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Government grants	**3,804**	4,009
Interest income	**10,067**	8,686
Investment income from other financial assets	**3,007**	1,880
Rental income	**200**	200
Others	**1,435**	1,543
	18,513	16,318

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Allowance for bad and doubtful debts	**(40,929)**	(37,305)
Exchange gain	**1,334**	4,415
	(39,595)	(32,890)

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible asset	**6,050**	6,050
Cost of inventories recognised as expenses	**1,341,325**	1,169,495
Depreciation of property, plant and equipment	**16,010**	16,412
Operating lease rentals in respect of land use rights	**1,060**	1,060
and after crediting:		
Gross rental income from investment properties (net of negligible direct operating expenses)	**200**	200

7. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
The charge (credit) comprises:		
The People's Republic of China ("PRC") Enterprise Income Tax	**37,547**	32,767
Deferred taxation credit *(Note 17)*	**(7,041)**	(5,196)
Taxation for the period	**30,506**	27,571

The PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

The principal subsidiaries of the Company in the PRC were endorsed as High and New Technology Enterprises by relevant authorities in the PRC and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15%. The High and New Technology Enterprise qualifications of the principal subsidiaries were last renewed in 2015 and the next renewal is in 2018.

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 is made in the condensed consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both periods.

8. DIVIDENDS

During the current interim period, the Company declared a final dividend of HK2.1 cents per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: final dividend of HK1.6 cents per share in respect of the year ended 31 December 2016). The aggregate amount of the final dividend in respect of the year ended 31 December 2017 declared in the current interim period amounted to HK$37,621,500 (equivalent to approximately RMB31,583,000) (six months ended 30 June 2017: HK$28,664,000 (equivalent to approximately RMB25,259,000)).

Subsequent to the end of the current interim period, interim dividend of HK2.2 cents (six months ended 30 June 2017: HK1.7 cents) per share has been declared by the directors of the Company.

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	
	2018	2017
	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	**166,238**	122,234
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,791,500,000**	1,590,100,000

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

10. INVESTMENT PROPERTIES

The Group's investment properties were situated at No. 1 Junzhi Road, Yixing, Jiangsu Province, the PRC under medium-term leases.

The fair value of the Group's investment properties as at 30 June 2018 is determined by the directors of the Company.

At 31 December 2017, the fair value of the Group's investment properties had been arrived at on the basis of a valuation carried out at that date by Asset Appraisal Limited, independent firms of qualified professional property valuers not connected with the Group.

The valuation was arrived at based on direct comparison approach. The direct comparison approach assumes sale of property interest in its existing state by reference to market evidence of transaction prices for similar properties and income method is also considered in the valuation on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance of reversionary income potential of the property.

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 2018 (six months ended 30 June 2017: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent RMB779,000 (six months ended 30 June 2017: RMB183,000) 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

For the purpose of impairment test, goodwill of RMB41,773,000 has been allocated to the cash generating unit ("CGU") of Jiang Mei Limited which is related to the segment of "Optical fibre cable series and related products".

At 30 June 2018, 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 forecast based on financial budgets approved by the management covering a period of 5 years (31 December 2017: 5 years) and a discount rate of 15.6% (31 December 2017: 15.6%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (31 December 2017: 3%) growth rate per annum. 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. Such estimation is based on the CGU's past performance and available industry and market information. 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.

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 2018 RMB'000	At 31 December 2017 RMB'000
Trade and bills receivables, net, aged		
0–90 days	**1,091,692**	852,252
91–180 days	**653,108**	545,503
181–365 days	**683,069**	892,916
Over 365 days	**847,798**	862,029
	3,275,667	3,152,700
Current portion of land use rights	**2,120**	2,120
Interest receivable	**13,330**	5,507
Other receivables *(Note)*	**82,329**	85,485
Deposits paid to suppliers	**29,726**	5,000
Prepaid expenses	**1,690**	4,171
Staff advances	**1,665**	2,268
	3,406,527	3,257,251

Note: At 30 June 2018, other receivables mainly include receivables relating to resale of copper materials of RMB77,241,000 (31 December 2017: RMB81,216,000).

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 2018 RMB'000	At 31 December 2017 RMB'000
Trade and bills payables, aged		
0–90 days	**115,141**	278,173
91–180 days	**155,776**	3,157
181–365 days	**906**	3
	271,823	281,333
Accrued expenses	**12,013**	10,522
Deposits from suppliers	**11,778**	13,025
Dividends payables	**31,719**	–
Other payables	**8,834**	8,074
Other tax payables	**7,705**	10,965
Payable for acquisition of property, plant and equipment	**1,488**	1,488
Payroll and welfare payables	**10,472**	20,179
	355,832	345,586

16. BANK BORROWINGS — DUE WITHIN ONE YEAR

During the current interim period, the Group obtained new short-term bank borrowings amounting to RMB1,026,000,000 (six months ended 30 June 2017: RMB904,842,000) and repaid bank borrowings amounting to RMB895,561,000 (six months ended 30 June 2017: RMB832,602,000). The proceeds were used for daily operation of the Group.

17. DEFERRED TAXATION

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

	Fair value adjustment on intangible asset RMB'000	Fair value adjustment on property, plant and equipment 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 2017 (audited)	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 (unaudited)	22,689	8,067	14,210	2,016	(35,951)	11,031
At 1 January 2018 (audited)	**21,177**	**7,978**	**17,627**	**2,191**	**(43,725)**	**5,248**
Opening adjustments (see note 2)	**–**	**–**	**–**	**–**	**(2,070)**	**(2,070)**
At 1 January 2018 (restated)	**21,177**	**7,978**	**17,627**	**2,191**	**(45,795)**	**3,178**
(Credited) charged to profit or loss for the period	**(1,513)**	**(90)**	**701**	**–**	**(6,139)**	**(7,041)**
Released upon dividend declared	**–**	**–**	**(5,500)**	**–**	**–**	**(5,500)**
At 30 June 2018 (unaudited)	**19,664**	**7,888**	**12,828**	**2,191**	**(51,934)**	**(9,363)**

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Deferred tax assets	**51,934**	43,725
Deferred tax liabilities	**(42,571)**	(48,973)
	9,363	(5,248)

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 2017, 31 December 2017 and 30 June 2018	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2017	1,563,500,000	15,635,000	12,651
Issue of shares *(note)*	228,000,000	2,280,000	1,987
At 31 December 2017 and 30 June 2018	1,791,500,000	17,915,000	14,638

Note:

During the prior year, 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 substantial 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 fair value of 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 was 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 was recognised in other reserve. Details of the Acquisition are set out in the Company's circular dated 10 May 2017 and the Company's 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 (the "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 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.

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 a total of 50,560,000 share options remained outstanding as at 30 June 2018. 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 RMB1,062,000 during the period ended 30 June 2018 (six months ended 30 June 2017: RMB2,014,000). 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.

During the current period, no share options were granted or exercised under the Scheme (six months ended 30 June 2017: nil).

At 30 June 2018, 25,280,000 shares were issuable under the Scheme (31 December 2017: 26,880,000 shares).

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 2017	Lapsed during the year	Balance at 31 December 2017	Lapsed during the period	Balance at 30 June 2018	Exercise price	Exercisable period
Granted to directors on							
20 June 2014	720,000	(720,000)	–	–	–	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	720,000	(80,000)	640,000	–	640,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	(80,000)	640,000	–	640,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	(80,000)	640,000	–	640,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	(80,000)	640,000	–	640,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000	(1,040,000)	2,560,000	–	2,560,000		
Granted to employees on							
20 June 2014	13,600,000	(13,600,000)	–	–	–	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	13,600,000	(800,000)	12,800,000	(800,000)	12,000,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	13,600,000	(800,000)	12,800,000	(800,000)	12,000,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	13,600,000	(800,000)	12,800,000	(800,000)	12,000,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	13,600,000	(800,000)	12,800,000	(800,000)	12,000,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	68,000,000	(16,800,000)	51,200,000	(3,200,000)	48,000,000		
Total	71,600,000	(17,840,000)	53,760,000	(3,200,000)	50,560,000		

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period.

The directors of the Company 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 2018 RMB'000	At 31 December 2017 RMB'000
Within one year	**855**	556
In the second to fifth years inclusive	**42**	104
	897	660

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 2017: 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 one year (31 December 2017: 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 2018 RMB'000	At 31 December 2017 RMB'000
Within one year	**267**	400
In the second to fifth years inclusive	**–**	67
	267	467

22. RELATED PARTY TRANSACTIONS

Saved 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 of the Company. During the six months ended 30 June 2018, directors' emoluments of approximately RMB1,210,000 (six months ended 30 June 2017: RMB1,349,000) were paid or payable to the directors of the Company.

23. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 July 2018, the Group entered into a share and purchase agreement to acquire 100% of the issued share capital of Rosy Elite Limited from an independent third party at a consideration of RMB243,250,000. Rosy Elite Limited indirectly holds 87.5% equity interest in Jiangsu Trigiant Sensing Technology Co., Ltd. (江蘇俊知傳感技術有限公司), a company established in the PRC and principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronics devices, sensor, micro smart label products and chips, in which the other 12.5% interest was held by the Group as 12.5% equity instrument at fair value through other comprehensive income. Completion of the acquisition took place on 31 July 2018, and Jiangsu Trigiant Sensing Technology Co., Ltd. became a wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcements dated 24 July 2018 and 31 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

As part of the most dynamic areas of China's information industry, mobile communication networks have to date become closely related to people's way of life. Following years of development, the mobile communication networks technology in China is currently at a stage where the fourth-generation (4G) mobile communication technology has enjoyed a fast growth amid ongoing research and development of the fifth-generation (5G) mobile communication technology. In this connection, the number of mobile communication users in China continued to grow in the first half of 2018, of which 4G users exceeded 1.1 billion and mobile broadband users (i.e. 3G and 4G users) amounted to 83.2% of mobile phone users. Meanwhile, the total number of 3G/4G base stations has reached approximately 4.67 million. The huge user base drove a steady growth of various sub-sectors such as the communication networks and system equipment manufacturing, and laid a solid foundation for the sales growth of our feeder cable products and flame-retardant flexible cable products.

In the meantime, since the Ministry of Industry and Information Technology of the PRC ("MIIT") took the lead in promoting the "Broadband China" initiative in 2012, the demand for developing high-quality optical communication networks has appeared increasingly urgent due to a huge fibre-to-the-home base, thus driving a fast growth in the fibre optic cable market. China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Limited* (中國聯合網絡通信股份有限公司) ("China Unicom") and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom") (collectively referred to as the three major telecommunications operators in the PRC) continued to accelerate the infrastructure construction in the field of optical communications. In 2018, the three major telecommunications operators' optical fibre cable products covered more than 280 million fibre kilometres. Enjoying these favourable conditions, the Group achieved a sales growth of our optical fibre cable products. In addition, the plan for standard 5G NR Standalone systems was officially introduced at the 3GPP plenary meeting held on 13 June 2018, marking the first commercial 5G standard. In these conditions, global operators' deployment of 5G networks on a large scale will stimulate the demands for constructing the 5G transmission and bearer networks, thereby providing an important impetus to drive the development of the Group.

According to the work plan of the MIIT and other ministries, China proposed to officially launch the three-year action plan to become an internet powerhouse in 2018, pursuant to which, a 100-megabit broadband network is promoted, while a gigabit network infrastructure is encouraged in cities, to realise a comprehensive coverage of urban and rural high-speed fibre optic broadband networks, as well as further improve the 4G network coverage and speed. Furthermore, the 5G network deployment, next-generation internet deployment and other fields will be strengthened. In this regard, China is expected to witness an investment size exceeding RMB300 billion in network infrastructure construction in the future. Supported by favourable policies and a sound market environment, desirable sales of the basic components for mobile communication and optical communication networks, including our major product lines such as feeder cables, flame-retardant flexible cables and optical fibre cables, is likely to continue.

The Group adopts a cost-plus-pricing-model for feeder cable products and flame-retardant flexible cable products, and the trading price of the main raw material, copper, is linked to the average selling price of our products. In the six months ended 30 June 2018 ("Period"), increase in demand in China and limited copper supply have resulted in increase in copper price as compared to the first half of 2017. However, the Group continued to focus on its main business development in a down-to-earth approach, and thus the copper price fluctuation during the period had no significant impact on the gross profit margin of the Group's related products.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT ANALYSIS

Due to the stable development of mobile communication networks during the Period, the Group recorded an increase in the turnover of its major products, including feeder cable series, optical fibre cable series and flame-retardant flexible cable series. In particular, the feeder cable and optical fibre cable series saw a fast growth continuing in their respective turnovers, which contributed to an increase of approximately 14.8% in our turnover from approximately RMB1,465.7 million in the first half of 2017 to approximately RMB1,682.1 million in the first half of 2018. While our turnover enjoyed a steady growth, the Group actively adjusted its product mix to generate greater profits. During the Period, the Group's overall gross profit grew by approximately 12.9% from approximately RMB289.8 million in the first half of 2017 to RMB327.3 million. For the first half of 2018, the overall gross profit margin decreased by approximately 0.3 percentage point to approximately 19.5% as a result of the strategical price adjustment.

During the Period, the Group's allowance for bad and doubtful debts of trade receivables increased by approximately 9.7% from approximately RMB37.3 million in the first half of 2017 to approximately RMB40.9 million. The profit attributable to owners of the Company increased by approximately 36.0% from approximately RMB122.2 million for the first half of 2017 to approximately RMB166.2 million for the first half of 2018. Basic earnings per share increased by RMB1.59 cents from approximately RMB7.69 cents for the first half of 2017 to approximately RMB9.28 cents for the first half of 2018.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2018 RMB'000	2017 RMB'000	**Change** RMB'000	**Change** %
Feeder cable series	**869,441**	714,261	+155,180	+21.7%
Optical fibre cable series	**517,395**	461,321	+56,074	+12.2%
Flame-retardant flexible cable series	**262,495**	241,134	+21,361	+8.9%
New-type electronic components	**25,038**	41,780	–16,742	–40.1%
Others	**7,765**	7,182	+583	+8.1%
Total	**1,682,134**	1,465,678	+216,456	+14.8%

Feeder Cable Series — Approximately 51.7% of the Total Turnover

During the Period, metal raw materials such as copper, being the main raw materials for the Group's feeder cable series increased by 11.7% as compared to the first half of 2017. The Group adopted the cost-plus-pricing-model for its feeder cable series products and the average selling price increased. Meanwhile, due to the steady growth of mobile communication network construction, the sales volume of the Group's feeder cable series products increased by approximately 8,500 kilometres to approximately 88,600 kilometres as compared to the corresponding period in last year. Because of the above two factors, the turnover of feeder cable series increased by approximately 21.7% to approximately RMB869.4 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.6 percentage point to approximately 20.7% as a result of the strategical price adjustment.

Optical Fibre Cable Series — Approximately 30.8% of the Total Turnover

As the "Broadband China" initiative proceeded steadily, the market demand for optical fibre cable series products remained strong. During the Period, the turnover of optical fibre cable series products increased by approximately 12.2% to approximately RMB517.4 million as compared to the corresponding period in last year. Sales volume increased by approximately 338,000 fibre kilometres to approximately 5,159,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.5 percentage point to approximately 18.7% as a result of the strategical price adjustment.

Flame-retardant Flexible Cable Series — Approximately 15.6% of the Total Turnover

Flame-retardant flexible cable series, another major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Due to accelerated development in the mobile communication infrastructure, the turnover grew by approximately 8.9% to approximately RMB262.5 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by 0.4 percentage point to approximately 17.2% as compared to the corresponding period in last year.

MAJOR CUSTOMERS AND SALES NETWORK

The Group has long been a major supplier to the three major telecommunications operators and telecommunications equipment manufacturers such as Huawei in the PRC and maintained a good relationship with them leveraging on its reputation in the industry for its diverse products portfolio, excellent product quality, comprehensive and efficient aftersales services, and extensive regional network coverage. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 37.2%, 32.6% and 20.1%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators, the Group also maintained a sound business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2018, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

PATENTS, AWARDS AND RECOGNITION

As at 30 June 2018, the Group obtained 105 patents and developed 112 new products in the PRC. 39 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group received various awards and honours which included the following:

- according to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronic Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for eight consecutive years from 2010 to 2017;

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

- Trigiant Optic-Electric was awarded as Jiangsu Enterprise Technology Center.

PROSPECTS AND FUTURE PLANS

In line with the booming development of mobile internet, online streaming, cloud computing and Internet of Things, the network data traffic grows at an exponential rate, spurring rapid growth of high-speed and large-capacity optical transmission networks, large-scale data centres and wireless network markets. According to the "Development Plan for Information and Communication Industry (2016-2020)" (信息通信行業發展規劃 (2016–2020年)) issued by the MIIT, all-out efforts will be made to construct a new generation of national information and communication infrastructures. By 2020, various targets under the "Broadband China" initiative will be achieved, including initial establishment of a modern internet industry system that provides network-connected, intelligent and collaborative services. Meanwhile, the said development plan proposed to promote the application of ultra-high-speed and large-capacity optical transmission technology, upgrade the backbone transmission networks and enhance the capacities of high-speed transmission, flexible scheduling and intelligent adoption. The Group believes that its feeder cable series products and optical cable series products, which are necessary products for mobile communications and optical communications, will continue to benefit from the huge market demand. For active preparation, the Group will keep a close eye on 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 manufacturers with whom the Group can establish business relationships and explore opportunities for optical fibre cable expansion.

Moreover, according to feedback from the major equipment vendors of the Group, the 2G network infrastructure has entered an upgrade phase due to its long service time, leading to a fast growing demand for frequency feeder cable products. The Group will keep a close eye on related market opportunities to broaden its revenue sources.

PROACTIVE EXPANSION OF SENSOR AND CHIP BUSINESSES

The sensor technology, together with the communication technology and the computer technology, collectively referred to as the three pillars of the information industry, exhibited a remarkable high-tech development. Amid a gradual recovery of the global market, the global sensor market in 2013 reached approximately US$105.5 billion. Due to an improving economic environment, the market demand for sensors continues to grow. In 2017, the market size exceeded US$170 billion at a growth rate of 9.7%, which will continue to rise in the next few years. In such case, China's 13th Five-Year Plan also listed advanced sensors as a strategic development focus. The "Three-Year Action Plan Guidelines for Smart Sensor Industry (2017-2019)" (《智能傳感器產業三年行動指南 (2017-2019年)》) announced by the MIIT, promoted that intelligence application is the development objective and direction of the sensor industry, and acceleration the scale of intelligent application to the Internet of Things industry. As the market anticipates, China's sensor market size will grow to RMB593.7 billion by 2021, and the average compound annual growth rate of China's sensor industry will be approximately 30% in the five years from 2017 to 2021, significantly outpacing the global average level.

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading Chinese high-tech enterprise, the Group has been proactively identifying investment opportunities in the mobile communication and telecommunication equipment market. In view of historical opportunities arising from the approaching 5G era and the development by China of its indigenously innovated network, Chinese enterprises are urgently required to master the core technologies and chip research for 5G equipment. In addition, the global optical device market will, driven by factors such as the application of cloud data centres, the scale deployment of passive fibre networks, the construction requirements of 5G wireless communication networks and the upgrade of metropolitan area network, continue to grow. In this context, the Group believes that the sensor and chip business will usher in a new wave of development opportunities. As mentioned earlier, the Group has been aiming at the development direction of the communication industry to make full preparation and strategic arrangements for the industry, and has been investing in the Internet of Things technology industry and actively exploring business opportunities since 2010.

In July 2018, the Group acquired the 87.5% equity interest of Jiangsu Trigiant Sensing Technology Co., Ltd.* (江蘇俊知傳感技術有限公司) ("Trigiant Sensing") at a total consideration of approximately RMB243 million. As the Group already held 12.5% equity interest, Trigiant Sensing has become an indirect wholly-owned subsidiary of the Group since completion of the acquisition on 31 July 2018.

The major customers of Trigiant Sensing are the major telecommunications operators and equipment suppliers in China, and its products cover sensing and Internet of Things devices. Currently, Trigiant Sensing is actively preparing for the development of core technologies and chips. The Group believes that this acquisition represents an important step for us to enter the Internet of Things industry and the chip industry. The Group will invest more resources in the future to coordinate with relevant development plans by paying close attention to the development opportunities of emerging industries including the Internet of Things, industrial internet, artificial intelligence and smart home, as well as focusing on technological research and development. Besides constantly improving our technical and independent innovation capabilities, we will expand our product categories, thereby providing customers with a wider range of comprehensive technical products and services.

Looking into the future, the Group will also focus on overseas development opportunities. In the first half of 2018, the Group's overseas business expansion was fruitful. In addition to participating in international product exhibitions in countries such as India, Spain, Russia, Singapore and Thailand, we have established business contacts with customers in France, Australia and India. In the second half of 2018, the Group will continue to reach overseas customers so as to follow up sales orders and diversify its revenue sources. On one hand, the Group will continue to improve production efficiency to maintain its leading market position in the industry. On the other hand, The Group will procure the newly acquired Trigiant Sensing to focus on optical devices, passive integrated products and other aspects. While consolidating the leading position in our existing products market, the Group will continue to develop new products and pursue better development by enriching the Group's product portfolio and extending our industry position in the industrial chain.

FINANCIAL REVIEW

Turnover

Turnover increased by approximately RMB216.5 million, or 14.8%, from approximately RMB1,465.7 million for the first half of 2017 to approximately RMB1,682.1 million for the first half of 2018. The increase in turnover contributed by feeder cable series, optical fibre cable series, flame-retardant flexible cable series and others of approximately RMB155.2 million, RMB56.1 million, RMB21.4 million and RMB0.6 million, respectively, was partly offset by the decrease in turnover of new-type electronic components of approximately RMB16.7 million. The increase in turnover of feeder cable series is a result of strong demand and the increased copper price during the first half of 2018. The increase in turnover of 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 2018. In addition, the increase in turnover of optical fibre cable series products is mainly due to strong demand in the first half of 2018.

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 RMB179.0 million, or 15.2%, from approximately RMB1,175.9 million for the first half of 2017 to approximately RMB1,354.9 million for the first half of 2018.

Gross profit and gross profit margin

Gross profit increased by approximately RMB37.5 million, or 12.9%, from approximately RMB289.8 million for the first half of 2017 to approximately RMB327.3 million for the first half of 2018. The increase in gross profit is mainly a result of the increase in turnover. Overall gross profit margin decreased from approximately 19.8% for the first half of 2017 to approximately 19.5% the first half of 2018. The slightly 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 RMB2.2 million, or 13.5%, from approximately RMB16.3 million for the first half of 2017 to approximately RMB18.5 million for the first half of 2018 primarily due to the increase in interest income and investment income from other financial assets by approximately RMB1.4 million and RMB1.1 million, respectively and offset by the decrease in government grants and others of approximately RMB0.3 million.

Other gains and losses

Other gains and losses increased by approximately RMB6.7 million, or 20.4%, from approximately RMB32.9 million for the first half of 2017 to approximately RMB39.6 million for the first half of 2018. The increase is mainly because of the increase in allowance for bad and doubtful debts by approximately RMB3.6 million recognised in the first half of 2018. In addition, an exchange gain of approximately RMB4.4 million was recognised in the first half of 2017 while an exchange gain of approximately RMB1.3 million was recognised in the first half of 2018.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB2.3 million, or 8.0%, from approximately RMB28.6 million for the first half of 2017 to approximately RMB26.3 million for the first half of 2018, 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 RMB3.6 million, or 12.9%, from approximately RMB27.8 million for the first half of 2017 to approximately RMB24.2 million for the first half of 2018 mainly due to the decrease in salary expense of administrative staff.

Research and development costs

Research and development costs increased by approximately RMB0.7 million, or 2.8%, from approximately RMB25.8 million for the first half of 2017 to approximately RMB26.6 million for the first half of 2018 primarily due to additional research and development costs incurred in order to broaden the Group's product portfolio to tailor for the communication network requirements.

Finance costs

Finance costs increased by approximately RMB6.2 million, or 23.6%, from approximately RMB26.2 million for the first half of 2017 to approximately RMB32.4 million for the first half of 2018 primarily due to the increase in average bank borrowings and the average interest rate of bank borrowings.

Taxation

Taxation charge increased by approximately RMB2.9 million, or 10.6%, from approximately RMB27.6 million for the first half of 2017 to approximately RMB30.5 million for the first half of 2018. 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 High and New Technology Enterprises. The increase in taxation charge for the first half of 2018 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 effective beneficial interest in Trigiant Optic-Electric therefore increased from 65.0% to 100.0% after the Acquisition. After completion of the Acquisition, the non-controlling interests of Trigiant Optic-Electric was eliminated.

As a combined result of the foregoing, profit for the period attributable to owners of the Company increased by approximately RMB44.0 million, or 36.0%, from approximately RMB122.2 million for the first half of 2017 to approximately RMB166.2 million for the first half of 2018 and the corresponding net profit margin increased from approximately 8.3% for the first half of 2017 to approximately 9.9% for the first half of 2018.

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 2018 and 2017:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net cash used in operating activities	**(38,062)**	(230,984)
Net cash (used in) from investing activities	**(74,461)**	307,772
Net cash from (used in) financing activities	**99,340**	(91,614)

As at 30 June 2018, the Group had bank balances and cash and pledged bank deposits of approximately RMB889.0 million, the majority of which were denominated in Renminbi. As at 30 June 2018, the Group had total bank borrowings of approximately RMB1,597.1 million which are repayable within one year. As at 30 June 2018, RMB867.6 million of the total bank borrowings were fixed rate borrowings and approximately RMB729.5 million were variable rate borrowings. As at 30 June 2018, bank borrowings of approximately RMB1,527.5 million were denominated in Renminbi and approximately RMB69.6 million were denominated in Hong Kong 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.

GEARING RATIO

Gearing ratio slightly increased from approximately 23.0% as at 31 December 2017 to approximately 23.1% as at 30 June 2018. Such increase was primarily resulted from the additional bank borrowings raised. 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 2018, the Group pledged certain bank deposits with carrying value of approximately RMB446.9 million (31 December 2017: approximately RMB337.9 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 2018.

EMPLOYEE INFORMATION

As at 30 June 2018, the Group had approximately 900 (31 December 2017: 904) 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

EVENT AFTER THE REPORTING PERIOD

On 24 July 2018, the Group entered into a share and purchase agreement to acquire 100% of the issued share capital of Rosy Elite Limited from an independent third party at a consideration of RMB243,250,000. Rosy Elite Limited indirectly holds 87.5% equity interest in Jiangsu Trigiant Sensing Technology Co., Ltd. (江蘇俊知傳感技術有限公司), a company established in the PRC and principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronics devices, sensor, micro smart label products and chips, in which the other 12.5% equity interest was held by the Group. Completion of the acquisition took place on 31 July 2018, whereby Jiangsu Trigiant Sensing Technology Co., Ltd. became a wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcements dated 24 July 2018 and 31 July 2018.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK2.2 cents per share for the first half of 2018 (first half of 2017: HK1.7 cents) to the shareholders whose names appear on the register of members of the Company on Friday, 14 September 2018. The interim dividend will be payable on or about Friday, 23 November 2018.

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, 11 September 2018 to Friday, 14 September 2018, 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 2018, 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, 10 September 2018.

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 2018 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 2018.

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 2018.

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 2018. In addition, the Group had no significant investments held during the six months ended 30 June 2018.

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 2018, 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	516,531,750 *(Note a)*	–	516,531,750	28.83%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.01%
	Beneficial owner	6,740,000	–	6,740,000	0.38%
Mr. Jiang Wei	Beneficial owner	60,000	1,600,000 *(Note c)*	1,660,000	0.09%
Professor Jin Xiaofeng	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Mr. Poon Yick Pang Philip	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Ms. Jia Lina	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Mr. Qian Chenhui	Beneficial owner	–	960,000 *(Note c)*	960,000	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.

Save as disclosed above, as at 30 June 2018, 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 2018, 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	516,531,750	28.83%
Abraholme	Beneficial owner	250,000	0.01%
	Interest in controlled corporation	516,531,750 *(Note a)*	28.83%
Madam Qian Jundi	Interest of spouse	523,521,750 *(Note b)*	29.22%
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 of part XV of 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 by virtue of the provisions of part XV of 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

Since the date of the 2017 annual report of the Company and 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 2018 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 2018 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, 27 August 2018