TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

2018
Annual Report

* For identification purposes only

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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
Chan Fan Shing
Jia Lina

ALTERNATE DIRECTOR
Qian Chenhui *(alternate director to Qian Lirong)*

AUDIT COMMITTEE
Chan Fan Shing *(Chairman)*
Professor Jin Xiaofeng
Jia Lina

REMUNERATION COMMITTEE
Jia Lina *(Chairman)*
Jiang Wei
Chan Fan Shing

NOMINATION COMMITTEE
Professor Jin Xiaofeng *(Chairman)*
Chan Fan Shing
Jia Lina

CORPORATE GOVERNANCE COMMITTEE
Jiang Wei *(Chairman)*
Professor Jin Xiaofeng
Chan Fan Shing

COMPANY SECRETARY
Lee Yiu Wai William

AUTHORISED REPRESENTATIVES
Qian Lirong
Lee Yiu Wai William
Chan Fan Shing *(alternate to Qian Lirong)*

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HKEX STOCK CODE
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Email: ir@dlkadvisory.com

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER
LCH Lawyers LLP *(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
Postal Savings Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
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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

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

CORPORATE PROFILE

Trigiant Group Limited and its subsidiaries (collectively the "Group") is one of the leading manufacturers in the People's Republic of China ("PRC" or "China") engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and other accessories for mobile communications and telecommunications transmission.

The Group is established based on the solid foundation of its expertise in manufacturing and sales of feeder cable series. Since inception, the Group has dedicated its effort to broaden its market segments and customer base within the telecommunication industry. In 2010, the Group introduced its new product series — flame-retardant flexible cable series, which was well received by its customers. In 2014, the Group extended its businesses in the telecommunication industry to manufacturing and sales of optical fibre cable business by acquiring 65% effective interest in a fast-growing optical fibre cable manufacturer, namely Jiangsu Trigiant Optic-Electric Communication Co., Ltd*, and the Group acquired its remaining interest in June 2017. In 2018, the Group seized the opportunity in the booming sensing business and acquired an additional 87.5% effective interest in Jiangsu Trigiant Sensing Technology Co., Ltd* ("Trigiant Sensing"), which together with the 12.5% effective interest already owned by the Group, Trigiant Sensing became a wholly-owned subsidiary of the Group.

The Group's trademark "俊知技術 TRIGIANT " is well established in the industry and has been named "China Famous Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC.

Key customers of the Group includes the three major telecommunications operators, namely China Mobile Communications Corporation* (中國移動通信集團公司), China United Network Communications Limited* (中國聯合網絡通信有限公司) and China Telecommunications Corporation* (中國電信集團公司), as well as China Tower Corporation Limited* (中國鐵塔股份有限公司) and major telecommunications equipment manufacturers, including ZTE Kangxun Telecom Company Limited* (深圳市中興康訊電子有限公司), a subsidiary of ZTE Corporation, and Huawei Technologies Co., Ltd.

CORPORATE PROFILE

SUMMARY OF MAJOR PRODUCTS

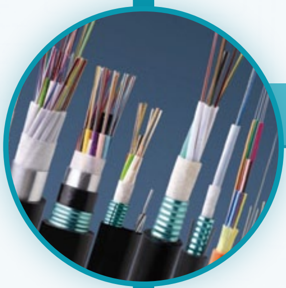
Feeder cable series

(a) **Feeder cables**

Feeder cable are mainly for transmitting and receiving radio signals and are also essential components for telecommunications transmission equipment.

(b) **Leaky cables**

Leaky cables are mainly used for wireless mobile communications, wireless remote control and wireless alarm systems. They can transmit radio frequency signals as well as send and receive antenna data for areas of weak signal coverage such as subways, tunnels, underground passage and interior of buildings.



Optical fibre cable series and related products

Optical fibre cables are mainly used for long haul telecommunication transmission in fixed and wireless telecommunications networks.

Flame-retardant flexible cable series

Flame-retardant flexible cables are widely used as internal connection cables for power systems or mobile cable transmission and distribution systems and are especially suitable for communications switch systems requiring uninterrupted power.

New-type electronic components

New-type electronic components include sensing products, optical splitters, jumper for connection of wireless antennas with feeder cables and various communications equipment, connectors for connection of radio frequency circuits to radio equipment and electronic devices and antenna lightning arresters installed between a high-frequency device and a feeder cable.

Other accessories

Other accessories include couplers, combiners, feeder wall plates, adjustable stands, waterproof clay, insulating tape, cable ties and feeder hoisting grips.

CHAIRMAN'S STATEMENT

MR. QIAN LIRONG
Executive director and Chairman

Dear valued shareholders,

On behalf of the board ("Board") of directors ("Directors") of Trigiant Group Limited and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2018 ("Year").

Globally, affected by the escalation of the Sino-US trade war, there is still uncertainty in the international economic, with reflection both in the macro-policy and capital market. In 2018, the overall economy in the PRC maintained a positive and steady development, with Gross Domestic Product (GDP) of approximately RMB90 trillion, representing a year-on-year increase of 6.6%, despite the average annual growth rate slowing down as compared with that of 7% in 2017. Meanwhile, As the major domestic telecom operators prepared for the 5G network construction in 2019 and 2020, the growth of communications industry has slowed down in 2018. However, with the improvement of residents' living standard and spending power, and under the supervision of "speed upgrade and tariff reduction" project by Ministry of Industry and Information Technology of the PRC ("MIIT"), the average traffic volume used by consumers has grown rapidly and the records have been continuously updated.

Furthermore, with the promotion of accelerating information infrastructure investment at the national policy level, and the construction of 5G network, the scale of investment in the communications industry will be gradually increased and the development of the communications industry will be gradually promoted. The Group will continue to strengthen its strategic partnership with the operators and major equipment manufacturers. Under the guidance of the national strategy and the encouragement of favourable policies, the Company has steadily operated its business, with a stable growth in its results of operation during the Year.

CHAIRMAN'S STATEMENT

As one of the basic livelihood-related service industries, communications industry fully supports economic and social development. Benefiting from favorable policies, demographic dividends and a surge in traffic consumed by mobile users, the information communication industry is currently one of the fastest growing and most innovative sectors. The upgrade of mobile communication technology from 2G to 4G has greatly improved the transmission rate, and provided a foundation for the upgrade of the network content form, enabling pictures and video to gradually become primary content and resulting in explosive growth of traffic. According to MIIT, in 2018, the net increase in mobile users recorded a decade high at 149 million, with the total user amount of 1.57 billion, and the 4G user amount of 1.17 billion. In December 2018, the traffic consumed by the mobile users in the PRC amounted 6.25GB/User/Month, representing 2.3 times as compared with the corresponding period of the previous year. In order to meet the rapidly increased needs of mobile traffic, China Mobile Communications Corporation* （中國移動通信集團公司） ("China Mobile"), China United Network Communications Limited* （中國聯合網絡通信有限公司） ("China Unicom"), and China Telecommunications Corporation* （中國電信集團公司） ("China Telecom") (collectively the "Three Major Telecom Operators") newly set up approximately 0.44 million 4G base stations in 2018, and the total amount of 4G base stations was over 3.72 million by the end of the year, which greatly benefited the Group's major products feeder cables and flame-retardant flexible cables. Our flame-retardant flexible cables become a candidate of successful bidder for China Mobile's centralised procurement project in respect of power cable products from 2018 to 2019 with an allocation ratio of 20% and total amount of RMB580 million, which greatly encouraged the Group with the significant increase in sales volume.

With regard to the optical communication networks, as the Chinese government has promoted the cyberpower strategy and "speed upgrade and tariff reduction" project, great achievements have been made in China's broadband network construction, proven by the fibre-opticization process has been basically completed and the optical network city has been fully completed with fruitful results in the optical network transformation. As of the end of 2018, the fibre coverage proportion of administrative villages in the PRC was 98% and the total amount of customers with fibre access exceeded 370 million. The deployment of fibre-to-the-home network has laid the foundation for steady growth of the Group's fibre optic cable products.

During the Year, continuously driven by the information communication infrastructure, the overall sales of the Group's major products, including feeder cables, optical fibre cables and flame-retardant flexible cables, recorded an increase. Of which, sales of the feeder cables increased by approximately 4% to approximately 178,000 kilometres and sales of the flame-retardant flexible cables increased by 12% to RMB580 million due to the successful tender for 20% of China Mobile. The average copper price during the Year increased slightly by approximately 3% compared with the previous year, which had non-significant impact on the unit price and gross profit of the abovementioned two products manufactured based on the cost plus method, which were basically the same as the previous year.

In July 2018, the Group completed the acquisition of the 100% equity interest of Jiangsu Trigiant Sensing Technology Co., Ltd.* （江蘇俊知傳感技術有限公司）, which, as new highlights for the growth of the Group's results, expanded its businesses of optical splitters, sensing and Internet of Things and increased the sources of revenue.

CHAIRMAN'S STATEMENT

The Board proposed to declare a final dividend per share of HK2.3 cents to thank the shareholders of the Company for their continued trust and support.

Looking forward to 2019, China's mobile communications industry is experiencing milestone innovations, and the upgrade from 4G to 5G will deliver unprecedented opportunities to the Group. In December 2018, MIIT officially approved the 5G test frequency of the Three Major Telecom Operators, of which the frequency bands of 3400MHz-3500MHz was allocated to China Telecom, with a total bandwidth of 100MHz; for China Mobile, the frequency bands of 2515MHz-2675MHz and 4800MHz-4900MHz; and for China Unicom, the frequency bands of 3500MHz-3600MHz, with a total bandwidth of 100MHz. The clarified allocation of 5G test frequency resource indicates the direction for the subsequent development of the 5G industry, and accelerates the process of 5G commercialization, making an important step towards the commercialization of 5G in 2020. The development of 5G has expanded from the mobile Internet to the Internet of Things, which brought a new round of demand for large-scale network build-out and enormous investment from the Three Major Telecom Operators. In addition, given the characteristics of large bandwidth and multi-connection of 5G network in the future, the upgrade in the capacity and transmission traffic of 5G base stations will give a rapid rise in the value of the ancillary products in the stations, which will in turn increase the sale volume and price of the Group's feeder cables and flame-retardant flexible cables products. Meanwhile, 5G front-end transmission presents new requirements and challenges for fibre optic cables required for backbone networks, access networks, and data rooms. After the scale application of 5G network, major operators tend to adopt the C-RAN structure, and the amount for cables in access network will increase significantly. As 5G bandwidth requirements for links on the core local network and intra-provincial calls accounted for larger proportion, the amounts for junction optical cable and long-distance cable in local network will increase significantly. The guidelines from government policies and the active layout of operators will further provide a good environment for the development of our fibre optic cable products.

Since 5G can meet different network requirements in different scenarios, including 4 major scenarios: continuous wide coverage, high capacity at hot spots, low latency and high reliability and mega connection at low power consumption, the occurrence of new types of networks, such as industrial internet, internet of vehicles, Internet of Things, Smart Home, promoted the upgrading of sensor technology and the rapid growth of the sensor market. 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 MIIT, clarified 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% from 2017 to 2021, significantly outpacing the global average level. As such, we are optimistic about the prospects of the newly acquired sensor business, in which we believe will bring a new development opportunity to further enhance the Group's profitability.

With the rapid development in the communications industry, the Group remains sensitive to the market and researches and develops transmission solutions based on the customers' needs. We will continue to focus on opportunities for expansion into overseas markets while vigorously developing our domestic business. In 2019, The Group is stepping into Turkish and Malaysian markets and will actively attend the international trade exhibitions held in the countries that cooperate closely with China, such as United Arab Emirates, India, Spain, Russia, Mexico, South Korea and Thailand, while revisiting overseas customers to follow up on orders and maintain customer loyalty and stable customer resources.

CHAIRMAN'S STATEMENT

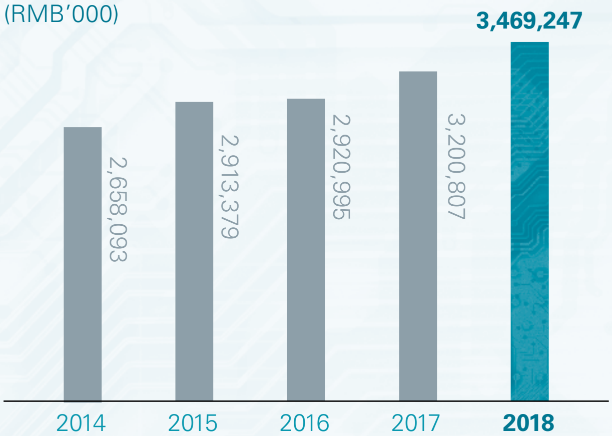
I would like to express my heartfelt appreciation to our partners, customers and shareholders for their support on behalf of the Board. I would also like to thank the management team and all our staff for their contribution to the development of the Group over the past year. I believe that the unity and unremitting efforts will enable the Group to achieve great accomplishment and a new height in its business in the future!

Qian Lirong
Chairman

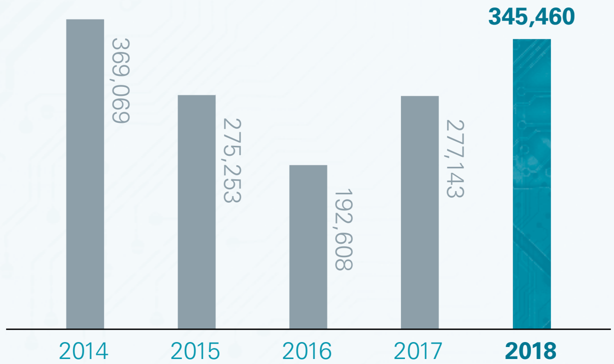
Hong Kong, 25 March 2019

FINANCIAL HIGHLIGHTS

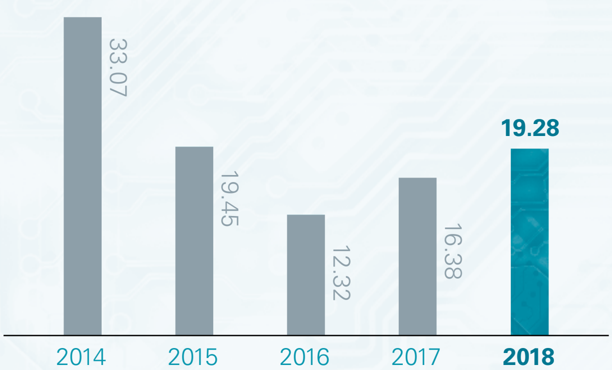
TURNOVER
(RMB'000)



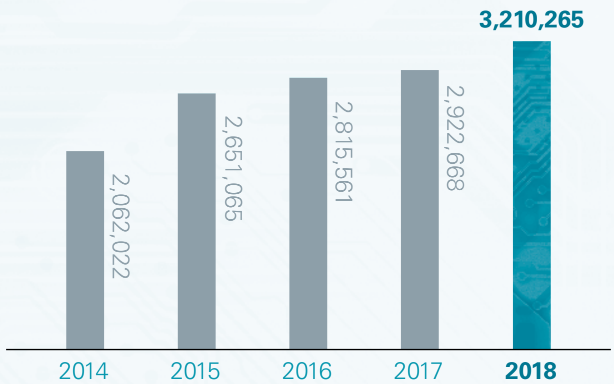
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



FINANCIAL HIGHLIGHTS

Results performance for the year ended 31 December	2018	2017
Total turnover *(RMB'000)*	**3,469,247**	3,200,807
Turnover of feeder cable series *(RMB'000)*	**1,725,579**	1,623,526
Turnover of optical fibre cable series and related products *(RMB'000)*	**1,041,085**	974,544
Turnover of flame-retardant flexible cable series *(RMB'000)*	**576,326**	514,281
Gross profit *(RMB'000)*	**672,381**	627,621
Gross profit margin	**19.4%**	19.6%
Profit for the year attributable to owners of the Company *(RMB'000)*	**345,460**	277,143
Net profit margin	**10.0%**	8.7%
Basic earnings per share	**RMB19.28 cents**	RMB16.38 cents
Diluted earnings per share	**RMB19.28 cents**	RMB16.38 cents

Liquidity and gearing ratios	2018	2017
Inventories turnover day *(Note 1)*	**18 days**	17 days
Trade and bills receivables turnover day *(Note 2)*	**331 days**	319 days
Trade and bills payables turnover day *(Note 3)*	**29 days**	43 days
Current ratio	**2.2**	2.3
Gearing ratio *(Note 4)*	**29.2%**	23.0%

Operating cash flow and capital expenditure for the year ended 31 December	2018	2017
Net cash from/(used in) operating activities *(RMB'000)*	**42,185**	(94,588)
Capital expenditure *(RMB'000)*	**6,206**	1,324

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of goods sold for the year and then multiplied by 365 days.

2. Calculation was based on the average of the trade and bills receivables balance, excluding value-added tax, at the beginning and the end of the relevant year divided by turnover for the year and then multiplied by 365 days.

3. Calculation was based on the average of the trade and bills payables balance, excluding value-added tax, at the beginning and the end of the relevant year divided by costs of goods sold for the year and then multiplied by 365 days.

4. Calculation was based on total bank borrowings net of pledged bank deposits and bank balances and cash at the end of the relevant year over total equity at the end of the relevant year.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

With the overall economic development and breakthroughs in mobile communication technology in recent years, mobile network has become a necessity in daily life. During the year ended 31 December 2018 ("Year"), according to the statistics from the Ministry of Industry and Information Technology of the PRC ("MIIT"), the net increase in the number of mobile network users recorded a decade high at 149 million, with total number of 1,570 million, of which 1,170 million were 4G network users. Mobile broadband users (i.e. 3G and 4G users) totaled 1,310 million, representing approximately 83.4% of the mobile network users. Meanwhile, the total number of 4G base stations has reached 3.72 million.

Following years of development, the mobile communication networks technology in China is currently at a stage where the 4G mobile communication technology has enjoyed a fast growth amid ongoing research and development of the 5G mobile communication technology. In the Third Session of 5G Innovation and Development Summit Forum (5G創新發展高峰論壇) held at the National Convention Center in Beijing on 28 September 2018, the IMT-2020(5G) Promotion Group released the results of the third phase of the 5G Research and Development trial in the PRC, indicating that 5G base stations and the core network equipment has reached the pre-commercial level, marking a new milestone for 5G scale commercialisation. As the 5G construction continues to flourish, infrastructure construction will become an important driving force for the Group.

According to the definition of the 3rd Generation Partnership Project (3GPP) by the International Organization for Standardization (ISO), 5G can be classified into three major applications, namely enhanced mobile broadband (eMBB), which is mainly for high-traffic mobile broadband services such as high-definition video, ultra-reliable and low latency communications (uRLLC), which is mainly for Internet of Things services, and massive machine type communications (mMTC), which is for driverless and industrial automation. Compared with 4G, 5G technology can greatly improve network functions and transmission efficiency, and it is expected to bring a new era for Internet of Things and new market demands.

The new development in 5G technology will definitely drive new demands for networking construction. According to the PRC government's plan, the 5G network is expected to be commercialised in the China market from 2020. The fact that the government attaches great importance on 5G development and implements policy on information consumption upgrade will provide a good development environment for the 5G industry. In addition, due to the increase in rate and frequency, the transmission distance of the 5G signal is much shorter than that of the 4G signal. Therefore, communication operators need to deploy 5G base stations more densely. Based on the public information available from the three major telecommunications operators in the PRC, the number of 5G websites will increase to 750,000 stations by 2020. It is expected that China will invest RMB1.2 trillion in 5G network construction within 5 to 10 years. In light of the characteristics of large bandwidth and multi-connection of the future 5G network, the bandwidth and power of the massive multi-input and multi-output (MIMO) antenna will fold increase as compared with that of 4G, and the unit price of the Group's corresponding products relating to 5G base station will fold increase accordingly. The increasing demand for communication network infrastructure and manufacture of system equipment in the market has laid a solid foundation for the sales growth.

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 the cities. In this regard, China is expected to witness an investment size exceeding RMB300 billion in network infrastructure construction in the future. By the end of 2018, although the number of users access to optical fibre in China exceeded 370 million, there are still numbers of cities and regions that do not yet have access to optical fibre. Based on the strong demand for broadband in the market, it is expected that the industry will keep a rapid growth in the next coming years.

Meanwhile, since optical fibre cable is required to be used as a basic transmission media for the broadband speed upgrade and traffic burst in both fibre-optic broadband and mobile communication networks, the demand for fibre-optic cables continues to increase in recent years. New 5G pre-transmission and mid-transmission network will promote new demand for optical fibre cable from significant increase in construction of in metropolitan area networks (MANs) and backbone networks driven by the future 5G construction. Benefiting from the increasing demand, the sales of the Group's optical cables and related products will continue to maintain a rapid growth. 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, optical fibre cables and new-type electronic components, is likely to continue.

In 2018, the average price of copper, being the main raw materials for the Group's major products, remained stable, with an increase of approximately 3% as compared to last year. As the Group adopted the cost-plus-pricing-model for the pricing of its feeder cable series products and flame-retardant flexible cable series products, the fact that the average price of copper had remained relatively stable during the Year had little impact on the average selling price of our relevant products.

RESULTS ANALYSIS

During the Year, due to the increasing demand for the Group's major products, including feeder cable series, optical fibre cable series and flame-retardant flexible cable series, as a result of the increased demand for wide coverage and deep coverage of national mobile communications, which increased the indoor coverage, rail coverage and micro base station investment, the Group recorded an increase in its turnover. In particular, the flame-retardant flexible cable series saw a fast growth in their respective turnover, which contributed to an increase of approximately 8.4% in our turnover from approximately RMB3,200.8 million in 2017 to approximately RMB3,469.2 million in 2018. The Group actively adjusted its price to generate greater profits. During the Year, the Group's overall gross profit grew by approximately 7.1% from approximately RMB627.6 million in 2017 to RMB672.4 million in 2018. The overall gross profit margin was approximately 19.4% in 2018, representing a slight decrease of approximately 0.2 percentage point as compared with 2017. The Group's allowance for bad and doubtful debts of trade receivables decreased by approximately 32.8% from approximately RMB89.1 million in 2017 to approximately RMB59.9 million in 2018. As such, the profit attributable to owners of the Company increased by approximately 24.7% from approximately RMB277.1 million in 2017 to approximately RMB345.5 million in 2018. Basic earnings per share increased by approximately RMB2.90 cents from approximately RMB16.38 cents in 2017 to approximately RMB19.28 cents in 2018.

BREAKDOWN OF TURNOVER BY PRODUCTS

Year ended 31 December	**2018 RMB'000**	2017 RMB'000	Change RMB'000	Change Percentage
Feeder cable series	**1,725,579**	1,623,526	102,053	6.3%
Optical fibre cable series and related products	**1,041,085**	974,544	66,541	6.8%
Flame-retardant flexible cable series	**576,326**	514,281	62,045	12.1%
New-type electronic components	**114,286**	78,418	35,868	45.7%
Others	**11,971**	10,038	1,933	19.3%
Total	**3,469,247**	3,200,807	268,440	8.4%

Feeder cable series — approximately 49.7% of the total turnover

Benefiting from the increased demands for mobile communication network construction, the sales volume of the Group's feeder cable series products increased by approximately 7,000 kilometres to approximately 178,000 kilometres in 2018 as compared to the corresponding period in last year. Therefore, the turnover of feeder cable series increased by approximately 6.3% to approximately RMB1,725.6 million in 2018 as compared to the corresponding period in last year. During the Year, the average price of copper, being the main raw materials for the Group's feeder cable series, increased by approximately 3%. As the Group adopted the cost-plus-pricing-model for the pricing of its feeder cable series products, the average selling price of the products remained relatively stable due to the relatively stable price fluctuations in raw materials. Meanwhile, the gross profit margin decreased by approximately 0.5 percentage point to approximately 20.5% as the Group actively adjusted its product mix to generate greater profits.

Optical fibre cable series — approximately 30.0% of the total turnover

The market demand for optical fibre cable series products continued to increase. As such, the turnover of optical fibre cable series products increased by approximately 6.8% to approximately RMB1,041.1 million in 2018 as compared to the corresponding period in last year. Sales volume increased by approximately 388,000 fibre kilometres to approximately 10,355,000 fibre kilometres in 2018 as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.3 percentage point to approximately 18.6%.

Flame-retardant flexible cable series — approximately 16.6% of the total turnover

Flame-retardant flexible cable series, another major product of the Group which is mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems, recorded a good performance during the Year. In September 2018, the Group announced that it had won the bid for the power cable contract for China Mobile Communications for the first time, with an allocation of approximately 14,000 kilometers, and a term of one year from 2018 to 2019. The total contract sum was of RMB582 million. The turnover of flame-retardant flexible cable series increased by approximately 12.1% to approximately RMB576.3 million as compared to the corresponding period in last year. The gross profit margin slightly decreased by 0.6 percentage point to approximately 16.9% as compared to the corresponding period in last year.

MAJOR CUSTOMER AND SALES NETWORK

Apart from pricing, the three major telecommunications operators in the PRC continued to take other important factors into consideration, including comprehensive strength, delivery capacities, guaranteed service quality, an extensive network coverage in the region when selecting business partners. In addition, developed provinces in the PRC have set higher standards for business partners in terms of their comprehensive quality. The Group has a good track record, diverse product portfolio, excellent product quality and comprehensive and efficient after-sales services and therefore maintains its leading position in terms of comprehensive strength and market share amongst business partners with the three major telecommunications operators in the PRC. The Group also succeeded in obtaining additional share of additional projects on top of its existing market share, fully proving the strength and market leadership of the Group.

As at 31 December 2018, the Group maintained business relationships with all 31 provincial subsidiaries of China United Network Communications Limited* (中國聯合網絡通信有限公司) ("China Unicom"), 29 out of the 31 provincial subsidiaries of China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile") and 29 out of the 31 provincial subsidiaries of China Telecommunications Corporation* (中國電信集團公司) ("China Telecom").

The turnover derived from China Mobile, China Unicom, and China Telecom accounted for approximately 34.1%, 37.3%, and 18.8% of the Group's turnover, respectively. Besides having close cooperation with the three major telecommunications operators in the PRC, the Group also maintained a good business relationship with other companies. By closely following the latest movements of its business partners, the Group will timely adjust its business strategy.

PATENTS, AWARDS AND RECOGNITION

As at 31 December 2018, the Group had obtained 153 patents and developed 133 new products in the PRC. 81 products of the Group were granted the Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group received various awards and honours including Jiangsu Trigiant Technology Co., Ltd. (江蘇俊知技術有限公司) ("Trigiant Technology"), an indirect wholly-owned subsidiary of the Company, ranked 31st in the 31st Session of Top 100 PRC Electronic Component Enterprises 2018 (中國電子元件百強企業).

PROSPECT AND FUTURE PLANS

Research and develop 5G transmission solution products

With the rapid development of Internet technology, the world is gradually entering into the transition era from 4G to 5G. The government has vigorously promoted 5G construction to make pre-emptive moves in the market. The three major telecommunications operators in the PRC have announced the 5G schedule, with an expectation to achieve commercialisation in major cities in the Mainland PRC in the third quarter of 2019, and civilisation by 2020. In January 2019, the MIIT announced that the 5G temporary license will be issued during the year, which will enable large-scale networking access to some major cities and regions, and accelerate the industrialisation process and network construction of terminals. Operators have also speed up their 5G deployment. On 31 January 2019, China Mobile announced its plans to lease 500 5G base stations. The investment in 5G continued to increase in the market and is expected to become the themed investment development opportunity in the PRC throughout the year of 2019. The Group will closely monitor the latest developments in the industry to seize market opportunities, and will also accelerate the development of a series of 5G transmission solutions products and sensing products to catch up with the rapid development of the three major telecommunications operators. Adhering to its mission of providing quality products and services to customers, the Group is committed to providing customers with high-efficiency solutions.

Proactive expansion of the sensor and Internet of Things businesses

The sensor technology, together with the communication technology and the computer technology, are collectively referred to as the three pillars of the information industry, exhibited a remarkable high-tech development. The global sensor market in 2013 reached approximately US$105.5 billion. The market demand for sensors continues to grow and in 2017, the market size for sensors exceeded US$170 billion at a growth rate of 9.7% and such growth is expected to continue to rise in the next few years. 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 proposed to accelerate the scale of intelligent application to the Internet of Things industry. As the market anticipates, China's sensor market size is expected to 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.

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 MANs, continue to grow. In this context, it is expected that the sensor and Internet of Things businesses 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, after communication with other shareholders and management of Jiangsu Trigiant Sensing Technology Co., Ltd.* (江蘇俊知傳感技術有限公司) ("Trigiant Sensing"), the Group acquired the 87.5% equity interest of Trigiant Sensing at a total consideration of approximately RMB243 million. Together with the 12.5% equity interest already held by the Group, Trigiant Sensing became an indirect wholly-owned subsidiary of the Group.

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 represented an important step for the Group 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, the Group will expand its product categories, thereby providing customers with a wider range of comprehensive technical products and services.

On 17 March 2019: (1) Trigiant Technology became a member unit involved in the establishment of the National Innovation Alliance of IoT and AI for Forestry Application (林業和草原物聯網與人工智能應用國家創新聯盟) ("Alliance") which is approved by National Forestry and Grassland Administration (國家林業和草原局) and led by the Research Institute of Forest Resources Information Technique (中國林業科學研究院資源信息研究所) ("Resources Institute") and Mr. Qian Lirong, executive Director and chairman of the Board, was elected as a vice chairman of the Alliance; and (2) Trigiant Technology entered into a strategic cooperation framework agreement ("Framework Agreement") with certain members of the Alliance, namely the Resources Institute and China Telecom Corporation Limited, Wuxi Branch* (中國電信股份有限公司無錫分公司).

With the establishment of the Alliance and the entering into of the Framework Agreement, the Group can engage in scientific research collaborations with various national scientific research institutions, universities, and high-tech enterprises focused on Internet of Things and artificial intelligence (AI) applications, allowing the Group to expedite the extensive application of Internet of Things and AI technologies, as well as to enhance the capability of the Company to research and develop the comprehensive technical solutions for the vertical areas during the 5G era. Looking into the 5G era, the forestry, transportation, electricity, energy, water conservation, smart manufacturing, and other areas will witness exponential growth in data and information connection, while high bandwidth, lower delay and localisation will play an important role in extending to edge computing used in the network edge. As a result, the construction of the 5G network edge cloud will represent the general model in vertical industrial applications. In response to the national development strategy, this collaboration will capture the development opportunities from the development of Internet of Things-powered forestry, and tap into the achievements made by national scientific research institutions/universities in the Internet of Things and AI field, so that the Group will further enhance its capability to integrate the advanced telecommunication technology with the latest application scenes and establish the benchmark of integrated solutions, which will lay a solid foundation for the future development of the Group.

Desirable development in overseas business expansion

In the era of Internet of Things, mobile communication infrastructure has become an urgent task for development in all countries of the world. In line with the overseas customers' demand for feeder cable, optical fibre cable and flame-retardant flexible cable products, the Group will continue to actively expand into overseas markets, especially countries along the belt and road under the "Belt and Road Strategy", including the countries in Middle East and Southeast Asia. During the Year, there was a great progress in the expansion of overseas business, with an increase of 73% to approximately RMB70.8 million in the results of Russia, South Korea, India and Thailand as a whole as compared to the corresponding period in last year. Looking forward to 2019, the Group will endeavour to explore the demand potential of the potential customers in Turkey, the Philippines, Malaysia and the Middle East. In addition, the Group will start to expand overseas channels through domestic agents with overseas trade strength. Also, the Group will actively participate in international exhibitions and visit overseas customers. It is expected that we will participate in international exhibitions in India, Spain, Philippines, Russia, Singapore, Dubai, Mexico and other international exhibitions in 2019, to enhance the Group's overseas reputation and explore more opportunities and new development.

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group increased by approximately RMB268.4 million, or approximately 8.4%, from approximately RMB3,200.8 million in 2017 to approximately RMB3,469.2 million in 2018. The increase in turnover was mainly contributed by increase in the turnover of feeder cable series, optical fibre cable series and related products and flame-retardant flexible cable series products of approximately RMB102.1 million, RMB66.5 million and RMB62.0 million respectively. The increase in turnover of feeder cable series and optical fibre cable series and related products was due to increase in demand for wide coverage and deep coverage of national mobile communications, which increased the indoor coverage, rail coverage and micro base station investment. The increase in turnover of flame-retardant flexible cable series were due to increase in demand in existing customers and due to successful bidding for a key customer, China Mobile.

Overall sales to the three major telecommunications operators in the PRC increased by approximately RMB176.7 million from approximately RMB2,953.8 million in 2017 to approximately RMB3,130.5 million in 2018.

Cost of goods sold

Cost of goods sold increased by approximately RMB223.7 million, or approximately 8.7%, from approximately RMB2,573.2 million in 2017 to approximately RMB2,796.9 million in 2018. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 96.4% of the total cost of goods sold in both 2017 and 2018. The increase in cost of goods sold was in line with the increase in turnover in 2018.

Gross profit and gross profit margin

Gross profit increased by approximately RMB44.8 million, or approximately 7.1%, from approximately RMB627.6 million in 2017 to approximately RMB672.4 million in 2018. Such increase was mainly attributable to the increase in sales volume and thus increase in gross profit. The overall gross profit margin was approximately 19.4% in 2018, representing a slight decrease of approximately 0.2 percentage point as compared with 2017.

Other income

Other income increased by approximately RMB11.4 million, or approximately 42.9%, from approximately RMB26.6 million in 2017 to approximately RMB38.0 million in 2018. Such increase was primarily due to the substantial increase in interest income of approximately RMB7.7 million.

Impairment losses

Impairment losses represented impairment losses on trade receivables, which decreased by approximately RMB29.2 million, or approximately 32.8% from a loss of approximately RMB89.1 million in 2017 to a loss of approximately RMB59.9 million in 2018.

Other gains and losses

The Group recorded other losses of approximately RMB4.6 million in 2018 as compared to other gains of approximately RMB6.0 million in 2017, mainly attributable to an exchange gain of approximately RMB5.3 million recorded in 2017 as compared to an exchange loss of approximately RMB4.6 million recorded in 2018.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB0.4 million, or approximately 0.7%, from approximately RMB54.7 million in 2017 to approximately RMB55.1 million in 2018. Such increase was mainly due to the increase in relevant consumable expenses as a result of increase in turnover.

Administrative expenses

Administrative expenses decreased by approximately RMB5.4 million, or approximately 10.2%, from approximately RMB52.7 million in 2017 to approximately RMB47.3 million in 2018. Such decrease was primarily due to decrease in staff cost and legal and professional expenses.

Research and development costs

Research and development costs increased by approximately RMB2.5 million, or approximately 4.5%, from approximately RMB55.8 million in 2017 to approximately RMB58.3 million in 2018. Such increase was attributable to increase in the development of new telecommunication products to meet customers' needs.

Finance costs

Finance costs increased by approximately RMB17.1 million, or approximately 30.3%, from approximately RMB56.5 million in 2017 to approximately RMB73.6 million in 2018. Such increase was mainly attributable to increase in average bank borrowings balances in 2018.

Taxation

Taxation charge increased by approximately RMB6.8 million, or approximately 11.5%, from approximately RMB59.3 million in 2017 to approximately RMB66.1 million in 2018. The Group's Enterprise Income Tax arises from its principal subsidiaries in the PRC, which enjoy a reduced Enterprise Income Tax rate of 15% as they are qualified as an Advanced Technology Enterprise. The increase in taxation charge in 2018 was primarily attributable to increase in taxable profit of the Group.

Profit for the year

The profit for the year attributable to owners of the Company increased by approximately RMB68.4 million, or approximately 24.7%, from approximately RMB277.1 million in 2017 to approximately RMB345.5 million in 2018. The net profit margin increased by 1.3 percentage points from approximately 8.7% in 2017 to approximately 10.0% in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the two years ended 31 December 2017 and 2018:

	2018 RMB'000	2017 RMB'000
Net cash generated from (used in) operating activities	**42,185**	(94,588)
Net cash (used in) generated from investing activities	**(117,618)**	153,900
Net cash generated from (used in) financing activities	**111,298**	(61,237)

As at 31 December 2018, the Group had bank balances and cash and pledged bank deposits of approximately RMB786.3 million and the majority of which were denominated in RMB. As at 31 December 2018, the Group had total bank borrowings of approximately RMB1,725.2 million which were repayable within one year. As at 31 December 2018, approximately RMB522.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB1,203.2 million were variable rate borrowings. As at 31 December 2018, bank borrowings of approximately RMB1,620.5 million were denominated in RMB and approximately RMB104.7 million were denominated in Hong Kong dollars.

In 2018, the majority of the Group's transactions were denominated in RMB except for the bank borrowings denominated in Hong Kong dollars and the Group did not enter into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging instrument but will consider hedging its foreign currency exposure should the need arise.

GEARING RATIO

Gearing ratio of the Group, calculated as total bank borrowings net of pledged bank deposits and bank balances and cash divided by total equity, increased from approximately 23.0% as at 31 December 2017 to approximately 29.2% as at 31 December 2018. Such increase was primarily due to increase in bank borrowings balance of approximately RMB258.5 million as at 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged bank deposits of approximately RMB295.2 million (2017: RMB337.9 million) to secure certain credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2018.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had a total of 961 full time employees (2017: 904). 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, Directors and employees of the Group 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 training for management staff.

INVESTMENT IN INVESTMENT PRODUCTS

The Group held unlisted investment products in an aggregate principal amount of RMB175 million ("Investment Products") issued by several banks in the PRC with the anticipated (but not guaranteed) annual rates of return from 4.3% to 5.1% (2017: 5.1% to 5.2%). The investment scope of the Investment Products principally include investments in bank deposits, listed and private debt equities, money market bonds, bond market funds trust plans, asset-backed securities, and other fixed income in asset nature.

The purchases of the Investment Products were funded by internal resources of the Group and with an intent to maximising the use of its funds with satisfactory return. The Directors believed that such investments can increase the rate of return of its working capital and therefore improve both the investment income and the profits of the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 24 July 2018, Trigiant Holdings Limited ("Purchaser"), a wholly-owned subsidiary of the Company as purchaser, Radiant Choice Limited ("Vendor") as vendor, and the two ultimate beneficial owners of the Vendor as guarantors, each being an independent third party, entered into a sale and purchase agreement whereby the Purchaser has conditionally agreed to purchase ("Acquisition"), and the Vendor has conditionally agreed to sell, the entire issued share capital of Rosy Elite Limited ("Target") at an aggregate consideration of RMB243,250,000 (equivalent to approximately HK$286,176,000). The Target is an investment holding company incorporated in the BVI with limited liability whose principal asset is its indirect 87.5% equity interest in Trigiant Sensing, a limited liability company incorporated in the PRC principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronic devices, sensor, micro smart label products and chips.

The consideration for the Acquisition of RMB243,250,000 was settled as to RMB124,325,000 by cash and as to RMB118,925,000 by issue of a promissory note by the Company of a principal amount of RMB118,925,000 at an interest of 10% per annum payable on the maturity date of the promissory note of 31 December 2019 or upon early repayment. Completion of the Acquisition took place on 31 July 2018 whereupon each of the Target and its subsidiaries has become a wholly-owned subsidiary of the Company and the financial results of which have been consolidated with the results of the Group. As at 31 December 2018, the principal amount of the promissory note amounted to RMB80 million and as at the date of this report, all amount due under the promissory note has been settled in full.

According to the terms of the sale and purchase agreement for the Acquisition, the Vendor and the guarantors have guaranteed ("Profit Guarantee") to the Purchaser that the audited net profit of Trigiant Sensing for the financial year ended 31 December 2018 shall not be less than RMB20,000,000. Based on the latest management accounts of Trigiant Sensing for the financial year ended 31 December 2018, such Profit Guarantee is expected to have been met.

Save as disclosed above, during the year ended 31 December 2018, the Group had no material acquisition or disposal of subsidiaries or associated companies. In addition, the Group had no significant investments held during the year ended 31 December 2018.

MR. QIAN LIRONG
Executive Director and Chairman

Mr. Qian Lirong, aged 54, is an executive Director and the chairman of the Board. Mr. Qian is principally responsible for the overall strategic development of the Group's operation as well as overall management of the Group. Mr. Qian joined Jiangsu Trigiant Technology Co., Ltd. 江蘇俊知技術有限公司 ("Trigiant Technology") in November 2007. Mr. Qian is also the chairman and general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

Mr. Qian has nearly 30 years of experience in the information and telecommunications industry, and has been involved in various divisions in the manufacturing of information and telecommunications products and components including technology development and management. Between November 2004 and January 2007, Mr. Qian was a director and an executive chairman of Hengxin Technology Ltd. (stock code: 1085) ("Hengxin (Singapore)"), a company incorporated in Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange. Between November 2004 and February 2007, he acted as the chief executive officer of Hengxin (Singapore). Between June 2003 and January 2007, Mr. Qian held various positions (including chairman and general manager) in Jiangsu Hengxin Technology Co., Ltd. (江蘇亨鑫科技有限公司) ("Hengxin (Jiangsu)"), a wholly-owned subsidiary of Hengxin (Singapore). Between December 1996 and June 2003, Mr. Qian was general manager of Jiangsu Hengtong Cable Co., Ltd. (江蘇亨通線纜有限公司) ("Jiangsu Hengtong"). Prior to that, Mr. Qian was an assistant to the manager in Wujiang Qidu Town Industrial Co., Ltd. (吳江市七都鎮工業公司) from September to November 1996. Between December 1988 and September 1996, Mr. Qian worked in Suzhou Wujiang Special Cable Factory (蘇州市吳江特種電纜廠), which was mainly engaged in the manufacture and sale of indoor communications and data cables. During that period, he held various positions including deputy director of the factory.

Mr. Qian has been awarded numerous awards in the past, including but not limited to, Most Influential Entrepreneurs in Chinese Telecommunication Optical Industry (中國通信光電纜最具影響力企業家) in 2015, Outstanding Leader of PRC Information Industry of the Year (中國信息產業年度領袖人物) in 2012, Chinese Outstanding Entrepreneur (Private Enterprises) (中國優秀民營企業家) in 2010, Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2008, Outstanding People of PRC Information Industry of the Year (中國信息產業年度新銳人物) in 2007, Outstanding Technological Entrepreneur (Private Enterprise) (中國優秀民營科技企業家) by the China Private Enterprise Technology Association (中國民營科技實業家協會) in 2004, and Outstanding Worker in High and New Technology Industrialisation (高新技術產業化"先進工作者") by the Ministry of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2003. Mr. Qian is a senior member of China Institute of Communications, an executive member of the Seventh Council of the Jiangsu Foreign Investment Enterprise Association (江蘇省外商投資企業協會), as well as a member of the fifth, seventh and eighth Communications Cable Committee (通信線路委員會) of China Institute of Communications, Vice President of Jiangsu Provincial Information Association (江蘇省信息化協會), Vice President of Jiangsu Association of Industrial Economic (江蘇省工業經濟聯合會), Vice President of Jiangsu Enterprises Confederation (江蘇省企業聯合會), Vice President of Jiangsu Province Enterprises Directors Association (江蘇省企業家協會), Vice President of Jiangsu Enterprise Information Association (江蘇省企業信息化協會), and Executive President of Jiangsu Optical & Electric Cable Industry Chamber of Commerce (江蘇光電線纜商會), Vice President of The China Chamber of International Commerce — Wuxi (無錫國際商會), Vice President of Yixing Federation of Industry and Commerce (宜興市工商聯), Vice President of Yixing General Chamber of Commerce (宜興市總商會), the representative National Congress of the Communist Party of China of Wuxi for several terms, Member of The Chinese People's Political Consultative Conference of Yixing City for several terms and the representative of National People's Congress. Mr. Qian is a director of many education institutions, including Changshu Institute of Technology (formerly known as Changshu Machinery and Industrial Employees' University (常熟市機械工業職工大學)) and Yixing Middle School Jiangsu Province.

Mr. Qian graduated from Changshu Institute of Technology in 1987 and completed the No. 3 Industrial and Regional Culture and Economic Management Postgraduate Course offered by Shanghai Social Science Institute (Arts Research Centre) (上海社會科學院文學研究所，第三產業暨區域文化經濟管理碩士研究生班) in 2004. In 2012, he also obtained a bachelor degree from China University of Petroleum, Beijing. Mr. Qian is a senior engineer, senior economist, and a visiting professor of Changshu Institute of Technology and an exemplary worker of Jiangsu Province.

MR. JIANG WEI

Executive Director and Group chief executive officer

Mr. Jiang Wei, aged 60, is an executive Director and the Group chief executive officer. Mr. Jiang has substantial experience in the communications cable industry and is principally responsible for managing the sales management team and marketing activities of the Group. Mr. Jiang joined Trigiant Technology in November 2007. Mr. Jiang is also an executive deputy general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

Between June 2005 and January 2007, he was the executive director and marketing director of Hengxin (Singapore). During the time while Mr. Jiang was serving as an executive director of Hengxin (Singapore), he was also the deputy general manager (sales) of Hengxin (Jiangsu) between July 2003 and March 2007. From July 1999 to June 2003, he was the deputy general manager of Jiangsu Hengtong in charge of sales and marketing matters. From December 1993 to June 1997, he worked in US Global Pacific Co., Ltd. and served as a technician until May 1994 and was seconded to Anhui Lida Communications Cable Co., Ltd. (安徽立達通信電纜有限公司), a company principally engaged in, amongst others, the manufacture and sale of indoor communications and data cables and telephones and held positions of assistant chief engineer and deputy general manager until June 1997. From 1984 to 1993, Mr. Jiang worked in Xi'an Cable Factory (Plastic Branch) (西安電纜廠全塑分廠) and held various positions from technician to vice factory director.

Mr. Jiang has been awarded the Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2010.

Mr. Jiang completed his studies in mechanics manufacturing in Xi'an Electric Power Machinery Manufacturing Co. Ltd., Electromechanical Institute (西安電力機械製造公司機電學院) in 1984 and completed the No. 3 Industrial and Regional Culture and Economic Management Postgraduate Course offered by Shanghai Social Science Institute (Arts Research Centre) (上海社會科學院文學研究所，第三產業暨區域文化經濟管理碩士研究生班) in 2004.

DR. FUNG KWAN HUNG

Non-Executive Director

Dr. Fung Kwan Hung, aged 50, is a non-executive Director. Dr. Fung has over 20 years of experience in audit, finance and accounting. Since August 2003, Dr. Fung joined Shenzhen Eternal Asia Supply Chain Management Ltd.* (深圳市怡亞通供應鏈股份有限公司) (''Eternal Asia''), a company with shares listed on the Shenzhen Stock Exchange. Dr. Fung is currently vice president of Eternal Asia and directors of various subsidiaries of Eternal Asia. From November 1997 to April 2003, Dr. Fung served as a financial controller of MUI Hong Kong Limited (now known as Morning Star Resources Limited). From August 1992 to November 1997, he worked in an international accounting firm.

Dr. Fung obtained his Doctor of Business Administration from The Hong Kong Polytechnics University in September 2016. Dr. Fung also holds a Bachelor degree in Accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is currently a fellow of each of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 50, is an independent non-executive Director. Professor Jin is currently the professor of the Faculty of Information Science and Electrical Engineering, Zhejiang University (浙江大學). Professor Jin is also an independent director of Zhongli Sci-Tech Group Co., Ltd (中利科技集團股份有限公司), a company with shares listed on the Shenzhen Stock Exchange. In February 2007, he was appointed as a Doctor of Philosophy supervisor in the Zhejiang University. Between January 2004 and February 2006, Professor Jin worked in Hengtong Group Technology Center (亨通集團技術中心). In July 2005, Professor Jin was appointed as a member of the first Technical Committee of the Optical Transmission Engineering and Technology Center of Jiangsu Province (江蘇省光電傳輸工程技術研究中心第一屆技術委員會). During the period from October 2000 to 2003, Professor Jin worked in Oplink Communications Inc., LightMatix Inc. and Agiltron Inc in the U.S.

Professor Jin obtained a bachelor's degree from the Department of Photoelectronics of Huazhong University of Science and Technology (華中科技大學) in July 1990. Professor Jin obtained a master's degree from China Ship Research & Development Academy (中國艦船研究院) in May 1993 and his Doctor of Philosophy degree in engineering from Zhejiang University in September 1996. From December 1996 to April 2000, Professor Jin was engaged in teaching and research work in the Faculty of Information Science and Electrical Engineering at Zhejiang University. He was appointed as an Associate Professor of Zhejiang University in December 1999 and was appointed as a professor in December 2006.

MR. CHAN FAN SHING

Independent Non-Executive Director

Mr. Chan Fan Shing, aged 42, has extensive experience in auditing, accounting and financial management. Mr. Chan is a director of Tycoon Asia Pacific Group Limited since October 2017, a company principally engaged in trading and distribution of Chinese pharmaceutical and healthcare products in Hong Kong, Macau, Singapore and Australia. From September 2009 to March 2016, Mr. Chan was the company secretary, financial controller and authorized representative of CPMC Holdings Limited, a leading manufacturer in the PRC packaging industry, the shares of which are listed on the Main Board of the Stock Exchange and a subsidiary of COFCO Corporation (中糧集團), a PRC state-owned conglomerate and a Fortune 500 company. Prior to that, Mr. Chan has been working as senior management in Hong Kong listed companies and international audit firms as auditor.

MS. JIA LINA

Independent Non-Executive Director

Ms. Jia Lina, aged 51, is an independent non-executive Director. She has over 20 years of experience in accounting. Ms. Jia has been a management partner of Jonten Certified Public Accountants (Limited Liability Partnership) (中天運會計師事務所(特殊普通合夥)) since December 2017.

Ms. Jia graduated with a bachelor's degree in economic trade in July 1989 and a master's in economics from Dongbei University of Finance and Economics (東北財經大學) in October 1992. Ms. Jia was qualified as an accountant in December 1996 by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部).

MR. LEE YIU WAI WILLIAM

Chief Financial Officer and Company Secretary

Mr. Lee Yiu Wai William, aged 35 is the Chief Financial Officer and Company Secretary of the Company. Mr. Lee is primarily responsible for company secretarial, corporate finance, finance reporting and investor relations management affairs of the Group. Mr. Lee has over 11 years of experience in corporate finance, accounting and auditing. He was a senior manager of PricewaterhouseCoopers before joining the Group in 2017.

Mr. Lee obtained a bachelor's degree in BBA in Accounting and Finance from The University of Hong Kong. He is a member of The Hong Kong Institute of Certified Public Accountants.

The board ("Board") of directors ("Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company ("Shareholders"). In this regard, a corporate governance committee of the Board has been established with primary responsibility for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of the Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as its code of corporate governance.

The Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 December 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry with all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

(I) Board composition

The Board currently comprises a combination of two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Qian Lirong, an executive Director and chairman of the Board, has appointed Mr. Qian Chenhui as an alternative Director to Mr. Qian Lirong. Save that Mr. Qian Lirong is Mr. Qian Chenhui's uncle, there is no relationship (including financial, business, family or other material relevant relationships) among other members of the Board.

During the year ended 31 December 2018 and up to the date of this report, the Board consisted of the following members:

Executive Directors
Mr. Qian Lirong *(Chairman)*
Mr. Jiang Wei *(Group chief executive officer)*

Non-executive Director
Dr. Fung Kwan Hung

Independent Non-executive Directors
Professor Jin Xiaofeng
Mr. Chan Fan Shing *(appointed on 30 September 2018)*
Mr. Poon Yick Pang Philip *(resigned on 30 September 2018)*
Ms. Jia Lina

Alternate Director to Mr. Qian Lirong
Mr. Qian Chenhui

(II) Board meetings

During the year ended 31 December 2018, eight board meetings were held. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the board meetings.

(III) Responsibilities of the Board and management

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and its subsidiaries (collectively the "Group") and the senior management personnel are responsible for supervising and executing the plans of the Group.

The Board is also responsible for evaluating and determining the nature and significance of identified risks and determines how these risks can be properly alleviated so as to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. In addition, the Board, with the assistance from audit committee, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

(IV) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three independent non-executive Directors during the year ended 31 December 2018. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Chan Fan Shing, has extensive experience in auditing, accounting and financial management. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. In addition, the Company has also received an annual written confirmation from each of the independent non-executive Directors in respect of their independence. Based on such confirmations, the Board considers that all independent non-executive Directors are independent.

(V) Continuous professional development

During the year ended 31 December 2018, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or attending other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2018.

(VI) Insurance on Director's and officers' liabilities

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company during the year ended 31 December 2018.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are segregated and are not exercised by the same individual.

Mr. Qian Lirong is the chairman of the Board who is primarily responsible for managing the Board. Mr. Qian also chairs the Board meetings and briefs the Board members on the issue arising at the Board meetings. Mr. Jiang Wei is the Group chief executive officer who is primarily responsible for day-to-day management of the Group's business. Mr. Jiang is also responsible for supervising the execution of decisions determined by the Board.

TERMS OF NON-EXECUTIVE DIRECTORS

Dr. Fung Kwan Hung, non-executive Director, was appointed for a term of three years commencing from 31 August 2018.

Professor Jin Xiaofeng and Ms. Jia Lina, independent non-executive Directors, were appointed for a term of three years commencing from 23 August 2017. Mr. Chan Fan Shing, independent non-executive Director, was appointed for a term of three years commencing from 30 September 2018.

Each of the above appointments is subject to the rotation and retirement provisions in the articles of association of the Company.

BOARD COMMITTEES

Audit committee

The audit committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the audit committee are to review and approve the Group's risk management, financial reporting process and internal control system. Members of the audit committee are Mr. Chan Fan Shing, Professor Jin Xiaofeng and Ms. Jia Lina, all being independent non-executive Directors. Mr. Chan Fan Shing is the chairman of the audit committee.

During the year ended 31 December 2018, the audit committee has held five meetings, at which the members of audit committee principally reviewed and discussed with the external auditor of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 December 2017, the interim review scope and process for the Group's results for the six months ended 30 June 2018, the interim results for the six months ended 30 June 2018 and audit scope and process for the Group's annual results for the year ended 31 December 2018 and discussed with the management about the effectiveness of the risk management and assessment, financial reporting process and internal control system, respectively.

Remuneration committee

The remuneration committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the remuneration committee are to review and make recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group with reference to the market data. The remuneration committee shall also ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration. Members of the remuneration committee comprise two independent non-executive Directors, namely Mr. Chan Fan Shing and Ms. Jia Lina, and one executive Director, namely Mr. Jiang Wei. Ms. Jia Lina is the chairman of the remuneration committee.

During the year ended 31 December 2018, the remuneration committee has held four meetings, at which the members of remuneration committee principally reviewed and made recommendations on the remuneration agreement, structure and policy for the Directors and senior management. The remuneration committee made recommendation based on performance of the Directors and senior management.

Nomination committee

The nomination committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the succession of the management of the Board. The members of the nomination committee are Professor Jin Xiaofeng, Mr. Chan Fan Shing and Ms. Jia Lina, all being independent non-executive Directors. Professor Jin Xiaofeng is the chairman of the nomination committee.

The Board has adopted a board diversity policy to set out the approach to achieve diversity on the Board. According to the Board diversity policy, the Board takes into account various elements of diversity including but not limited to age, gender, cultural and educational background, skills, professional knowledge and industry experience in determining the appointment and reappointment of the Directors and proposed candidates. All Directors appointments are based on meritocracy and due regard is given to the Board's diversity to ensure the Company can obtain the benefits of such diversity. The nomination committee is responsible for the monitoring and review of the policy. During the year ended 31 December 2018, the nomination committee was satisfied with the diversity of the existing Board composition and did not, for the time being, set up any measurable objective regarding board diversity.

During the year ended 31 December 2018, the nomination committee has held two meetings, at which the members of nomination committee principally reviewed and recommended the diversity, structure, size and composition of the Board.

Corporate governance committee

The corporate governance committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the corporate governance committee are to make recommendations to the Board on the development and to review of the policies and practices on corporate governance, compliance with legal and regulatory requirements and corporate governance disclosure. Members of the corporate governance committee comprise one executive Director, namely Mr. Jiang Wei, and two independent non-executive Directors, namely Mr. Chan Fan Shing and Professor Jin Xiaofeng. Mr. Jiang Wei is the chairman of the corporate governance committee.

During the year ended 31 December 2018, the corporate governance committee has held one meeting, at which the members of the corporate governance committee principally reviewed the policies and practices on the corporate governance adopted by the Company and made recommendation on the necessary revision in response to the changes in the relevant rules and regulations.

NOMINATION POLICY

A director nomination policy ("Nomination Policy") has been adopted by the Board with effect from 1 January 2019 for the purpose of enhancing transparency and accountability of the nomination process of Directors and enabling the Company to ensure the Board has a balance of skills and experience and diversity of perspectives appropriate to the requirements of the Company's business.

Under the Nomination Policy, the nomination committee of the Board is responsible for selecting suitable candidates and giving recommendations to the Board on appointment of Directors. The selection criteria for assessing the suitability of a proposed candidate which shall be taken as reference by the nomination committee includes: (i) integrity and reputation; (ii) accomplishment and experience; (iii) commitment in respect of available time and relevant interest; (iv) diversity of the Board, including but not limited to gender, age, professional experience, cultural and educational background, skills and knowledge; (v) not being prohibited by law from being a Director; and (vi) any other factors as the nomination committee may deem fit to consider in the best interests of the Company and its shareholders. These above selection criteria are not exhaustive and conclusive and the nomination committee has the discretion to nominate any person as it considers appropriate.

Under the Nomination Policy, upon obtaining the required information from the candidate, the nomination committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment as a Director. The nomination committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company. In particular, the nomination committee shall consider the potential contribution a Candidate can bring to the Board in terms of qualification, skills, experience, independence and gender diversity.

For procedures for Shareholders' nomination of any proposed candidate for election as a Director, please refer to the section headed "Shareholder rights and investor relations" of this report.

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at various meetings held during the year ended 31 December 2018 are set out below:

	Board Meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Corporate governance committee meeting
Executive Directors					
Mr. Qian Lirong *(Chairman)*	8/8	N/A	N/A	N/A	N/A
Mr. Jiang Wei *(Group chief executive officer)*	8/8	N/A	4/4	N/A	1/1
Non-executive Director					
Dr. Fung Kwan Hung	8/8	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Professor Jin Xiaofeng	8/8	5/5	N/A	2/2	1/1
Mr. Poon Yick Pang Philip (resigned on 30 September 2018)	7/7	3/3	3/3	1/1	N/A
Mr. Chan Fan Shing (appointed on 30 September 2018)	1/1	2/2	1/1	1/1	1/1
Ms. Jia Lina	8/8	5/5	4/4	2/2	N/A

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the total fees paid/payable in respect of audit and non-audit services provided to the Group by Deloitte Touche Tohmatsu are set out below:

	RMB'000
Audit service	
Audit of the annual consolidated financial statements	1,666
Non-audit services	
Review of the interim consolidated financial statements	361
Internal control review	172
Tax services	61

Directors' and auditor's responsibilities on the financial statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

A statement by the Company's external auditor, Deloitte Touche Tohmatsu, about their reporting responsibilities is included in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system and risk management. The Board carried out a review on the implemented system and procedures, covering internal control, financial, operational and legal compliance controls and risk management functions and considered that they are effective and adequate.

The Group has established systems and procedures for disseminating inside information as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) so as to ensure inside information is promptly identified and escalated. Directors and management of the Group received relevant trainings to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made with the assistance of the company secretary and, when necessary, external lawyer.

The internal control system has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatement or losses.

The Group currently does not have an internal audit function. Nonetheless, the Company has engaged a consulting firm to conduct an annual review of the effectiveness of the internal control system of the Group including making recommendations to enhance the overall internal control system for the year ended 31 December 2018. The internal control review report has been approved by the audit committee and the Board. Based on the internal control review report and its own assessment, the Board considered that the Company's internal control system is adequate and effective and no internal audit function is considered necessary in consideration of the Group's current operation size and organisation structure. The Board has also assessed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget and considered that they are effective and adequate.

Management of the Group, with support of the audit committee, is responsible for performing ongoing monitoring of identified risks, designing risk alleviating measures and performing regular risk management process. The Board and audit committee performed annual review and assessment of the risks identified and risk management process based on the report from the management of the Group and considered the risk management process is adequate and effective.

COMPANY SECRETARY

During the year ended 31 December 2018, the company secretary of the Company was an employee of the Company and the Company did not engage an external service provider as its company secretary. The company secretary took no less than 15 hours of the relevant professional training during the year ended 31 December 2018.

DIVIDEND POLICY

The Board has adopted a dividend policy ("Dividend Policy") in compliance with code provision E.1.5 of the CG Code with effect from 1 January 2019. Declaration and payment of dividends by the Company is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the articles of association of the Company.

Under the Dividend Policy, the Company can declare interim dividends or special dividends from time to time in addition to the final dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the financial condition of the Group, the prevailing economic climate, the Group's earnings and cash flow, the Group's expected capital requirements, the statutory fund reserve requirements, the retained earnings and distributable reserves of the Company and each of the members of the Group, and any other factors that the Board deems appropriate.

The Dividend Policy will continue to be reviewed and updated from time to time by the Board and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be proposed or declared in any given period.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to article 58 of the Company's articles of association (a copy of which can be downloaded from the "Corporate Governance" sub-section under the "Investor Relations" section in the Company's website), any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited to the company secretary at the Company's principal place of business, which is presently situated at Room 1801, 18/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

Any Shareholder enquiry may be directed to the Board through the Company's investor relations department or the company secretary. Investor relations contact information and details of the company secretary of the Company are provided under the "Corporate Information" section in this annual report and in the "Investor Relations" section in the Company's website. The contact address of company secretary is the Company's principal place of business as stated above.

There are no provisions allowing Shareholders to put forward proposals at the general meeting under the Company's articles of association or under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The Company has established a procedure for the Shareholders to appoint a person for election as a Director at a general meeting (either an annual general meeting or extraordinary general meeting) of the Company. Details of the procedures for nominating a director are set out in the "Procedures for Nomination of Directors of Trigiant Group Limited", a copy of which can be downloaded from the "Information for Shareholders" sub-section under the "Investor Relations" section in the Company's website.

The existing articles of association of the Company were adopted by the then sole shareholder of the Company on 28 February 2012. During the year ended 31 December 2018, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 25 March 2019

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Environmental, Social and Governance Report ("ESG Report") of Trigiant Group Limited ("Company") illustrates the Environmental, Social and Governance ("ESG") initiatives, plans and performance of the Company and its subsidiaries (collectively the "Group" or "we"). The Group adheres to the management policies of sustainable ESG development and are committed to handling the Group's ESG affairs effectively and responsibly, which becomes a core part of our business strategy, because we believe this is the key to our continuous success in the future.

Corporate Philosophy

The Group is one of the leading manufacturers in the People's Republic of China ("PRC" or "China") engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components (including sensing products) and other accessories for mobile communications and telecommunications transmission. The Group always practices its core value of "Talent Pool, Knowledge Power, Harmony and Prosperity" (「集俊以知・和諧共榮」) and has evolved into a high-tech powerhouse with numerous patents and high-tech products through constant innovation.

The Group's production base is located at the Industrial Park for Environmental Protection Science & Technology, Yixing City, Jiangsu Province, the PRC. The Group's products are mainly used for mobile communications and long-distance transmission systems required by telecommunications operators and major equipment manufacturers. Mobile communication products can be applied in highways, railways, tunnels, underground facilities, high-rise buildings, etc., optical fibre cable products are mainly applied to telecommunication operators' main communication networks, and sensing products are mainly applied in Internet of Things.

The Group highly emphasizes on product quality, we have been strictly inspecting and improving all the processes from raw materials to semi-finished and finished products to ensure that products are aligned with industry and national standards, and contribute to China's communications industry.

The ESG Governance Structure

The Group has established the ESG Taskforce ("Taskforce"), which comprises core members from different departments and is responsible for collecting relevant information on our ESG aspects for the preparation of the ESG Report. The Taskforce reports regularly to the board of directors ("Board"), assists in identifying and assessing the Group's ESG risks and the effectiveness of the internal control mechanism. The Taskforce will also examine and assess our performance in different aspects such as environment, safety production, labour standards, and product responsibility in the ESG aspect.

The Board sets the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk control and internal control mechanism.

STAKEHOLDER ENGAGEMENT

Stakeholders' participation is an integral part of the Group's continuous improvement in sustainable development performance, therefore, we value all stakeholders' view (including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory bodies, peers and industry chambers of commerce and communities, non-governmental organizations and media). To fully understand, respond and address the core concerns of different stakeholders, we have been closely communicating with different stakeholders. We bring our stakeholders' expectations into our operations through the following communication channels:

Types of stakeholder	Communication channels
Shareholders/Investors	• Annual general meeting • Annual report and interim report • Announcements and circulars • Investor conferences
Customers	• Customer satisfaction surveys • Customer service centre • Account managers
Suppliers	• Supplier management conferences and activities • On-site supplier auditing and management system
Employees	• Employee surveys • Employee communication channels (e.g. suggestion forms and boxes) • Regular management communication and performance appraisals • Staff newsletters and broadcasts • Intranet
Governments/Regulators	• Regular meetings • Regular performance reports • Written replies to public consultations • On-site inspection
Peers and industry chambers of commerce	• Industry conferences and lectures • Industry chambers of commerce conferences
Communities, Non-governmental Organisations and Media	• Community investment plan • ESG Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The ESG Report covers the overall ESG policy and relevant information of the Group from 1 January 2018 to 31 December 2018 (the "Year").

The information disclosed in the ESG Report is limited to the three major subsidiaries of the Group located at the headquarter in the Industrial Park for Environmental Protection Science & Technology, Yixing City, Jiangsu Province, the PRC, namely Jiangsu Trigiant Technology Co. Ltd., Jiangsu Trigiant Optic-Electric Communication Co. Ltd. and Jiangsu Trigiant Sensing Technology Co., Ltd.* except when otherwise indicated. These three companies are responsible for production and sales, and their volume of sales equals to the revenue of the Group. The Taskforce will continue to broaden its work and is committed to making more comprehensive disclosures in the future.

Note:

* It became a wholly-owned subsidiary of the Group as at 31 July 2018.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the "Main Board Listing Rules" on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

MATERIALITY ASSESSMENT

After collecting opinions from each stakeholder, the Taskforce assessed the disclosure scope of the ESG Report in relation to various factors including listing rules, stakeholders' expectations, importance, feasibility and confidentiality. Unless otherwise specified, the summary set in this ESG Report and the content index required to disclosed in the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange are as follows:

Material ESG aspects of the Group	Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions			
Exhaust Gas Emissions Greenhouse Gas Emissions Wastewater Discharge Waste Disposal Hazardous Waste Non-hazardous Waste	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions — Exhaust Gas Emissions, Greenhouse Gas Emissions, Wastewater Discharge, and Waste Management
	KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions, Greenhouse Gas Emissions, Wastewater Discharge, and Waste Management
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Emissions — Greenhouse Gas Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Hazardous Waste
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emissions — Non-hazardous Waste Management
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas Emissions, Greenhouse Gas Emission, and Wastewater Discharge
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Disposal

Material ESG aspects of the Group	Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources			
Energy Consumption Water Consumption Use of Packaging Materials	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources — Energy Consumption, Water Consumption and Use of Packaging Materials
	KPI A2.1	Direct and/or indirect consumption by type in total and intensity.	Use of Resources — Energy Consumption
	KPI A2.2	Water consumption in total and intensity.	Use of Resources — Water Consumption
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
	KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials (Not applicable, explained)
Aspect A3: The Environment and Natural Resources			
Plant Afforestation	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Plant Afforestation

Material ESG aspects of the Group	Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment			
People Oriented Remuneration and Benefits Recruitment, Promotion and Dismissal Equal Opportunity Communication with Employees Work-life Balance	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
	KPI B1.1*	Total workforce by gender, employment type, age group and geographical region.	Employment
Aspect B2: Health and Safety			
Safety Production Management Mechanism Storage of Chemicals	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
Aspect B3: Development and Training			
Training Management	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

* Voluntary Disclosure

Material ESG aspects of the Group	Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards			
Prevention of Child Labour and Forced Labour	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management			
Supply Chain Management Structure Environmental and Social Risk Management of the Supply Chain Fair Tendering	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility			
Quality Control Research and Development Customer Service and Privacy Intellectual Property Rights	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption			
Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption

Material ESG aspects of the Group	Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B8: Community Investment			
Social Responsibility Education	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

A. ENVIRONMENT

A1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

We focus on strengthening environmental protection measures to comply with relevant local laws and regulations and implement environmental policies. Through continuous enhancement of measures and promoting clean production to reduce the emission of pollutants, the Group commits itself to fulfill the responsibility for ecological and environmental protection during its pursuit of economic benefits. The Group also continues to focus on regulating the Group's environmental management by establishing an environmental management system for the Group's subsidiaries, which complies with the GB/T24001-2016/ISO14001: 2015 Environmental Management System certification.

The Group strictly complies with the "Environmental Protection Law of the People's Republic of China, "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevent and Control of Atmosphere Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and other environmental protection related laws and regulations. The Group has established environmental responsibility mechanism to actively implement environmental protection measures for the pollution generated from its operational process.

The supervisors of the Group at all levels will strictly supervise the implementation of the above measures, comply with the relevant environmental protection policies, and ensure that all operational processes meet the relevant laws and regulations. Supervisors at all levels will continue their supervision and submit reports to the management with proposed suggestions. If there is an emergency affecting the environment during the production process, supervisors at all levels may immediately implement the response plans to prevent further effects and report to the management in a timely manner in order to coordinate the work.

In addition, the Group was awarded with the "Yixing Green Enterprise" and "Yixing Ecological Civilisation Demonstration Unit", fully reflecting our commitment to environmental protection.

During the Year, there were no confirmed non-compliance incidents or complaints in relation to environmental protection that would have a significant impact on the Group.

Exhaust Gas Emissions

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM), the major source of which are vehicle exhaust gas. To reduce the exhaust gas emissions from the abovementioned source, the Group has formulated related policies and implemented various reduction measures.

The following table summarises the exhaust gas emissions of the Group during the Year:

Exhaust gas category	Total emissions (in kilogram)
Nitrogen oxides (NO_x)	23.53
Sulphur oxides (SO_x)	0.58
Particulate Matter (PM)	1.73

We have adopted the following measures to reduce exhaust gas emissions generated from emission of vehicles:

- Switch off the engine whenever the vehicle is idling;
- Use unleaded fuel and low sulphur content fuel in accordance to laws and regulations;
- Phase out substandard vehicles in accordance to national emission policies and standards;
- Provide driving trainings to the drivers;
- Provide maintenance services to vehicles on a regular basis to ensure engine performance and efficient use of fuels; and
- Optimise operational procedures to increase the loading rate and reduce the idling rate of vehicles.

We have implemented the following measures to reduce industrial exhaust gas emissions:

- Enhance facilities management and maintain treatment facilities on a regular basis to keep the facilities in normal operation;
- Prioritise the adoption of clean production techniques with energy efficiency and reduce exhaust gas emissions; and
- Review the safety and environmental performances of production equipment on a regular basis, and select advanced production machinery and equipment.

By adopting the abovementioned measures, the Group's concentration of industrial exhaust gas emissions met the emission limits as required by the National Occupational Health Standards of the People's Republic of China during the Year.

Greenhouse Gas Emissions

The Group's Greenhouse Gas ("GHG") emissions are generated from refrigerants, combustion of diesel, gasoline and natural gas for mobile machinery, transportation, and cooking respectively (Scope 1), purchased electricity (Scope 2), and business travels, paper disposal and water consumption (Scope 3). The Group was committed to planting trees in production plants, resulting in the reduction in Scope 1 GHG emissions.

The GHG emissions of the Group during the Year were as follows:

Indicator[1]	2018 CO_2e calculated by tonnes
Direct GHG emissions (Scope 1)	**792.34**
Indirect GHG emissions (Scope 2)	**7,564.05**
Other indirect GHG emissions (Scope 3)[2]	**212.13**
Total GHG emissions (Scopes 1, 2 and 3)	**8,568.52**

During the Year, the average GHG emissions by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre was approximately 23.94 tonnes CO_2e and 0.25 tonnes CO_2e respectively.[3]

Notes:

1. Greenhouse gas emission data are presented in terms of CO_2 equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest "Greenhouse gas reporting: conversion factors 2017" issued by Department for Environment, Food & Rural Affairs of British's Government, and the latest published Baseline Emission Factors for Regional Power Grids in China, "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. The carbon emission of business travel is calculated by the International Civil Aviation Organization Carbon Emissions Calculator issued by the International Civil Aviation Organization ("ICAO").

3. Management makes assumption to calculate the average environmental damage per unit of major production volume. The environment damages were apportioned each major product based on revenue. Optical fibre cable has a wide range of product series, for example, a kilometer of an optical fibre cable with 16 fibres represents a cable with 16,000 kilometers optical fibre.

To minimise the GHG emissions, the Group has proactively implemented the following measures:

- Actively adopting environmental conservation and water saving measures, which are referred in the sections headed "Energy Consumption" and "Water Consumption" of Aspect A2;

- Actively adopting paper-saving measures, which are referred in the section headed "Waste Disposal" of this Aspect;

- Actively promoting the greenery of production plants, which are referred in the section headed "Plant Afforestation" of Aspect A3;

- Reduce the emission of vehicles, which are referred in the section "Exhaust Gas Emissions" of this Aspect; and

- Business trips are minimised and are replaced by video conferences, online meetings and other electronic communications.

Wastewater Discharge

The water consumed by the Group equalled to the wastewater discharge during the Year. The information of sewage discharge shall be described under section headed "Water Consumption" in Aspect A2.

To reduce the impacts of domestic wastewater discharge to the environment, apart from paying emission charges in accordance with the "Measures for the Administration of the Charging Rate for Pollutant Discharge Fees of the People's Republic of China", we also appointed third party testing organisations to monitor the water quality at the discharge outlet to ensure the discharged domestic sewage of our production plant is in compliance with the requirements of the "Wastewater Quality Standards for Discharge to Municipal Sewers"(CJ343-2010).

In addition, we have implemented rainwater-sewage separation system at our production plant and taken measures to recycle and reuse rainwater and cooling water, so to reduce wastewater discharge effectively.

Waste Disposal

The Group will also generate hazardous and non-hazardous wastes over its course of operation and production. To reduce the impact of waste on the environment, the Group has continued to implement various measures with respect to waste management and emission reduction in strict compliance with laws and regulations, including the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and the Standard for "Pollution Control on Hazardous Waste Storage".

Hazardous Waste

The hazardous waste generated from the Group's business operations mainly includes waste mineral oil, waste activated carbon, waste alcohol and waste ink. The emissions of hazardous waste of the Group and its intensity during the Year was as follows:

Year	Total Emissions[4] (kilogram)	Intensity (kilogram/ 1,000 km feeder cable)[3]	Intensity (kilogram/ cable with 1,000 km optical fibre)[3]
2018	796	2.22	0.02

4. The consumption of hazardous is approximately 0.80 tonnes.

To effectively identify and dispose hazardous wastes, all departments have specified certain areas for the sorting, separating and storing of such waste; hazardous wastes are centralised and collected by the material department after reaching a certain amount. The time, name, format and amount of wastes transferred are recorded in detail in our waste recycling record. Designated staff would be arranged to responsible for the collection of solid waste, maintenance of the storage areas and the prevention of spillage of hazardous wastes inside the plant. Hazardous wastes are collected and stored in warehouses for dangerous and hazardous goods, and entrusting companies with relevant hazardous waste disposal qualifications to manage on a regular basis. We enter into regular contracts with these qualified waste collectors according to the requirements of local environmental department and report these engagements to the department every year.

The Group centralises and labels hazardous wastes for classification in accordance with local laws and regulations, and stores them in designated locations. The departments that produce hazardous wastes put them into special boxes in production workshops, warehouses, and office areas. The employees of the Group arrange to delivery them to the qualified third-party collectors for disposal. Based on the business nature, the Group did not generate significant amount of hazardous waste during the Year.

Non-hazardous Waste

Non-hazardous waste generated from our business operations are mainly domestic waste and paper. The non-hazardous waste emissions of the Group and its intensity during the Year were as follows:

Year	Total Emissions[5] (kilogram)	Intensity (kg/1,000 km feeder cable)[3]	Intensity (kg/cable with 1,000 km optical fibre)[3]
2018	53,700	150.06	1.56

5. The consumption of non-hazardous waste is approximately 53.70 tonnes.

The Group strives to reduce and recycle waste, through the adoption of different measure during daily operation. The Group has developed a number of measures to properly control the generation of waste at source, including but not limited to:

- Conducting regular staff environmental education and promotion, and encouraging reusing and recycling;
- Appointing the Yixing Environmental and Sanitation Management Office to collect various types of domestic waste for disposal at designated treatment facilities;
- Standardising the collection of scraps generated from production processes such as copper scraps and pass them to relevant companies for recycling and processing into raw materials, achieving waste recycling; and
- Sorting, recycling and reusing waste generated by each department and factory according to the relevant waste management system of the Group in order to reduce demand for disposal.

The Group has implemented the following measures to minimise consumption of paper during its operations:

- Employees are required to use double-sided copying or printing;
- Dissemination of documents, general business notices, and data transmissions through the online system is encouraged to minimise copying of documents;
- Waste paper generated from the operation of the Group will be centrally collected and recycled by the administrative department and offices, while the use of paper is under regular supervision; and
- Posters are attached on show windows, and electronic pamphlets about the Group are delivered to relevant personnel and customers, rather than delivering paper pamphlets for publicity and promotion purposes, so to reduce paper waste.

A2. Use of Resources

General Disclosures and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business and production operations.

The entire operations involve consumption of fuel, electricity, and water. We are committed to improving the efficient use of resources so as to reduce our carbon footprint. We closely monitor and evaluate the amounts of electricity and water consumed through collecting monthly consumption data. We carry out investigation for any abnormal or excessive consumption to find out the reason and look for rectification measures. We will continue to identify opportunities to consume less during our operations in the future.

Energy Consumption

To reduce energy consumption and exhaust emissions, and improve the sustainability of productions and operations, the Group continues to implement management rules and regulations with respect to energy conservation and emission reduction.

We evaluate the energy consumption of equipment before purchase, and avoid the use of equipment with low energy efficiency. We monitor the energy consumption of equipment after installation and commissioning operation, and request suppliers to adjust the equipment if the requirements of energy consumption are not satisfied; unsatisfying equipment will be returned as well. Furthermore, we renovate the equipment with large energy consumption, low efficiency, obsolescence and backwardness used at our plant for energy saving purpose, such as installing a variable frequency controller to replace the fixed frequency controller at our production plant, as well as reducing electricity consumption. We have also formulated the operating procedures for production facilities, as well as regular maintenance policies, so that all environmental facilities operate in well conditions during the production process and energy will be conserved.

In addition to selecting and managing equipment, the Group formulated conservation management requirements for daily energy and resource consumption by our employees during production processes. For example:

- Electrical facilities at the production sites such as fans should be turned off if not in use;
- The lighting systems at our production plant are replaced from traditional light bulbs into LED lights or low-power bulbs;
- All department heads have to regulate the use of lighting power at the office area by ensuring all lights and air-conditioners are turned off after all employees leave the office;
- Computers have to be turned off if they are not in use for a long time; and
- Street lighting in production plant shall be set based on seasonal changes.

During the Year, consumption of electricity and other energy by the Group were as follows:

Type of energy	Consumption (kWh)	Intensity (kWh/1,000 km feeder cable)[3]	Intensity (kWh/cable with 1,000 km optical fibre)[3]
Natural Gas[6]	182,236.93	509.23	5.28
Diesel[7]	536,080.94	1,497.99	15.54
Gasoline[8]	365,342.98	1,020.89	10.59
Electricity	11,664,820.00	32,595.50	338.05

Notes:

6. The consumption of natural gas was approximately 16,969.00 m^3.

7. The consumption of diesel was approximately 50,400.00 litres.

8. The consumption of gasoline was approximately 39,175.28 litres.

Water Consumption

Apart from the measures taken to manage sewage as described in section "Wastewater Discharge" in Aspect A1, we encourage all employees to take the initiative to conserve water and develop this into a good habit so that water consumption during office hours can be reduced. The Group has been strengthening its water-saving promotion, posting water-saving slogans, and guiding employees to use water reasonably. In addition, our employees are required to turn off the faucets when water is not in use, and report the leakage of faucets or water pipelines to relevant department.

The Group's total water consumption during the Year was 73,430 m^3 and the average water consumption by producing a thousand kilometers of feeder cable and cable with a thousand of optical fibre was approximately 205.19 m^3 and 2.13 m^3 respectively.

During the Year, there was no issue in sourcing water due to the geographical location of the Group's operating and business nature.

Use of Packaging Materials

The packaging materials used by the Group during the Year included wood and cartons. The total amount of wood used was 83,146.28 m^3 and a total of 566,588 cartons were used. Due to the variety of products, it is unlikely to calculate the amount of packaging material used per unit product.

A3. Environment and Natural Resources

General Disclosures and KPIs

The Group pursues the best practice with the environment and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environmental related regulations to appropriately protect the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability.

During daily operation, the Group's major resource consumption is copper, while its major energy consumption comprises electricity, gasoline, diesel and natural gas. Please refer to the two sections headed "Non-hazardous Waste" and "Use of Resources" in Aspects A1 and A2 of the ESG Report for the relevant environmental measures.

Plant Afforestation

Apart from optimising productions and operations, the Group also makes effort to promote greenery of production plant. Through greening of plant areas, the Group purifies the air within the plant premises, lowers the noise level, and enhances its image. In addition, our employees can enjoy good working environment, and therefore improving their enthusiasm at workplaces.

During the Year, the Group planted 167 new trees within the plant area, among which, 57 trees had a height of 5 meters or above, eliminating approximately 1.31 tonnes of GHG emissions. The green area, wetland area and landscape lake area of our production site were approximately 72,212 m^2, 19,000 m^2, and 5,000 m^2, respectively, and the total area at our production plant was 240,708 m^2 during the Year. In addition, over 3,667 trees and 20,000 shrubs of all kinds are grown within our plant premises.

B. SOCIAL

B1. Employment

General Disclosures and KPIs

People Oriented

Employees are the largest and most valuable asset and the core competitive advantage of the Group. At the same time, they provide the Group with the driving force for continuous innovation. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardises labour employment management, protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and focuses on their enthusiasm, initiative and creativity in order to build a harmonious labour relationship.

The Group safeguards employees' legal rights and benefit in strict compliance with the relevant laws and regulations, including the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China". The Company has established relevant personnel management policies to provide employees with a healthy, positive and motivational working atmosphere, and guides employees to actively integrate personal pursuits into the long-term development of the Group.

During the Year, the Group was not aware of any material non-compliance of laws and regulations in respect of human resources.

As at 31 December 2018, the Group had a total of 961 full time employees.

The information of our employee were as follows:

By gender

	Number as at 31 December 2018	Percentage
Male	**656**	**68.3%**
Female	**305**	**31.7%**
	961	**100.0%**

By age

	Number as at 31 December 2018	Percentage
Aged 25 or below	**175**	**18.2%**
Aged 26 to 35	**522**	**54.3%**
Aged 36 to 45	**183**	**19.0%**
Aged above 46	**81**	**8.5%**
	961	**100.0%**

By educational level

	Number as at 31 December 2018	Percentage
Undergraduate or above	**206**	**21.4%**
College	**297**	**30.9%**
Technical junior high	**181**	**18.8%**
Senior high (vocational school)	**85**	**8.9%**
Junior high or below	**192**	**20.0%**
	961	**100.0%**

By geographical area

	Number as at 31 December 2018	Percentage
Hong Kong	**3**	**0.3%**
Mainland China	**958**	**99.7%**
	961	**100.0%**

Remuneration and Benefits

The Group has established a fair, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. The remuneration of the employees of the Group comprises of basic salary, discretionary bonus and retirement benefit. In addition, the Group conducts annual assessments in accordance to changes in macroeconomic factors, industry and regional remuneration standards, changes in the Group's development strategy, and the overall efficiency of the Group, and makes corresponding adjustments to employees remuneration.

In accordance with the law, the Group legally pays "five social insurance and one housing fund" for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees covered by social insurance.

The Group sincerely safeguards the legitimate interests of labour in accordance with the requirements of "Labour Law of the People's Republic of China" and other national and local laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest and holidays. The Group implements the standard working hour system, employees work no more than 8 hours a day and implement three shifts in the production unit. In addition to statutory holidays, employees are also entitled to unpaid leave, shift leave, examination leave, injury leave, sick leave, maternity leave, nursing leave, breastfeeding leave, marriage leave, and bereavement leave. In addition, the Group's female employees may be granted with special care, and enjoy paid maternity leave for 128 days per year. Female employees may apply for breastfeeding leave once a week upon expiry of their maternity leave. Female employees whose babies are less than one year old may also leave for breastfeeding during each shift.

Recruitment, Promotion and Dismissal

The Group actively hires talents from different regions and different cultural backgrounds and qualifications to join the Group so to form a diverse workforce and enhance its overall competitiveness. For vacancies, the Group prioritises to consider internal recommendation. Employees can attain job transfer and promotion through the in-house competition system, preference will be given when he or she meets the requirements (such as professional level, work performance, attitude and experience, etc.) of the vacancies. To recruit talents externally, we adhere to the principle of fair appointment and meritocracy.

To enhance morale and work enthusiasm, the Group continues to offer incentives and job promotion to encourage and inspire our employees to have personal development, which will also create benefits for the Group. The Group evaluates our employees based on various aspects, including virtue, cooperation, obedience to leadership, enterprising spirit, professional knowledge, work efficiency, learning ability and work quality, and determines employees' salary based on the "Employee Ranking Assessment Table" to incentivise our employees. In addition, we have also developed an internal "Assessment Scoring Table" to conduct monthly assessment and grant bonuses according to the assessment results. In order to optimise the allocation of human resources within the Group and to provide more opportunities and platforms for employees' career development as to meet the Group's needs of sustainable development, the Group has established a succession planning and arranges tailor-made trainings and leadership position trainings for key training targets.

Equal Opportunity

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process, and developing relevant policies to eliminate discrimination in the recruitment process to ensure no discrimination regardless of race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, and to attract professionals with diverse backgrounds to join the Group.

Communication with Employees

The Group also values the importance of two-way communication with employees. The Group has set up a labour union to facilitate internal communications, so that we can quickly understand and resolve our employees' issues at work whenever they arise. The management has set up mailbox and e-mail to the general manager to broaden the channels of exchanges, so that they can learn about our employees' views by different means and continue to improve the working environment for them.

Work-life Balance

The Group also values the balance between work and life of employees, and their sense of belonging at work. Therefore, we have organised literary contests, basketball teams, football teams and dance teams, tug of war and chess competitions, to enrich their amateur life, as well as further enhance their sense of happiness and belonging.

B2. Health and Safety

General Disclosures

The Group recognises the importance of the health and safety of its employees, commits itself to providing employees a healthy, safe and comfortable working environment. The Group strictly complies with relevant laws and regulations such as the "Labour Law of the People's Republic of China", "Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" and "Fire Protection Law of the People's Republic of China" to implement various production safety measures and prevent accidents.

Safe Production Management Mechanism

The Group identifies and evaluates the potential hazards affecting the health and safety of employees and customers in the Group's operation activities, products and services, prioritises the level of risk, and implements effective control and management, which provides basis for establishing target indicators and preventing hazards. In response to identified potential hazard, the Group provides trainings and drills to improve the ability of all staff to respond to emergencies in production and other experimental processes. As a result, all staff facing emergency conditions or accidents can quickly and effectively take emergency measures to reduce the impact of various types of dangers, such as personal injuries, property damages and adverse effects on the environment.

Indicators of Occupational Health and Safety	Unit	Total number during the Year
Numbers of work-related death	person	0
Numbers of work-related injuries	person	9
Numbers of working days lost due to work-related injuries	day	225

For employees who suffer from work-related injuries, we provide relevant treatment and subsidies to them according to the "Regulations on Work-Related Injury Insurances" of the People's Republic of China and relevant laws and regulations.

During the Year, there were no confirmed non-compliance incidents or grievances in relation to health and safety of the employees that have a significant impact on us.

The Group adopts the following measures for safety production to ensure the safety and health of employees during the production:

- Operate the specialised machines and equipment by the licensed specialist operator;
- Employees must comply with all safety and sanitation regulations and wear protective supplies as required and report to their superiors in case of unusual circumstances during the operation;
- Provide physical examinations to employees whenever necessary to ensure that their physical conditions meet position requirements; and
- Provide job safety trainings for employees when their position changes due to different skills required in each post, so as to ensure that they have enough safety knowledge upon reassignments.

Storage of Chemicals

Chemicals are used during our production process. In view of the hazardous nature of the chemicals, we continue to implement management systems for storage and collection of chemicals to protect the safety of our employees. Hazardous goods must be stored in a separate warehouse and managed by designated personnel. To prevent accidents, employees are prohibited from using fire in warehouses storing hazardous goods, lamps; electrical appliances have to be explosion-proof, and hazard labels should be posted on noticeable places of the warehouse as warning to our employees. The fire exits of warehouses shall remain unblocked at all times and the fire-fighting equipment shall be in good condition so that our employees can take emergency measures in time if an accident occurs.

B3. Development and Training

General Disclosures

Training Management

The Group focuses on the construction of internal management system of training and development diversity. Through induction training, on-the-job training and job-transfer training, etc, the Group satisfy the different needs of job duties at all levels. The Group enhances its sustainable development, and enhances employees' personal growth and development at the same time.

The Group has established training related policies to regulate the training management of employees. The management will regularly review the effectiveness of different training plans to help improve the efficiency of the Group's training system. The Group also encourages employees to participate in external trainings on their own; and subsidises employees to obtain professional qualifications related to the Group's business at the same time. Moreover, we also established a corporate training file as a basis for management to review the effectiveness of training plans.

To improve employee quality and corporate competitiveness, the Group formulates training program each year based on the business development needs of the Group and the training needs of various departments. The training courses cover induction training, on-the-job training, job-transfer training and special job training to our employees. The content of our training includes code of conduct, business profile, safety education, environmental protection, product knowledge, on-site management systems, professional ethics and skills training. The Group bears the training fees which include training or tuition fees, fees for books and materials, data fees, travel expenses, registration fees, technical fees and other expenses. Assessments will be conducted on our employees upon completion of the training to understand the training results and constantly improve our training system.

The Group has adopted a mentorship programme for our trainees, enabling such trainees to master the work or production skills and related safety knowledge within an agreed period of time. On-the-job training is provided after the trainees have taken up their positions to continuously improve their knowledge, skills and management standards as well as their knowledge about operating conditions and safety requirements of the Group. During the Year, the participation rate of our training was 100%.

The Group also recognises the importance of safety production training to ensure the personal safety of employees. Please refer to the section headed "Health and Safety" in Aspect B2 to this report.

B4. Labour Standards

General Disclosures

Prevention of Child Labour and Forced Labour

The Group strictly complies with the "Convention concerning the Abolition of Forced Labour", the "Labour Law of People's Republic of China" related to the employment of teenagers under 16 and their legal rights, and the "Provisions on the Prohibition of Using Child Labor" formulated and implemented since 1 December 2002.

The Group strictly prohibits the employment of any child labor and forced labor. The Group clearly stipulates in recruitment guidelines that only employees reaching legal working age can be recruited, and that new recruits should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including identity cards to confirm the legal working age requirement is met.

At the same time, the Group also avoids the appointment of such vendors and contractors who are known to have engaged in child labor or forced labor in their operations to provide products and services.

During the Year, there were no confirmed non-compliance incidents or grievances in relation to labour standards that would have a significant impact on the Group.

B5. Supply Chain Management

General Disclosures

The Group believes that strict screening and management of suppliers is an important prerequisite to producing and providing premier products for customers. Meanwhile, we recognise the importance of supply chain management to reduce indirect environmental and social risks. Therefore, we have established a system related to supply chain management to enhance the level of supply chain management.

Supply Chain Management Structure

In addition to customers' designated suppliers, we mainly select suppliers through tenders and continue to implement corresponding procedures to reduce the operating risks caused by unqualified suppliers.

The Group's procurement department collects monthly information on quality and deliver updates of each kind of raw materials and other necessary production supplies, and arranges production, technology, quality and purchasing and other departments to make integrated appraisal on the major suppliers annually, so as to eliminate those unqualified suppliers, follow up on rectifications and update or replace qualified suppliers list. When raw materials and other necessary production supplies are brought to the production plant, suppliers are required to provide quality certification documents, while our inspectors will inspect the raw materials purchased from the suppliers and pass those qualified ones to our warehouse for storage. Unqualified products will be returned to the relevant suppliers.

During the Year, the Group has engaged 134 suppliers in total, comprising 130 Mainland suppliers and 4 overseas suppliers. Among the suppliers in Mainland, 89 are from Jiangsu Province and 41 are from other provinces and cities.

The Group is also concerned about the integrity of suppliers and partners. We will only select suppliers and partners who have a good business record in the past and have no serious violations of relevant laws and regulations or violations of business ethics. The Group has zero tolerance to bribery and corruption, and suppliers and partners are strictly prohibited from obtaining procurement contracts or partnerships through any form of transfer of benefits.

Environmental and Social Risk Management of the Supply Chain

The Group requires that products and raw materials used by the suppliers shall meet environmental protection requirements set out in national and local laws and regulations as well as industrial standards, and encourages the usage of clean production process and equipment. For enterprises or suppliers who are likely to cause or have caused serious harm or major environmental pollution, the Group will terminate the supply contract.

Apart from environmental risks, the Group also takes measures to examine whether its major suppliers or contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labor and child labor, and examine the suppliers' awareness in the above aspects.

Fair Tendering

The Group invites at least two suppliers to public tender for all types of raw materials or production supplies. Apart from regulating the principle of local procurement, when selecting the suppliers, we also consider major factors including quality, environment, safety, pricing, supply capacity and stability, as well as whether they are directly or indirectly related to the management of the Group is taken into consideration. We usually review the requisite approvals, business licenses, certificates of the bidders and information on quality and technical standards first before such suppliers are invited to bidding. Suppliers are required to fill in the questionnaire for us to understand their background. We conduct on-site inspections, sample checks and tests before the bidding to ensure their authenticity when necessary.

B6. Product Responsibility

General Disclosures

The Group recognises the importance of product quality and corporate reputation, we actively monitor the quality of our products and services through internal controls and is committed to producing high quality products that meet industry standards. We also maintain communication with our customers to ensure we understand and meet customers' needs and expectations, while understanding customers satisfaction, so to continuously improve our products and services. The Group strictly complies with "Product Quality Law of the People's Republic of China" and other laws and regulations.

During the year, the Group was not aware of any material non-compliance with product and service quality-related laws and regulations which would have significant impact on the Group.

Quality Control

The Group has obtained GB/T 19001-2016/ISO 9001:2015 quality control system certifications for our products. To enhance production efficiency and minimise product quality issues, we actively invest in purchasing new and advanced manufacturing equipments, the majority of which imported from are countries such as Austria, Germany, Japan and the United States. In addition, we also procure advanced inspection and testing apparatuses from overseas suppliers to provide reliable support for the inspection of our production supplies and products.

The Group adopts standardised quality management systems in all production processes, finished product inspections and services. We have set up a professional quality management team for quality management and product control to ensure all relevant standards are met. In addition, we require necessary anti-dust, anti-moisture, anti-fire and anti-explosion measures and other protective measures to be taken to ensure the quality and safety of our supplies.

Research and Development

The Group constantly strives to innovate and develop new products to satisfy different market demands and network upgrading business of our customers. Our research and development team comprises nearly 200 professional technicians, most of which hold bachelor's degree or above, and have accumulated years of experience and expertise in China's cable industry.

We have also set up an Engineering and Technology Center to develop products such as broadband green RF cables and high-rate special optical cables for Internet of Thing systems. During the Year, the Group has obtained 153 patents and developed 133 new products, among which, 81 products are granted with the Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group has also obtained a number of honors such as "Advanced Enterprise in Technological Innovation" and "Excellent Enterprise — Leader and Driver". Our innovation and research and development results have been recognised by the industry, our partners and local government.

During the Year, the Group's products were able to meet the relevant standards and customer's requirements and there were no products recalled by the Group due to safety issues.

Customer Service and Privacy

Maximising customer satisfaction is the basic criterion for the Group's customer service. We have set up a round the-clock service hotline to provide our customers with all-round professional services including technical training, system design, engineering supervision, operation and maintenance, to achieve excellence in all aspects and earn our customer's long-term trust. Furthermore, we provide a three-year warranty service for all products, and repair or replace damages and malfunction caused by product quality issues for free. The Group is convinced that customer feedback is the key to our continued progress. In this regard, we have set up a special department to collect views and complaints from our customers and strive to listen to each of them. We reply to any complaint within 4 hours after receiving such complaint and provide a solution within 24 hours, including technical engineers to be dispatched to sites for resolving issues. During the Year, the Group did not receive any material complaints about its products and services.

The Group mainly promotes and markets products by participating in domestic and international exhibitions to attract customers and exchange ideas. We strictly comply with the relevant laws including the Advertising Law of the PRC and the Trademark Law of the PRC. All products and business information shall be subject to strict scrutiny before being disclosed, and any misleading behavior or false information is prohibited in the promotion, marketing and exhibition process.

The Group manages customer information under strict confidentiality to avoid data privacy leakage. As a result, we enter into confidentiality agreements with employees holding technology-based, research-based, marketing based and other important positions and the management or above, whereby expressly defining their confidentiality obligations and liability for breach of contract. It is required that the confidential policy shall be strictly implemented during in-house communication. Customer data shall be kept by a dedicated person and the use, storage and destruction of customer's document and other items shall be performed by such dedicated person. At the same time, as part of the Group's resources, customer information and materials will not be sold, shared or disclosed by any person for any purpose. Each employee should protect customer information and materials in accordance with the regulations of the Company.

Intellectual Property Rights

The Group continues to comply with the relevant laws and regulations including the "Patent Law of the People's Republic of China", the "Copyright Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", and the "Technology Contract Law of the People's Republic of China" over the course of our productions and operations. We reinforce our management of the intellectual property rights and patents in accordance with internal rules.

B7. Anti-corruption

General Disclosures

Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continuous success. Therefore, the Group recognises the importance of its anti-corruption work and system establishment. Meanwhile, the Group is committed to creating a fair and honest, open and transparent, standardised and efficient internal management atmosphere. Our employees, in particular our management, are required to regard honesty, trustworthiness and integrity as the most basic code of conduct. The Group strictly complies with the related laws and regulations, including but not limited to, "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China" and "Anti-Unfair Competition Law of the People's Republic of China".

We continuously update the relevant policies and internal management system for preventing corruption and bribery in accordance with the laws and regulations, including the "Criminal Law of the People's Republic of China" and the "Law of the People's Republic of China on Anti-Money Laundering", thereby strengthening our employees' awareness of anti-corruption and regulating their behavior. We also signed an integrity self-discipline commitment with the group leader or above level.

The Group has also established a whistleblowing system to establish and maintain a clean and transparent culture of the Group. The whistleblowing system allows all employees and independent third parties (including customers, suppliers, etc.) who have contact with employees to report anonymously to the Audit Committee, including negligence, corruption, bribery and other misconduct. The Audit Committee will process the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also ensures that whistle-blowers will not be treated unfairly because of reports, the whistle-blowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

The Group also attaches importance to the potential bribery and corruption in the procurement and relevant rules and regulations for management are established. Please refer to the section headed "Fair Tendering" in Aspect B5 of this ESG Report.

During the Year, the Group did not identify any material non-compliance of laws and regulations respect of the prevention of bribery, extortion, fraud and money laundering.

B8. Community Investment

General Disclosures

The Group believes that an enterprise should share the responsibility of contributing to the society. Therefore, while pursuing its own development, the Group also devotes itself to social charity and public welfare, assisting people in need and giving back to the society and people. By working with charitable organisations, the Group organises activities for public so as to build up positive image and fulfill social responsibilities.

Social Responsibility Education

The Group hopes to foster a sense of social responsibility among its employees. Therefore, we have been encouraging employees to participate in charity activities during their work and personal time to make greater contributions to the community. We have also arranged for employees to participate in environmental protection activities, donation for educational development and social services. We believe that through directly participating in activities that contribute to the community, our staff could build up positive value and eventually be a socially responsible citizen.

Charity events during the year include:

- Visiting the Yixing City Industrial Park for Environmental Protection Science & Technology Experimental Primary School (宜興市環科園實驗小學) for condolence activities and donated RMB30,000 in December 2018;
- Making a donation of RMB100,000 to Industrial Park for Environmental Protection Science & Technology Education Charity Fund (環科園教育慈善基) in July 2018; and
- Making a donation of RMB400,000 to Yixing Red Cross in March 2018.

CONTACT US

The Group welcomes all stakeholders to comment on this report or provide other valuable comments that will make the Group to develop sustainably. Please email to ir@trigiant.com.cn.

DIRECTORS' REPORT

The board ("Board") of directors ("Directors") of the Company hereby presents this Directors' report together with the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. The Group's operations are substantially conducted through its subsidiaries in the People's Republic of China ("PRC"). The Group is mainly engaged in the manufacture and sales of feeder cable series, optical fibre cable series, flame-retardant flexible cable series and related products and other accessories for mobile communications and telecommunication equipment.

Particulars of the principal activities of the Company's principal subsidiaries are set out in note 39 of the Notes to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Discussion and analysis of the review of the business of the Group, particulars of important events that have occurred affecting the Company since the end of the financial year, likely future developments in the Group's business, relationship with stakeholders including customers, suppliers and employees and environmental policies and performance can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environment, Social and Governance Report" of this annual report. These discussions form part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group has formulated a variety of management policies and framework for sustainable development of the Group. The Group attaches great importance to risks management to ensure that the Group can cope with changing industrial and economic environment. To minimise the impact of various risks on the Group's operation, the Group designated the Board, the audit committee and management of the Group as the responsible parties of risks management.

The Group's management conducts corporate risk assessment on a regular basis, monitors risks continuously and takes appropriate actions targeted to different risks. The management reports the risk assessment and updates of relevant measures taken against material risks to the Board regularly, and the Board subsequently reviews and approves the risk assessment, marketing strategies, business plan and budgets submitted by the management, while the audit committee reviews the Group's finance, operation and compliance matters, the results of risks management and internal control system as well as the effectiveness of compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Group is exposed to various risks and uncertainties. The effects of such risks may vary over time. The following table sets forth material risks classified by the Group according to its status quo and relevant alleviating measures for each material risk for the management of such risks.

Risks profile	Major relevant alleviating measures
Business risks The major customers of the Group are the three major telecommunications operators in the PRC. Any changes of business strategies and capital expenditures of these customers and development changes of telecommunications industry of China will therefore have an impact on sales of the Group.	• Proactively develop business relationship with customers other than the three major telecommunications operators in the PRC. • Expand overseas market and increase the proportion of overseas sales. • Diversify product portfolio and reduce the impact of change in sales of individual products on the Group's overall business.
A majority of the Group's turnover is derived from sales of products to provincial subsidiaries of the three major telecommunications operators in the PRC. The three major telecommunications operators in the PRC usually invite equipment suppliers including the Group to participate in the tender activities held by each of them. As a result, the tender results of the Group in these tender activities will impact the operation and financial performance of the Group.	• Continue to review competitive edges of the Group in the industry and market trend. • Enhance after-sales services for customers and improve product quality to raise the Group's competitiveness in bidding activities. • Develop more new products to meet customers demand.
The telecommunications industry develops constantly and advances in technology may make certain products of the Group obsolete. Therefore, the Group's capabilities to launch new products and improve product quality in order to cope with technology transformation, will have a material impact on the Group's position in the industry.	• Invest resources to develop new products and upgrade existing products to cater to the changing market demand. • Actively recruit and train skillful and experienced technicians to enhance research and development capabilities of the Group.

Risks profile	Major relevant alleviating measures
Financial risks Delayed payments of customers who are granted credit by the Group will increase the Group's exposure to financial risks and have an impact on financial performance and operating cash flows of the Group.	• Review accounts receivable due from major customers on a regular basis and control it to an appropriate level. • Manage and control strictly internally and put additional efforts to collect trade receivables overdue.
The Group's major raw materials are copper-based materials and optical fibre and the Group procures raw materials from domestic suppliers. Increases in price of raw materials or any shortage of raw materials in the PRC market will have material impact on profitability and production of the Group.	• Under the framework agreements we have entered into with main customers according to tender results, pricing for the Group's main products (including feeder cables, optical fibre cables and flame-retardant flexible cable products) is determined with reference to prices of its major raw materials such as copper and optical fibre, so as to minimise the impact of fluctuation in prices of raw materials on gross profit margin. • With respect to supply, conduct investigation and assessment on suppliers periodically to ensure stable supply source of raw materials.
Composite risk Recently, China's economy has been in a steady growth but it is affected by complex and ever-changing external factors and as a result, the demand for products of the Group may significantly reduce, which may have a material adverse impact on business, financial condition and operating results of the Group.	• Expand overseas market and increase the proportion of overseas sales to reduce the dependence on individual country or region.

COMPLIANCE WITH RELEVANT RULES AND REGULATIONS

During the course of the business operations, the Group shall comply with different laws and regulations, including i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; ii) the "Environmental Protection Law of the PRC" governing production activities and the measures implemented in Jiangsu Province under the "Work-Related Injuries Regulations"; and iii) laws that safeguard the intellectual property rights of the Group, such as the "Patent Law of the PRC", the "Trademark Law of the PRC", the "Copyright Law of the PRC", the "Anti-Unfair Competition Law of the PRC", and the "Technology Contract Law of the PRC". For the year ended 31 December 2018, the Group was in strict compliance with these said laws and regulations.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77 of this annual report.

An interim dividend of HK2.2 cents per share amounting to HK$39,413,000 in aggregate was paid to the shareholders of the Company ("Shareholders") whose names appeared on the register of member of the Company on 14 September 2018. The Board recommended the payment of a final dividend of HK2.3 cents per share for the year ended 31 December 2018 and the retention of the remaining profit for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" of this annual report.

FIXED ASSETS

Details of the movements in the Group's investment properties and property, plant and equipment during the year ended 31 December 2018 are set out in notes 14 and 15, respectively, of the Notes to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year ended 31 December 2018 are set out in note 28 of the Notes to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to Shareholders amounted to approximately RMB1,567.8 million.

DONATION

The Group made charitable donations totalling approximately RMB530,000 during the year ended 31 December 2018.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this annual report were as follows:

Executive Directors
Mr. Qian Lirong
Mr. Jiang Wei

Non-executive Director
Dr. Fung Kwan Hung

Independent non-executive Directors
Professor Jin Xiaofeng
Mr. Poon Yick Pang Philip *(resigned on 30 September 2018)*
Mr. Chan Fan Shing *(appointed on 30 September 2018)*
Ms. Jia Lina

Alternate Director to Mr. Qian Lirong
Mr. Qian Chenhui

In accordance with article 83(3) of the articles of association of Company, Mr. Chan Fan Shing shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, each of Dr. Fung Kwan Hung and Ms. Jia Lina shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details of the Directors' profiles are set out in the section headed "Directors and Senior Management Profile" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he agreed to act as a Director for a fixed term of three years with effect from 19 March 2018.

The non-executive Director has been appointed for a fixed term of three years with effect from 31 August 2018. Professor Jin Xiaofeng and Ms. Jia Lina, independent non-executive Directors, were appointed for a term of years commencing from 23 August 2017. Mr. Chan Fan Shing, independent non-executive Director, was appointed for a term of years commencing from 30 September 2018.

None of the Directors has or is proposed to have a service contract with the Company or any of the subsidiaries of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged Directors' and officers' liability insurance throughout the year ended 31 December 2018 to indemnify the Directors and officers for their liabilities arising from their lawful discharge of duties. The insurance coverage and premium is reviewed on an annual basis.

The articles of association of the Company provide that the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EMOLUMENT POLICY

The employees of the Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. They are also entitled, subject to eligibility, to retirement fund and provident fund. The Company also adopted a share option scheme as an incentive to the Directors and eligible employees.

The remuneration committee reviews and makes recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management with reference to the market data. Details of the remuneration of the Directors for the year ended 31 December 2018 are set out in note 10 of the Notes to the consolidated financial statements of this annual report.

RETIREMENT BENEFIT SCHEMES

The Group participates in state-managed retirement benefit schemes operated by the PRC government which covers the Group's eligible employees in the PRC and the Mandatory Provident Fund Scheme for the employees in Hong Kong. Please refer to note 36 of the Notes to the consolidated financial statements of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three independent non-executive Directors throughout the year ended 31 December 2018. The Board considers that all the independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Chan Fan Shing has extensive experience in auditing, accounting and financial management. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

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

As at 31 December 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 and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest *(Note e)*
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	1,200,000 *(Note c)*	1,260,000	0.07%
Professor Jin Xiaofeng	Beneficial owner	–	240,000 *(Note c)*	240,000	0.01%
Ms. Jia Lina	Beneficial owner	–	240,000 *(Note c)*	240,000	0.01%
Mr. Qian Chenhui	Beneficial owner	–	720,000 *(Note c)*	720,000	0.04%

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 and Abraholme. 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.

(d) These interests are long position.

(e) The total number of 1,791,500,000 shares of the Company in issue as at 31 December 2018 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2018, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 55.5% (2017: 56.9%) and 84.8% (2017: 94.6%) of the Group's total purchases, respectively.

For the year ended 31 December 2018, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 37.3% (2017: 41.6%) and 93.3% (2017: 95.1%) of the Group's total turnover, respectively.

At all time during the year ended 31 December 2018, none of the Directors or any of their close associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

The Group maintains good relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Company's success depends.

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme ("Share Option 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 Share Option Scheme and the share options granted are disclosed in note 29 of the Notes to the consolidated financial statements in this annual report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2018, was the Group or any of the Company's holding companies or subsidiaries of the Company's holding companies a party to any arrangements to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2018.

CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Group, the Company's holding companies or subsidiaries of the Company's holding companies was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2018, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in note 35 of the Notes to the consolidated financial statements of this annual report.

FINAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2.3 cents per share for the year ended 31 December 2018 (2017: HK2.1 cents) to the shareholders whose names appear on the register of members of the Company on 5 July 2019. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or about 26 July 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 as follows:

LONG POSITIONS

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Trigiant Investments	Beneficial owner	516,531,750	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%
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%
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%
Mr. 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%
Mr. Dai Xiaolin	Interest in controlled corporation	428,000,000 *(Note e)*	23.89%
Artemis Delight Limited	Interest in controlled corporation	428,000,000 *(Note e)*	23.89%

Notes:

(a) These shares are registered in the name of Trigiant Investments, a company owned as to 91.79% by Abraholme, which is wholly owned by Mr. Qian Lirong. Under the SFO, each of Mr. Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

(b) Madam Qian Jundi is the spouse of Mr. Qian Lirong and under the SFO, she is deemed to be interested in all the shares in which Mr. Qian Lirong is interested or deemed to be interested.

(c) Based on the notices of disclosure of interests dated 9 June 2017 of Eternal Asia (HK) Limited, Eternal Asia, Eternal Asia Investment and Mr. Zhou Guohui each filed with the Stock Exchange, these interest are registered in the name of Eternal Asia (HK) Limited, a company wholly owned by Eternal Asia, which in turn is owned as to 36.22% by Eternal Asia Investment, which in turn is wholly owned by Mr. Zhou Guohui.

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

(e) Based on the notices of disclosure of interests dated 24 December 2018 of Artemis Delight Limited, Easy Beauty Limited and Mr. Dai Xiaolin each filed with the Stock Exchange, these interests in shares are registered in the name of Easy Beauty Limited, a company owned as to 70% by Artemis Delight Limited, which in turn is wholly owned by Mr. Dai Xiaolin.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float during the year ended 31 December 2018 and up to the date of this report.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions of the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules and has prepared the corporate governance report, which is set out in the section headed "Corporate Governance Report" of this annual report. The Board will continue to review and monitor the practices of the Company with an aim to maintaining the highest standard of corporate governance.

USE OF NET PROCEEDS FROM COMPANY'S INITIAL PUBLIC OFFERING

On 19 March 2012, the Company issued 200,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of its shares on the Stock Exchange ("IPO"). The net proceeds after deducting the issuing expenses arising from the IPO amounted to approximately HK$185 million (equivalent to approximately RMB150 million).

Up to 31 December 2018, the net proceeds from the IPO had been utilised in accordance with the plan as stated in the IPO prospectus for the expansion of the sales and distribution network, production capacity and advancement of production facilities of the Group and research and development of new products and upgrading product functions and related technologies, repayment of bank borrowings and for general working capital.

As at 31 December 2018, the remaining net proceeds of approximately RMB22.5 million were deposited with certain licensed financial institutions.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2018. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 25 March 2019

Deloitte. 德勤

TO THE SHAREHOLDERS OF TRIGIANT GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 149, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated statement of financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. At 31 December 2018, the Group's net trade receivables amounting to RMB3,524,099,000, which represented approximately 65% of total assets of the Group. As explained in note 2 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" (HKFRS 9) and recognised an additional impairment of RMB13,800,000 at 1 January 2018 in accordance with the transitional provisions of HKFRS 9. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 31 to the consolidated financial statements, the Group recognised an additional amount of RMB59,939,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables at 31 December 2018 amounted to RMB360,865,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding the credit risk assessment and impairment assessment process and evaluating how the management estimates the loss allowance for trade receivables; • Testing the accuracy of the ECL adjustment made by the Group at 1 January 2018 on initial adoption of HKFRS 9; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis at 1 January 2018 and 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables at 1 January 2018 and 31 December 2018, including the reasonableness of management's grouping of the trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 31 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to significant judgements and assumptions required by the management in assessing the impairment of goodwill. As set out in note 4 to the consolidated financial statements, impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the cash-generating unit to which the goodwill is allocated and its carrying amount at the end of the reporting period or more frequently when there is an indication that the unit may be impaired. The value in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, with key assumptions including budget sales and gross margin, growth rates and suitable discount rate. The carrying amount of goodwill of the Group is RMB156,527,000 at 31 December 2018. During the year ended 31 December 2018, no impairment loss is recognised on the goodwill.	Our procedures in relation to evaluating the appropriateness of management's impairment assessment of goodwill included: • Understanding the management's cash flow forecasts preparation process and impairment assessment process; • Evaluating the historical accuracy of the cash flow forecasts by comparing the historical financial forecast against actual performance; • Evaluating the reasonableness of the key assumptions made by the management in determining the value in use of the cash-generating unit to which the goodwill is allocated to, including budget sales and gross margin, growth rates and suitable discount rate; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Turnover	5	**3,469,247**	3,200,807
Cost of goods sold		**(2,796,866)**	(2,573,186)
Gross profit		**672,381**	627,621
Other income	6	**38,030**	26,630
Impairment losses, net of reversal	7	**(59,939)**	(89,135)
Other gains and losses	7	**(4,589)**	5,996
Selling and distribution costs		**(55,126)**	(54,698)
Administrative expenses		**(47,250)**	(52,748)
Research and development costs		**(58,338)**	(55,839)
Finance costs	8	**(73,580)**	(56,543)
Profit before taxation	9	**411,589**	351,284
Taxation	11	**(66,129)**	(59,271)
Profit and total comprehensive income for the year		**345,460**	292,013
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**345,460**	277,143
Non-controlling interests		**–**	14,870
		345,460	292,013
Earnings per share	13		
— Basic		**RMB19.28 cents**	RMB16.38 cents
— Diluted		**RMB19.28 cents**	RMB16.38 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Investment properties	14	–	7,600
Property, plant and equipment	15	248,702	262,428
Land use rights	16	69,482	71,602
Intangible assets	17	144,223	84,702
Goodwill	18	156,527	41,773
Equity instruments at fair value through other comprehensive income	19	950	–
Available-for-sale investments	19	–	7,325
Deferred tax assets	27	54,786	43,725
		674,670	519,155
Current assets			
Inventories	20	163,377	108,547
Trade and other receivables	21	3,622,932	3,257,251
Other financial assets	22	175,000	150,000
Pledged bank deposits	23	295,165	337,939
Bank balances and cash	23	491,133	455,268
		4,747,607	4,309,005
Current liabilities			
Trade and other payables	24	382,174	345,586
Bank borrowings — due within one year	25	1,725,206	1,466,667
Taxation payable		41,546	40,695
		2,148,926	1,852,948
Net current assets		2,598,681	2,456,057
Total assets less current liabilities		3,273,351	2,975,212
Non-current liabilities			
Government grants	26	2,835	3,571
Deferred tax liabilities	27	60,251	48,973
		63,086	52,544
Net assets		3,210,265	2,922,668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	*28*	**14,638**	14,638
Reserves		**3,195,627**	2,908,030
Total equity		**3,210,265**	2,922,668

The consolidated financial statements on pages 77 to 149 were approved and authorised for issue by the Board of Directors on 25 March 2019 and are signed on its behalf by:

QIAN LIRONG
DIRECTOR

JIANG WEI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 1 January 2017	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 year	–	–	–	–	–	–	–	–	–	277,143	277,143	14,870	292,013
Acquisition of additional interests in a subsidiary (note 28)	1,987	230,553	–	–	–	(312,858)	–	–	–	119,039	38,721	(176,453)	(137,732)
Recognition of equity-settled share-based payment (note 29)	–	–	–	–	–	–	–	–	3,977	–	3,977	–	3,977
Lapse of share options	–	–	–	–	–	–	–	–	(6,019)	6,019	–	–	–
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	–	–	(51,151)	(51,151)	–	(51,151)
Transfer	–	–	–	49,440	–	–	–	–	–	(49,440)	–	–	–
At 31 December 2017	14,638	1,509,764	101	362,249	62,947	(312,834)	622	–	19,352	1,265,829	2,922,668	–	2,922,668
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 year	–	–	–	–	–	–	–	–	–	**345,460**	**345,460**	–	**345,460**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**(17,950)**	–	**17,950**	–	–	–
Recognition of equity-settled share-based payment (note 29)	–	–	–	–	–	–	–	–	**2,144**	–	**2,144**	–	**2,144**
Lapse of share options	–	–	–	–	–	–	–	–	**(3,160)**	**3,160**	–	–	–
Reclassification upon transfer of investment properties to property, plant and equipment	–	–	–	–	–	–	**(622)**	–	–	**622**	–	–	–
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	–	–	**(66,227)**	**(66,227)**	–	**(66,227)**
Transfer	–	–	–	**57,122**	–	–	–	–	–	**(57,122)**	–	–	–
At 31 December 2018	**14,638**	**1,509,764**	**101**	**419,371**	**62,947**	**(312,834)**	**–**	**–**	**18,336**	**1,497,942**	**3,210,265**	**–**	**3,210,265**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Operating activities			
Profit before taxation		**411,589**	351,284
Adjustments for:			
Interest income		**(22,643)**	(14,958)
Investment income from other financial assets		**(3,848)**	(3,022)
Finance costs		**73,580**	56,543
Depreciation of property, plant and equipment		**30,613**	32,637
Amortisation of land use rights		**2,120**	2,120
Amortisation of intangible assets		**14,479**	12,101
Impairment losses, net of reversal, on trade receivables		**59,939**	89,135
Loss on disposal of property, plant and equipment		**3**	2
Government grants		**(736)**	(736)
Fair value changes of investment properties		**–**	(700)
Exchange loss (gain)		**4,589**	(5,296)
Expense recognised in respect of equity-settled share-based payment		**2,144**	3,977
Operating cash flows before movements in working capital		**571,829**	523,087
(Increase) decrease in inventories		**(47,611)**	16,381
Increase in trade and other receivables		**(342,189)**	(417,917)
Decrease in trade and other payables		**(57,227)**	(146,269)
Cash generated from (used in) operations		**124,802**	(24,718)
PRC Enterprise Income Tax paid		**(82,617)**	(69,870)
Net cash from (used in) operating activities		**42,185**	(94,588)
Investing activities			
Release of pledged bank deposits		**1,842,086**	1,514,665
Redemption of other financial assets		**210,000**	150,000
Interest received		**20,912**	14,917
Investment income received		**3,848**	3,022
New pledged bank deposits placed		**(1,798,339)**	(1,376,266)
Purchase of other financial assets		**(235,000)**	(150,000)
Net cash outflow from acquisition of subsidiaries	*32*	**(155,559)**	–
Purchase of property, plant and equipment		**(5,566)**	(2,529)
Proceeds from disposal of property, plant and equipment		**–**	91
Net cash (used in) from investing activities		**(117,618)**	153,900

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Financing activities		
Repayment of bank borrowings	**(1,872,122)**	(1,278,527)
Interest paid	**(70,272)**	(55,603)
Dividends paid	**(66,227)**	(51,151)
New bank borrowings raised	**2,119,919**	1,461,776
Acquisition of additional interests in a subsidiary	**–**	(137,732)
Net cash from (used in) financing activities	**111,298**	(61,237)
Net increase (decrease) in cash and cash equivalents	**35,865**	(1,925)
Cash and cash equivalents at beginning of the year	**455,268**	457,193
Cash and cash equivalents at end of the year, represented by bank balances and cash	**491,133**	455,268

1. GENERAL

Trigiant Group Limited ("Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is to act as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is mainly engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and others for mobile communications and telecommunication equipment.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

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 (or other components of equity, as appropriate) 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.

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, new-type electronic components and others for mobile communication and telecommunication equipment.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

HKFRS 9 "Financial Instruments and the related amendments"

In the current year, 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 under ECL model) 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".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments and the related amendments" (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items 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

(a) Available-for-sale ("AFS") investments

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale. 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 was reclassified from AFS 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.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been grouped based on shared credit risk characteristics of the trade receivables.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(b) Impairment under ECL model (continued)

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits and bank balances and cash, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flow. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB172,000 as disclosed in note 34. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of CGUs) retained.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

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

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).

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for the recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If there is a transfer from investment property carried at fair value to owner-occupied property evidenced by the commencement of owner occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress include property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land use rights

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interests in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms 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"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently 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 from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

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.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits and bank balances and cash). 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, 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.

For all 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

Significant increase in credit risk (continued)

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;
- 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; and
- 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over four years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: loans and receivables, financial assets at FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment at the end of each reporting period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 31.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of dividend and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the dividend and other receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of trade receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of the trade receivables. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration of the credit history of the trade receivables, including delay in payments, settlement history and aging analysis of the trade receivables. Following the identification of doubtful debts, the credit team discusses with the relevant customers and reports on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for bad and doubtful debts is required.

Upon application of HKFRS 9 on 1 January 2018, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 31 and 21 respectively.

The carrying amount of trade receivables at 31 December 2018 is RMB3,524,099,000 (2017: RMB3,152,700,000) (net of allowance for impairment losses of trade receivables of RMB360,865,000 (2017: RMB287,126,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment of goodwill

Impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the cash-generating unit to which the goodwill is allocated and its carrying amount at the end of each reporting period or more frequently when there is an indication that the unit may be impaired. The value in use calculation requires the management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, with key assumptions including budget sales and gross margin, growth rates and suitable discount rate.

Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

The carrying amount of goodwill of the Group is RMB156,527,000 at 31 December 2018 (2017: RMB41,773,000). No impairment loss is recognised on the goodwill during both years and the information relating to the details of the key assumptions used in assessing the recoverable amount of goodwill is set out in note 18.

Allowance for inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventories, the actual realisable value of inventories is not known until the sale was concluded. At 31 December 2018, the carrying amount of inventories is RMB163,377,000 (2017: RMB108,547,000).

Recoverable amount of intangible assets

The management reconsidered the recoverability of intangible assets arising on acquisition of subsidiaries. The carrying amount included in the consolidated statement of financial position is RMB144,223,000 (2017: RMB84,702,000) which set out in note 17. Impairment losses are made if recoverable amount fall short of the carrying amount. Recoverable amount is estimated based on value in use. The estimated value in use is in turn based on cash flow forecasts consistent with the most up-to-date budgets and plans formally approved by the management and on reasonable and supportable assumptions, including the discount rates and useful lives. The estimation of the number of years that future economic benefits can be generated by intangible assets, taking into account the expected changes in market demand for the products and the expected actions of competitors and potential competitors. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and others for mobile communication and telecommunication equipment. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's specific location as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods. The contracts signed with the customers are short-term and fixed price contracts.

Turnover represents the fair value of the consideration received and receivable for goods sold during the year, 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 (including sensing products)
- Others (including couplers and combiners)

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

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

5. TURNOVER AND SEGMENT INFORMATION (continued)

The information of segment results is as follows:

For the year ended 31 December 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	**1,725,579**	**1,041,085**	**576,326**	**114,286**	**11,971**	**–**	**3,469,247**
— Inter-segment sales*	**–**	**218,438**	**–**	**25,724**	**–**	**(244,162)**	**–**
	1,725,579	**1,259,523**	**576,326**	**140,010**	**11,971**	**(244,162)**	**3,469,247**
Cost of goods sold	**(1,372,222)**	**(1,066,070)**	**(479,072)**	**(112,289)**	**(11,375)**	**244,162**	**(2,796,866)**
Segment result	**353,357**	**193,453**	**97,254**	**27,721**	**596**	**–**	**672,381**

For the year ended 31 December 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	1,623,526	974,544	514,281	78,418	10,038	–	3,200,807
— Inter-segment sales*	–	186,159	–	–	–	(186,159)	–
	1,623,526	1,160,703	514,281	78,418	10,038	(186,159)	3,200,807
Cost of goods sold	(1,282,165)	(976,795)	(424,391)	(66,388)	(9,606)	186,159	(2,573,186)
Segment result	341,361	183,908	89,890	12,030	432	–	627,621

* 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.

5. TURNOVER AND SEGMENT INFORMATION (continued)

The reportable segment results are reconciled to profit after taxation of the Group as follows:

	2018 RMB'000	2017 RMB'000
Reportable segment results	**672,381**	627,621
Unallocated income and expenses		
— Other income	**38,030**	26,630
— Impairment losses, net of reversal	**(59,939)**	(89,135)
— Other gains and losses	**(4,589)**	5,996
— Selling and distribution costs	**(55,126)**	(54,698)
— Administrative expenses	**(47,250)**	(52,748)
— Research and development costs	**(58,338)**	(55,839)
— Finance costs	**(73,580)**	(56,543)
Profit before taxation	**411,589**	351,284
Taxation	**(66,129)**	(59,271)
Profit for the year	**345,460**	292,013

As there is no discrete information in respect of segment assets and liabilities and other information available for the assessment of performance and allocation of resources for different reportable segment and thus, no analysis of segment assets and liabilities is presented.

Substantially all of the Group's turnover is derived from the PRC and substantially all of its non-current assets are also located in the PRC (the place of domicile).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	2018 RMB'000	2017 RMB'000
Customer A	**1,182,645**	1,331,396
Customer B	**1,295,094**	1,151,678
Customer C	**652,746**	470,703

The three major customers purchased goods from all segments during both years.

6. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants (note)	**5,163**	5,727
Interest income	**22,643**	14,958
Investment income from other financial assets	**3,848**	3,022
Rental income	**222**	400
Others	**6,154**	2,523
	38,030	26,630

Note: Included in government grants is RMB4,427,000 (2017: RMB4,991,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of RMB736,000 (2017: RMB736,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 26.

7. IMPAIRMENT LOSSES, NET OF REVERSAL AND OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Impairment losses, net of reversal include the following:		
Impairment losses, net of reversal, on trade receivables	**59,939**	89,135
Other gains and losses include the following:		
Exchange (loss) gain	**(4,589)**	5,296
Gain on fair value changes of investment properties	**–**	700
	(4,589)	5,996

Details of impairment assessment for the year ended 31 December 2018 are set out in note 31.

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	**68,862**	56,543
Interest on consideration payable in connection with acquisition of subsidiaries	**4,718**	–
	73,580	56,543

9. PROFIT BEFORE TAXATION

	2018 RMB'000	2017 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	**2,389**	2,601
Other staff costs:		
Salaries and other benefits	**66,258**	70,481
Retirement benefit schemes contributions	**5,610**	6,547
Share-based payment	**2,050**	3,793
Total staff costs	**76,307**	83,422
Amortisation of intangible assets	**14,479**	12,101
Amortisation of land use rights	**2,120**	2,120
Auditor's remuneration	**2,027**	1,921
Cost of inventories recognised as expenses	**2,780,232**	2,558,808
Depreciation of property, plant and equipment	**30,613**	32,637
Loss on disposal of property, plant and equipment	**3**	2
Operating lease payment in respect of warehouses and office premises	**1,158**	1,575
and after crediting:		
Gross rental income from investment properties (net of negligible direct operating expenses)	**222**	400

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

Details of emoluments paid or payable by the Group to the directors and chief executive of the Company are as follows:

For the year ended 31 December 2018

	Executive directors		Non-executive director	Independent non-executive directors				
	Mr. Qian Lirong RMB'000 (note a)	Mr. Jiang Wei RMB'000 (note b)	Dr. Fung Kwan Hung RMB'000	Professor Jin Xiaofeng RMB'000	Mr. Poon Yick Pang Philip RMB'000 (note d)	Mr. Chan Fan Shing RMB'000 (note e)	Ms. Jia Lina RMB'000	Total RMB'000
Directors' fee	–	–	103	77	137	33	77	427
Basic salaries and allowances	1,007	833	–	–	–	–	–	1,840
Retirement benefit schemes contributions	14	14	–	–	–	–	–	28
Share-based payment	–	58	–	12	12	–	12	94
	1,021	905	103	89	149	33	89	2,389

For the year ended 31 December 2017

	Executive directors		Non-executive director	Independent non-executive directors				
	Mr. Qian Lirong RMB'000 (note a)	Mr. Jiang Wei RMB'000 (note b)	Dr. Fung Kwan Hung RMB'000	Professor Jin Xiaofeng RMB'000	Mr. Poon Yick Pang Philip RMB'000	Mr. Ng Wai Hung RMB'000 (note c)	Ms. Jia Lina RMB'000	Total RMB'000
Directors' fee	–	–	104	78	182	111	78	553
Basic salaries and allowances	1,006	832	–	–	–	–	–	1,838
Retirement benefit schemes contributions	13	13	–	–	–	–	–	26
Share-based payment	–	106	–	21	21	15	21	184
	1,019	951	104	99	203	126	99	2,601

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (continued)

Notes:

(a) Mr. Qian Lirong is also the chairman of the board of directors of the Company and his emoluments disclosed above include those services rendered by him as the chairman of the board of directors of the Company.

(b) Mr. Jiang Wei is also the chief executive officer of the Company and his emoluments disclosed above include those services rendered by him as the chief executive officer of the Company.

(c) Mr. Ng Wai Hung has resigned as an independent non-executive director of the Company with effect from 22 August 2017.

(d) Mr. Poon Yick Pang Philip has resigned as an independent non-executive director of the Company with effect from 30 September 2018.

(e) Mr. Chan Fan Shing was appointed as an independent non-executive director of the Company with effect from 30 September 2018.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive director and independent non-executive directors shown above were paid for their services as directors of the Company.

Of the five highest paid individuals of the Group, two (2017: two) were the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	**1,984**	2,038
Retirement benefit schemes contributions	**43**	298
Share-based payment	**–**	40
	2,027	2,376

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1

During the year ended 31 December 2018, no emoluments were paid by the Group to the directors of the Company and any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: nil). None of the directors of the Company has waived any emoluments during both years.

11. TAXATION

	2018 RMB'000	2017 RMB'000
The charge (credit) comprises:		
Current tax:		
PRC Enterprise Income Tax	**76,709**	70,250
Deferred taxation:		
Current tax	**(14,980)**	(16,399)
Withholding tax on undistributed earnings	**4,400**	5,420
	(10,580)	(10,979)
Taxation for the year	**66,129**	59,271

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

Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, the principal subsidiaries of the Company in the PRC were endorsed as High and New Technology Enterprises in March 2009 (renewed on 24 October 2018) and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2021.

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detail Implementation Rules. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

No provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both years.

11. TAXATION (continued)

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**411,589**	351,284
Tax at the applicable income tax rate of 25%	**102,897**	87,821
Tax effect on income not taxable for tax purpose	**(818)**	(418)
Tax effect on expenses not deductible for tax purpose	**5,973**	6,110
Tax effect of tax concession	**(45,653)**	(38,557)
Withholding tax on undistributed earnings	**4,400**	5,420
Others	**(670)**	(1,105)
Taxation for the year	**66,129**	59,271

12. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2018 interim — HK2.2 cents (2017: HK1.7 cents) per share	**33,884**	26,350
2017 final — HK2.1 cents (2016: HK1.6 cents) per share	**32,343**	24,801
	66,227	51,151

Subsequent to the end of the reporting period, a final dividend of HK2.3 cents per share in respect of the year ended 31 December 2018 (2017: HK2.1 cents per share) has been proposed by the directors. Such final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**345,460**	277,143

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,791,500**	1,692,179

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

14. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
AT FAIR VALUE		
At 1 January	**7,600**	6,900
Reclassified to property, plant and equipment (note 15)	**(7,600)**	–
Changes in fair value recognised in profit or loss	**–**	700
At 31 December	**–**	7,600

14. INVESTMENT PROPERTIES (continued)

The Group's investment properties were situated in the PRC under medium-term leases.

During the year ended 31 December 2018, the Group acquired 100% equity interest in the holding company of 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.) ("Trigiant Sensing") (details of which are set out in note 32). As a result, Trigiant Sensing becomes a wholly-owned subsidiary of the Group. Upon the acquisition, the properties originally rented to Trigiant Sensing become owner-occupied properties and the Group reclassified these investment properties to property, plant and equipment with fair value at the time of transfer of RMB7,600,000. Property revaluation reserve of RMB622,000 previously recognised in respect of these properties is transferred to accumulated profits.

The fair value of the Group's investment properties at 31 December 2017 had been arrived at on the basis of a valuation carried out at those dates by Asset Appraisal Limited, an independent firm of qualified professional property valuers not connected with the Group. The fair value of the Group's investment properties at the date of transfer was determined by the directors of the Company with reference to a valuation carried out by Asset Appraisal Limited at 31 December 2017 and recent property market data of similar properties in the relevant locations. In the opinion of the directors of the Company, the fair value of these properties at the date of transfer approximates the fair value at 31 December 2017.

At 31 December 2017 and the date of transfer, 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 were measured using the fair value model and were classified and accounted for as investment properties.

The following table gives information about how the fair value of the Group's investment properties is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Level 3) based on the degree to which the inputs to the fair value measurement is observable.

Carrying value of investment properties	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2017				
Industrial properties in the PRC RMB7,600,000	Level 3	The key input is: (1) Market unit selling price of individual unit.	Market unit selling price, using direct market comparables and taking into account of location and other individual factors such as size of property and facilities, of RMB1,900/square metre.	The higher the market unit selling price, the higher the fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2017	186,323	228,010	8,891	8,689	4,619	436,532
Additions	–	36	33	54	1,201	1,324
Transfer	4,973	115	510	–	(5,598)	–
Disposals	(8)	–	(144)	(62)	–	(214)
At 31 December 2017	191,288	228,161	9,290	8,681	222	437,642
Additions	168	388	2,122	–	3,528	6,206
Acquired on acquisition of subsidiaries (note 32)	–	2,993	91	–	–	3,084
Reclassified from investment properties *(note 14)*	7,600	–	–	–	–	7,600
Transfer	–	379	–	–	(379)	–
Disposals	–	(5)	–	(6)	–	(11)
At 31 December 2018	**199,056**	**231,916**	**11,503**	**8,675**	**3,371**	**454,521**
DEPRECIATION						
At 1 January 2017	35,621	95,403	5,489	6,185	–	142,698
Provided for the year	8,861	22,198	711	867	–	32,637
Eliminated on disposals	–	–	(71)	(50)	–	(121)
At 31 December 2017	44,482	117,601	6,129	7,002	–	175,214
Provided for the year	9,110	20,294	770	439	–	30,613
Eliminated on disposals	–	(2)	–	(6)	–	(8)
At 31 December 2018	**53,592**	**137,893**	**6,899**	**7,435**	**–**	**205,819**
CARRYING VALUES						
At 31 December 2018	**145,464**	**94,023**	**4,604**	**1,240**	**3,371**	**248,702**
At 31 December 2017	146,806	110,560	3,161	1,679	222	262,428

The Group's buildings are located on land in the PRC under a lease term of 50 years.

The above items of property, plant and equipment, other than construction in progress, are depreciated after taking into account their estimated residual value, using straight-line method, at the following rates per annum:

Buildings	4.5%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

16. LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
CARRYING AMOUNT		
At beginning of the year	**73,722**	75,842
Charged to profit or loss for the year	**(2,120)**	(2,120)
At the end of the year	**71,602**	73,722
Analysed for reporting purposes as:		
Non-current portion	**69,482**	71,602
Current portion (note 21)	**2,120**	2,120
	71,602	73,722

The amount represents prepayment of rentals for land use rights under medium-term lease situated in the PRC for a period of 50 years.

17. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2017 and 31 December 2017	121,005
Acquired on acquisition of subsidiaries (note 32)	74,000
At 31 December 2018	**195,005**
AMORTISATION	
At 1 January 2017	24,202
Provided for the year	12,101
At 31 December 2017	36,303
Provided for the year	14,479
At 31 December 2018	**50,782**
CARRYING VALUES	
At 31 December 2018	**144,223**
At 31 December 2017	84,702

The intangible assets represent customer relationship acquired by the Group as part of a business combination during the year ended 31 December 2014 and 31 December 2018 and have finite useful life and are amortised on a straight-line basis over 10 years.

18. GOODWILL

	2018 RMB'000	2017 RMB'000
At cost, arising on acquisition of subsidiaries		
— Jiang Mei Limited ("Jiang Mei")	**41,773**	41,773
— Rosy Elite Limited ("Rosy Elite")	**114,754**	–
	156,527	41,773

For the purpose of impairment test, goodwill of RMB41,773,000 has been allocated to the CGU of Jiang Mei which is related to the segment of "Optical fibre cable series and related products" and goodwill of RMB114,754,000 has been allocated to the CGU of Rosy Elite which is related to the segment of "New-type electronic components".

Jiang Mei

At 31 December 2018, the directors of the Company conducted a review of the carrying value of goodwill from Jiang Mei 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 (2017: 5 years) and a discount rate of 16.2% (2017: 15.6%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (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.

Rosy Elite

At 31 December 2018, the directors of the Company conducted a review of the carrying value of goodwill from Rosy Elite 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 and a discount rate of 15.7%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% 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.

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Unlisted equity investments		
Name of investees		
Trigiant Sensing	–	6,375
江蘇俊知智慧工業有限公司 (Jiangsu Trigiant Intelligent Industry Co., Ltd) ("Trigiant Intelligent")	950	950
	950	7,325

At 31 December 2018, the above unlisted equity investments represent 19% equity interests in Trigiant Intelligent (2017: 12.5% equity interest in Trigiant Sensing and 19% equity interests in Trigiant Intelligent), which are both private entities established in the PRC. Trigiant Sensing is principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronic devices, sensor and micro smart label products. Trigiant Intelligent is principally engaged in the manufacture and sales of automated system and others.

At 31 December 2017, they were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates were so significant that the directors of the Company were of the opinion that their fair values cannot be measured reliably.

At the date of initial application of HKFRS 9, RMB7,325,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of RMB17,950,000 relating to these unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018.

During the year ended 31 December 2018, the Group acquired 100% interest in the holding company of Trigiant Sensing (details as set out in note 32). As a result, Trigiant Sensing became a wholly-owned subsidiary of the Group and the Group derecognised the related investment upon the acquisition.

20. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**76,673**	47,258
Work in progress	**24,134**	18,284
Finished goods	**62,570**	43,005
	163,377	108,547

21. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables, net	**3,524,099**	3,152,700
Current portion of land use rights (note 16)	**2,120**	2,120
Interest receivables	**7,238**	5,507
Other receivables (note)	**77,687**	85,485
Deposits paid to suppliers	**5,000**	5,000
Prepaid expenses	**4,427**	4,171
Staff advances	**2,361**	2,268
	3,622,932	3,257,251

Note: At 31 December 2018, other receivables mainly include receivables relating to resale of copper materials of RMB75,496,000 (2017: RMB81,216,000).

Included in the Group's trade receivables at 31 December 2018 are bills receivables of RMB36,733,000 (2017: RMB26,107,000).

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

21. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of the trade receivables presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	2018 RMB'000	2017 RMB'000
Age		
0–90 days	**950,915**	852,252
91–180 days	**784,827**	545,503
181–365 days	**840,812**	892,916
Over 365 days	**947,545**	862,029
	3,524,099	3,152,700

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due or impaired to be of a good quality because they are within the credit period granted and the Group's management considers the default rate is low for such receivables based on historical information and experience.

At 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,406,184,000 which are past due and which impairment loss had not been provided for since they are of good credit quality and expected to be recoverable. The Group does not hold any collateral over these balances. Include in the past due balance of RMB1,406,184,000 has been past due 90 days or more and is not considered as in default based on good repayment records for those debtors and continuous business with the Group.

Before the application of HKFRS 9 on 1 January 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,266,655,000 which are past due at end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experiences, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired:

	2017 RMB'000
Age	
181–365 days	404,626
Over 365 days	862,029
	1,266,655

21. TRADE AND OTHER RECEIVABLES (continued)

Before the application of HKFRS 9 on 1 January 2018, in determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration of credit history, including delay in payments, settlement history and aging analysis of trade receivables.

Details of impairment assessment for the year ended 31 December 2018 are set out in note 31.

Movement in the allowance for impairment losses of trade receivables:

	2018 RMB'000	2017 RMB'000
At 1 January	287,126	197,991
Adjustments (see note 2)	13,800	–
At 1 January (restated)	300,926	197,991
Allowance for the year	59,939	89,135
At 31 December	360,865	287,126

Included in trade and other receivables are following amounts denominated in currency other than functional currency of the group entity which it relates:

	2018 RMB'000	2017 RMB'000
United States Dollars	19,168	13,421

22. OTHER FINANCIAL ASSETS

At 31 December 2018, the Group's other financial assets represent financial products issued by banks, with maturity of 6 to 12 months (2017: 6 to 12 months) and expected returns ranging from 4.3% to 5.1% (2017: 5.1% to 5.2%) per annum. The investments in financial products are classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 31 December 2018 and 2017 because of their short maturities.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2018, the pledged bank deposits carry interest at the prevailing market rate ranging from approximately 1.35% to 6.0% (2017: 1.5% to 6.0%) per annum.

At 31 December 2018 and 2017, the pledged bank deposits represent deposits pledged to banks to secure bills payables and letters of credit issued by the Group.

At 31 December 2018, bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than functional currency of the group entities which it relates:

	2018 RMB'000	2017 RMB'000
Hong Kong Dollars	**2,135**	2,245
United States Dollars	**16,883**	21,642

Details of impairment assessment for the year ended 31 December 2018 are set out in note 31.

24. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**231,923**	281,333
Accrued expenses	**18,557**	10,522
Deposits from suppliers	**12,639**	13,025
Other payables	**7,428**	8,074
Consideration payable (note)	**80,000**	–
Other tax payables	**13,418**	10,965
Payable for acquisition of property, plant and equipment	**2,128**	1,488
Payroll and welfare payables	**16,081**	20,179
	382,174	345,586

Included in the Group's trade payables at 31 December 2018 are bills payables of RMB154,641,000 (2017: RMB153,036,000).

Note: The amount represents consideration payable by the Group in connection with the acquisition of subsidiaries in the current year (see note 32).

24. TRADE AND OTHER PAYABLES (continued)

The Group normally receives credit terms ranging from 30 to 90 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Age		
0–90 days	**173,106**	278,173
91–180 days	**58,790**	3,157
181–365 days	**27**	3
	231,923	281,333

Included in trade and other payables are the following amounts denominated in currency other than functional currency of the group entities which it relates:

	2018 RMB'000	2017 RMB'000
Hong Kong Dollars	**240**	279

25. BANK BORROWINGS — DUE WITHIN ONE YEAR

	2018 RMB'000	2017 RMB'000
Unsecured	**1,725,206**	1,466,667
The bank borrowings comprise:		
Variable rate borrowings	**1,203,206**	989,117
Fixed rate borrowings	**522,000**	477,550

Included in bank borrowings are the following amounts denominated in currencies other than functional currency of the group entities which it relates:

	2018 RMB'000	2017 RMB'000
Hong Kong Dollars	**104,706**	50,155
United States Dollars	**–**	68,963

At 31 December 2018, fixed rate bank borrowings carry interests ranging from 4.35% to 4.57% (2017: 2.20% to 4.79%) per annum.

25. BANK BORROWINGS — DUE WITHIN ONE YEAR (continued)

At 31 December 2018, variable-rate RMB denominated bank borrowings carry interests at 100% of the People's Bank of China ("PBOC") rate (2017: 100% of PBOC rate) per annum.

At 31 December 2018, variable-rate Hong Kong Dollars denominated bank borrowings carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% (2017: HIBOR plus 0.6%) per annum.

At 31 December 2017, variable-rate United States Dollars denominated bank borrowings carried interests at London Interbank Offered Rate ("LIBOR") plus 0.9% per annum.

26. GOVERNMENT GRANTS

	2018 RMB'000	2017 RMB'000
At beginning of the year	**3,571**	4,307
Release to profit or loss for the year	**(736)**	(736)
At the end of the year	**2,835**	3,571

Government grants represent government subsidies received by the Group in relation to the acquisition of property, plant and equipment in prior years. The amounts have been treated as deferred income and were transferred to income over the useful lives of the relevant assets.

27. DEFERRED TAXATION

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

	Fair value adjustment on intangible assets 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 impairment losses of trade receivables RMB'000	Total RMB'000
At 1 January 2017	24,202	8,157	12,207	2,016	(30,355)	16,227
(Credited) charged to profit or loss for the year	(3,025)	(179)	5,420	175	(13,370)	(10,979)
At 31 December 2017	21,177	7,978	17,627	2,191	(43,725)	5,248
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**
Acquisition of subsidiaries (note 32)	**18,367**	**–**	**–**	**–**	**–**	**18,367**
(Credited) charged to profit or loss for the year	**(3,620)**	**(178)**	**4,400**	**(2,191)**	**(8,991)**	**(10,580)**
Released upon dividend declared	**–**	**–**	**(5,500)**	**–**	**–**	**(5,500)**
At 31 December 2018	**35,924**	**7,800**	**16,527**	**–**	**(54,786)**	**5,465**

27. DEFERRED TAXATION (continued)

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**54,786**	43,725
Deferred tax liabilities	**(60,251)**	(48,973)
	(5,465)	(5,248)

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the year have been accrued at the tax rate of 10% (2017: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

At 31 December 2018, no deferred tax liability has been recognised in respect of the undistributed profits amounting to RMB2,631,495,000 (2017: RMB2,242,555,000) as management is of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. 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 31 December 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 31 December 2018	1,791,500,000	17,915,000	14,638

28. SHARE CAPITAL (continued)

Note:

The movements in the Company's issued share capital are as follows:

In prior year, the Group acquired the remaining 40% of the issued share capital of a non-wholly owned subsidiary of the Company, Jiang Mei, 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 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 is determined using the quoted closing price of the Company's share on the Completion Date. The non-controlling interests of RMB176,453,000 was transferred to accumulated profits and the difference arising on these adjustments is recognised in other reserve. Details of the Acquisition are set out in the Company's circular dated 10 May 2017 and the announcement dated 9 June 2017.

All ordinary shares of the Company issued during the year ended 31 December 2017 rank pari passu with the then existing ordinary shares in all respects.

29. SHARE OPTIONS

Share option scheme of the Company

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

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

29. SHARE OPTIONS (continued)

Share option scheme of the Company (continued)

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

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

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 34,200,000 share options remained outstanding as at 31 December 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 RMB2,144,000 during the year ended 31 December 2018 (2017: RMB3,977,000). 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 vested on 4 July 2015 and 20% of the share options vested 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 year ended 31 December 2018, no share options were granted, exercised or cancelled under the Scheme (2017: nil).

29. SHARE OPTIONS (continued)

Share option scheme of the Company (continued)

At 31 December 2018, 22,800,000 shares were issuable under the Scheme (2017: 26,880,000).

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

Date of grant	Balance at 1 January 2017	Lapsed during the year	Balance at 31 December 2017	Lapsed during the year	Balance at 31 December 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	(80,000)	560,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	(80,000)	640,000	(80,000)	560,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	(80,000)	640,000	(80,000)	560,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000	(1,040,000)	2,560,000	(880,000)	1,680,000		
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	(12,800,000)	–	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	13,600,000	(800,000)	12,800,000	(1,960,000)	10,840,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	13,600,000	(800,000)	12,800,000	(1,960,000)	10,840,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	13,600,000	(800,000)	12,800,000	(1,960,000)	10,840,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	68,000,000	(16,800,000)	51,200,000	(18,680,000)	32,520,000		
Total	71,600,000	(17,840,000)	53,760,000	(19,560,000)	34,200,000		

The weighted average exercise price at the end of year is HK$3.15 (2017: HK$3.15).

The options outstanding at the end of the year have a weighted average remaining contractual life of 1 year (2017: 2 years).

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	4,407,110	–
Loans and receivables (including cash and cash equivalents)	–	4,048,338
Other financial assets	175,000	150,000
Equity instruments at FVTOCI	950	–
Available-for-sale investments	–	7,325
Financial liabilities		
Amortised cost	2,075,405	1,790,766

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, equity instruments at FVTOCI, other financial assets, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. Bank borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by the PBOC, LIBOR and HIBOR from its RMB denominated borrowings, the United States Dollars denominated borrowings and Hong Kong Dollars denominated borrowings, respectively.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing pledged bank deposits, bank balances and variable rate bank borrowings at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates on pledged bank deposits and bank balances had been 5 basis points (2017: 5 basis points) lower and bank borrowings had been 25 basis points (2017: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would have increased by RMB1,959,000 (2017: RMB1,557,000).

There would be an equal and opposite impact on the post tax profit for the year where there had been 5 basis points (2017: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (2017: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk

The Group have foreign currency sales during the year which exposed to foreign currency risk. During the year ended 31 December 2018, approximately 2.0% (2017: 1.3%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at end of the reporting period are as follows:

	2018		2017	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Hong Kong Dollars	2,135	104,946	2,245	50,434
United States Dollars	36,051	–	35,063	68,963

The Group are mainly exposed to currency risk of United States Dollars and Hong Kong Dollars, relative to the RMB, the functional currency of the relevant group entities. The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, trade and other receivables, trade and other payables and bank borrowings.

If the RMB strengthens 5% against the relevant currencies, the post tax profit for the year would have increased (decreased) as follows:

	2018 RMB'000	2017 RMB'000
Hong Kong Dollars	(3,855)	(1,807)
United States Dollars	1,352	(1,271)

There would be an equal and opposite impact on the result of the year if RMB weakens 5% against the relevant currencies. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Equity price risk

At 31 December 2017, the Group was exposed to equity price risk in relation to its available-for-sale investments which are measured at cost less impairment at the end of the reporting period. The Group's equity price risk was mainly concentrated on its equity investments in two PRC local enterprises (see note 19).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Overview of the Group's exposure to credit risk before application of HKFRS 9 at 1 January 2018

The Group has concentration of credit risk in relation to trade receivables from top three customers amounting to RMB2,972,808,000 representing approximately 94.3% of the total net trade receivables at 31 December 2017. The largest trade receivable from a customer by itself accounted for approximately 48.2% of the total net trade receivables at 31 December 2017. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the credit history, including default or delay in payments, settlement history and aging analysis of trade receivables. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

The Group's credit risk on bank balances, bank deposits and other financial assets is limited and there is no significant concentration of credit risk because all bank balances, bank deposits and other financial assets are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Overview of the Group's exposure to credit risk after application of HKFRS 9 at 1 January 2018

The Group has concentration of credit risk in relation to trade receivables from top three customers amounting to RMB3,130,485,000 representing approximately 88.8% of the total net trade receivables at 31 December 2018. The largest trade receivable from a customer by itself accounted for approximately 33.5% of the total net trade receivables at 31 December 2018. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk. In addition, the Group performed impairment assessment under ECL model upon application of HKFRS 9 based on provision matrix. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Overview of the Group's exposure to credit risk after application of HKFRS 9 at 1 January 2018 (continued)

For receivables relating to resale of copper materials, the Group performed impairment assessment under ECL model individually. No loss allowance was recognised since they are of good credit quality with reference to respective settlement history. For all other receivables, management of the Group make periodic individual assessment under 12m ECL on the recoverability of other receivables based on historical settlement records and past history. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group's credit risk on bank balances, bank deposits and other financial assets is limited and there is no significant concentration of credit risk because all bank balances, bank deposits and other financial assets are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

For trade receivables not backed by bank bills, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these by using a provision matrix, grouped by shared credit risk characteristics of these trade receivables.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of various customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for these trade receivables not backed by bank bills which are assessed based on provision matrix at 31 December 2018 within lifetime ECL (not credit impaired).

	Gross carrying amount RMB'000	Range of provision	Loss allowance RMB'000	Net carrying amount RMB'000
Age				
0–365 days	2,555,568	0.5%–2.58%	15,747	2,539,821
Over 365 days	1,292,663	20%–100%	345,118	947,545
	3,848,231		360,865	3,487,366

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Overview of the Group's exposure to credit risk after application of HKFRS 9 at 1 January 2018 (continued)

In determining the ECL of trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible on the basis of high-credit-rating of the banks issuing the bills, and accordingly, no loss allowance made in the consolidated financial statements.

For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB000
Other receivables	–	96,713	96,713

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided RMB59,939,000 impairment allowance for trade receivables, based on the provision matrix.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2018					
Trade and other payables	–	**350,199**	–	**350,199**	**350,199**
Bank borrowings					
— variable rate	**4.39**	**656,745**	**575,532**	**1,232,277**	**1,203,206**
— fixed rate	**4.39**	**376,552**	**152,719**	**529,271**	**522,000**
		1,383,496	**728,251**	**2,111,747**	**2,075,405**

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2017					
Trade and other payables	–	179,099	145,000	324,099	324,099
Bank borrowings					
— variable rate	3.91	588,971	419,167	1,008,138	989,117
— fixed rate	4.22	344,438	142,309	486,747	477,550
		1,112,508	706,476	1,818,984	1,790,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

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

Financial assets	31 December 2018 RMB'000	31 December 2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTOCI	**Unlisted equity investments: 950**	N/A (Note)	Level 2	Share of the net asset values of the financial assets, determined with reference to the fair values of underlying assets and liabilities and adjustments of related expenses, if any.

Note:

Unlisted equity investments were reclassified from available-for-sale investments to financial assets at FVTOCI at the date of initial application of HKFRS 9, i.e. 1 January 2018.

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

32. ACQUISITION OF SUBSIDIARIES

On 31 July 2018, the Group acquired 100% of the issued share capital of Rosy Elite, the holding company of Trigiant Sensing. As a result, Trigiant Sensing became a wholly-owned subsidiary of the Group and the Group derecognised the related investment upon the acquisition. The acquisition has been accounted for using the acquisition method. Rosy Elite and its subsidiaries are 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. Details of the acquisition are set out in the Company's announcement dated 24 July 2018.

The consideration for acquisition was approximately RMB243,250,000 and the amount of goodwill arising as a result of the acquisition was approximately RMB114,754,000.

	RMB'000
Consideration	
Cash consideration paid	163,250
Cash consideration payable (note 24)	80,000
	243,250

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	3,084
Intangible assets	74,000
Inventories	7,219
Trade and other receivables	95,500
Bank balances and cash	7,691
Trade and other payables	(10,047)
Taxation payable	(1,259)
Bank borrowings	(5,000)
Deferred tax liabilities	(18,367)
	152,821

Goodwill arising on acquisition:

Consideration transferred	243,250
Fair value of equity interest in an equity instrument at FVTOCI before the business combination (note 19)	24,325
Less: Fair value of identifiable net assets acquired	(152,821)
Goodwill arising on acquisition	114,754

32. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arose in the acquisition of Rosy Elite principally because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Rosy Elite and its subsidiaries. In addition, the cost of the combination included a control premium. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(163,250)
Bank balances and cash acquired	7,691
	(155,559)

During the year ended 31 December 2018, Rosy Elite contributed RMB65,540,000 to the Group's revenue and profit of RMB11,495,000 to Group's result.

Had the acquisition been completed on 1 January 2018, the Group's total revenue for the year would have been RMB3,620,000,000, and profit for the year would have been RMB354,000,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000 (note 25)	**Interest payable** RMB'000	**Dividend payable** RMB'000 (note 12)	**Total** RMB'000
At 1 January 2017	1,292,956	1,363	–	1,294,319
Financing cash flows (Note)	183,249	(55,603)	(51,151)	76,495
Foreign exchange translation	(9,538)	–	–	(9,538)
Interest expense	–	56,543	–	56,543
Dividends declared	–	–	51,151	51,151
At 31 December 2017	**1,466,667**	**2,303**	**–**	**1,468,970**
Financing cash flows (Note)	**247,797**	**(70,272)**	**(66,227)**	**111,298**
Foreign exchange translation	**5,742**	**–**	**–**	**5,742**
Acquisition of subsidiaries	**5,000**	**–**	**–**	**5,000**
Interest expense	**–**	**73,580**	**–**	**73,580**
Dividends declared	**–**	**–**	**66,227**	**66,227**
At 31 December 2018	**1,725,206**	**5,611**	**–**	**1,730,817**

Note: The cash flows represent the repayment of bank borrowings, interest paid, dividends paid and new bank borrowings raised.

34. 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:

	2018 RMB'000	2017 RMB'000
Within one year	172	556
In the second to fifth years inclusive	–	104
	172	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 year was RMB222,000 (2017: RMB400,000). At 31 December 2017, the Group's properties were expected to generate rental yield of 4.0% on an ongoing basis and all of the properties held had a committed tenant, Trigiant Sensing, for the next two years.

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

	2018 RMB'000	2017 RMB'000
Within one year	–	400
In the second to fifth years inclusive	–	67
	–	467

35. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the respective notes, the Group has no other significant transactions and balances with related parties.

The details of remuneration of key management personnel, represents emoluments of directors of the Company paid/payable during the year, are set out in note 10.

36. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee.

The total expense recognised in profit or loss of RMB5,638,000 (2017: RMB6,573,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investment in a subsidiary	**785,160**	785,160
Loan to a subsidiary	**197,079**	440,472
	982,239	1,225,632
Current assets		
Other receivables	**–**	243
Amount due from a subsidiary	**722,786**	486,406
Bank balances	**2,295**	1,830
	725,081	488,479
Current liabilities		
Other payables	**1,765**	1,972
Bank borrowings — due within one year	**104,706**	119,118
	106,471	121,090
Net current assets	**618,610**	367,389
Net assets	**1,600,849**	1,593,021
Capital and reserves		
Share capital	**14,638**	14,638
Reserves (note 38)	**1,586,211**	1,578,383
Total equity	**1,600,849**	1,593,021

38. RESERVES OF THE COMPANY

	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2017	1,279,211	101	21,394	19,543	1,320,249
Profit and total comprehensive income for the year	–	–	–	74,755	74,755
Acquisition of additional interests in a subsidiary (note 28)	230,553	–	–	–	230,553
Recognition of equity-settled share-based payment (note 29)	–	–	3,977	–	3,977
Lapse of share options	–	–	(6,019)	6,019	–
Dividends recognised as distribution (note 12)	–	–	–	(51,151)	(51,151)
At 31 December 2017	**1,509,764**	**101**	**19,352**	**49,166**	**1,578,383**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**71,911**	**71,911**
Recognition of equity-settled share-based payment (note 29)	**–**	**–**	**2,144**	**–**	**2,144**
Lapse of share options	**–**	**–**	**(3,160)**	**3,160**	**–**
Dividends recognised as distribution (note 12)	**–**	**–**	**–**	**(66,227)**	**(66,227)**
At 31 December 2018	**1,509,764**	**101**	**18,336**	**58,010**	**1,586,211**

39. SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/ registered capital 2018	Issue and fully paid share capital/ registered capital 2017	Attributable effective equity interest of the Company 2018	Attributable effective equity interest of the Company 2017	Principal activities
Board Vision Investments Limited	British Virgin Islands ("BVI")	**US$1**	US$1	**100%**	100%	Inactive
China Information Communication Group Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Jiang Mei	BVI	**US$280**	US$280	**100%**	100%	Investment holding
Jiangsu Trigiant Technology Co. Ltd* ("Trigiant Technology")	PRC	**US$80,000,000**	US$80,000,000	**100%**	100%	Manufacture and sales of feeder cable series and related products for mobile communications and telecommunication equipment
Trigiant (HK) Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Trigiant Holdings Limited	BVI	**US$1,000**	US$1,000	**100%**	100%	Investment holding
Trigiant Optic-Electric Communication Co. Ltd ("Trigiant Optic-Electric")#	PRC	**RMB200,000,000**	RMB200,000,000	**100%**	100%	Research and development, manufacturing and sale of optical fibre, optical cables, special cable services, electronics components and communication equipment
Trigiant Sensing#	PRC	**RMB3,000,000**	RMB3,000,000	**100%****	N/A	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
China Sensing Limited	Hong Kong	**HK$1**	HK$1	**100%****	–	Investment holding
Rosy Elite	BVI	**US$1**	US$1	**100%****	–	Investment holding

39. SUBSIDIARIES (continued)

* Trigiant Technology is a wholly foreign owned enterprise established in the PRC.

** Rosy Elite holds 100% equity interest in China Sensing Limited and 87.5% equity interest in Trigiant Sensing, of which the remaining 12.5% equity interest in Trigiant Sensing is held by Trigiant Technology, respectively. Upon the completion of the acquisition of Rosy Elite, China Sensing Limited and Trigiant Sensing become wholly-owned subsidiaries of the Company.

\# Each of Trigiant Optic-Electric and Trigiant Sensing is a limited liability company established in the PRC.

The voting rights held by the Company over the subsidiaries are same as the respective shareholding in subsidiaries held by the Company.

None of the subsidiaries had issued any debt securities at the end of both years.

FINANCIAL SUMMARY

Results	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	2017 (RMB'000)	**2018 (RMB'000)**
Turnover	2,658,093	2,913,379	2,920,995	3,200,807	**3,469,247**
Cost of goods sold	(2,065,226)	(2,263,320)	(2,308,791)	(2,573,186)	**(2,796,866)**
Gross profit	592,867	650,059	612,204	627,621	**672,381**
Other income	14,869	22,440	28,659	26,630	**38,030**
Impairment losses, net of reversal	–	(62,179)	(135,272)	(89,135)	**(59,939)**
Other gains and losses	1,230	(29,492)	(13,577)	5,996	**(4,589)**
Selling and distribution costs	(52,258)	(61,849)	(60,663)	(54,698)	**(55,126)**
Administrative expenses	(47,224)	(52,837)	(56,568)	(52,748)	**(47,250)**
Research and development costs	(26,709)	(47,049)	(51,448)	(55,839)	**(58,338)**
Fair value change of warrants	(18,317)	13,149	7,604	–	**–**
Gain recognised on deemed disposal of available-for-sale investment	23,769	–	–	–	**–**
Finance costs	(46,538)	(73,293)	(59,804)	(56,543)	**(73,580)**
Profit before taxation	441,689	358,949	271,135	351,284	**411,589**
Taxation	(72,620)	(57,183)	(49,191)	(59,271)	**(66,129)**
Profit for the year	369,069	301,766	221,944	292,013	**345,460**
Profit attributable to:					
Owners of the Company	369,069	275,253	192,608	277,143	**345,460**
Non-controlling interests	–	26,513	29,336	14,870	**–**
	369,069	301,766	221,944	292,013	**345,460**

Assets and liabilities	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	2017 (RMB'000)	**2018 (RMB'000)**
Non-current assets	516,229	538,685	550,712	519,155	**674,670**
Current assets	3,428,216	3,926,799	4,141,129	4,309,005	**4,747,607**
Total assets	3,944,445	4,465,484	4,691,841	4,828,160	**5,422,277**
Current liabilities	1,812,426	1,759,865	1,825,391	1,852,948	**2,148,926**
Non-current liabilities	69,997	54,554	50,889	52,544	**63,086**
Total liabilities	1,882,423	1,814,419	1,876,280	1,905,492	**2,212,012**
Net assets	2,062,022	2,651,065	2,815,561	2,922,668	**3,210,265**