TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

2019
Interim Report

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Xia Bin

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)*

REGISTERED OFFICE

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Hutchins Drive
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Protection Science & Technology
Yixing City
Jiangsu Province
PRC

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

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

CORPORATE INFORMATION

INVESTOR RELATIONS

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

DLK Advisory Limited
(as the Company's investor relations consultant)
Email: ir@dlkadvisory.com

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

HIGHLIGHTS

Interim results for the six months ended 30 June 2019 compared with the six months ended 30 June 2018:

- Turnover increased by approximately RMB422.1 million, or approximately 25.1%, to approximately RMB2,104.2 million;
- Gross profit margin slightly decreased by approximately 0.2 percentage point, to approximately 19.3%;
- Profit for the period increased by approximately RMB67.3 million, or approximately 40.5%, to approximately RMB233.5 million;
- Net profit margin increased by approximately 1.2 percentage points, to approximately 11.1%;
- Earnings per share increased from RMB9.28 cents to RMB13.04 cents; and
- The Board is optimistic about the development of 5G and increase products enhancement in relation to 5G network technology evolution and business development, the Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK2.2 cents per share).

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 and the relevant explanatory notes as set out below. The interim financial information are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's independent auditor, and the audit committee of the Board.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF TRIGIANT GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
Turnover	3	**2,104,225**	1,682,134
Cost of goods sold		**(1,697,304)**	(1,354,866)
Gross profit		**406,921**	327,268
Other income	4	**15,016**	18,513
Impairment losses, net of reversal	5	**(24,888)**	(40,929)
Other gain and loss	5	**(1,580)**	1,334
Selling and distribution costs		**(33,134)**	(26,283)
Administrative expenses		**(23,000)**	(24,163)
Research and development costs		**(30,509)**	(26,568)
Finance costs		**(34,647)**	(32,428)
Profit before taxation	6	**274,179**	196,744
Taxation	7	**(40,647)**	(30,506)
Profit and total comprehensive income for the period		**233,532**	166,238
Earnings per share	9		
— basic		**13.04 cents**	9.28 cents
— diluted		**13.04 cents**	9.28 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**238,616**	248,702
Right-of-use assets	10	**71,905**	–
Land use rights		**–**	69,482
Intangible assets	11	**135,316**	144,223
Goodwill	12	**156,527**	156,527
Equity instruments at fair value through other comprehensive income		**950**	950
Deferred tax assets	16	**58,519**	54,786
		661,833	674,670
Current assets			
Inventories		**144,717**	163,377
Trade and other receivables	13	**4,015,402**	3,622,932
Other financial assets		**254,182**	175,000
Pledged bank deposits		**153,124**	295,165
Bank balances and cash		**217,758**	491,133
		4,785,183	4,747,607
Current liabilities			
Trade and other payables	14	**587,369**	382,174
Lease liabilities		**540**	–
Bank borrowings — due within one year	15	**1,337,000**	1,725,206
Taxation payable		**53,353**	41,546
		1,978,262	2,148,926
Net current assets		**2,806,921**	2,598,681
Total assets less current liabilities		**3,468,754**	3,273,351
Non-current liabilities			
Government grants		**2,608**	2,835
Lease liabilities		**819**	–
Deferred tax liabilities	16	**57,375**	60,251
		60,802	63,086
Net assets		**3,407,952**	3,210,265
Capital and reserves			
Share capital	17	**14,638**	14,638
Reserves		**3,393,314**	3,195,627
Total equity		**3,407,952**	3,210,265

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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	Total RMB'000
At 1 January 2019 (audited)	**14,638**	**1,509,764**	**101**	**419,371**	**62,947**	**(312,834)**	**–**	**–**	**18,336**	**1,497,942**	**3,210,265**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**233,532**	**233,532**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**333**	**–**	**333**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,178)**	**(36,178)**
Transfer	**–**	**–**	**–**	**40,115**	**–**	**–**	**–**	**–**	**–**	**(40,115)**	**–**
At 30 June 2019 (unaudited)	**14,638**	**1,509,764**	**101**	**459,486**	**62,947**	**(312,834)**	**–**	**–**	**18,669**	**1,655,181**	**3,407,952**
At 31 December 2017 (audited)	14,638	1,509,764	101	362,249	62,947	(312,834)	622	–	19,352	1,265,829	2,922,668
Opening adjustments	–	–	–	–	–	–	–	17,950	–	(11,730)	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
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	–	–	166,238	166,238
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	–	1,062	–	1,062
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(31,583)	(31,583)
Transfer	–	–	–	25,898	–	–	–	–	–	(25,898)	–
At 30 June 2018 (unaudited)	14,638	1,509,764	101	388,147	62,947	(312,834)	622	17,950	20,414	1,362,856	3,064,605

Notes:

(a) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries of the Company are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by directors of those subsidiaries annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.

(b) The special reserve represents the deemed contribution arising from acquisition of a subsidiary in 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**155,677**	(38,062)
Investing activities		
Release of pledged bank deposits	**1,120,331**	142,636
Redemption of other financial assets	**70,000**	50,000
Interest received	**12,193**	5,251
New pledged bank deposits placed	**(978,290)**	(251,569)
Purchase of other financial assets	**(149,182)**	(20,000)
Cash outflow from acquisition of subsidiaries	**(80,000)**	–
Purchase of property, plant and equipment	**(2,826)**	(779)
Net cash used in investing activities	**(7,774)**	(74,461)
Financing activities		
Repayment of bank borrowings	**(960,206)**	(895,561)
Interest paid	**(32,744)**	(31,099)
Dividend paid	**(193)**	–
Repayment of lease liabilities	**(135)**	–
New bank borrowings raised	**572,000**	1,026,000
Net cash (used in) from financing activities	**(421,278)**	99,340
Net decrease in cash and cash equivalents	**(273,375)**	(13,183)
Cash and cash equivalents at 1 January	**491,133**	455,268
Cash and cash equivalents at 30 June, represented by bank balances and cash	**217,758**	442,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and I(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION OF HKFRS 16 "LEASES" (CONTINUED)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	**172**
Lease liabilities discounted at relevant incremental borrowing rates	**168**
Less: Recognition exemption — short-term leases	**(168)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16/Lease liabilities as at 1 January 2019	**–**

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Reclassified from land use rights	*(a)*	**71,602**
By class:		
Freehold lands		**71,602**

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of land use rights amounting to HK$71,602,000 were reclassified to right-of-use assets.

3. 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 period, net of discounts and sales related taxes.

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

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

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other income, impairment losses, net of reversal, other gain and loss, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June 2019

	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	896,367	636,810	460,403	110,543	102	–	2,104,225
— Inter-segment sales*	–	185,322	–	18,919	–	(204,241)	–
	896,367	822,132	460,403	129,462	102	(204,241)	2,104,225
Cost of goods sold	(710,723)	(703,839)	(382,041)	(104,442)	(500)	204,241	(1,697,304)
SEGMENT RESULT	185,644	118,293	78,362	25,020	(398)	–	406,921
Unallocated income and expenses:							
Other income							15,016
Impairment losses, net of reversal							(24,888)
Other loss							(1,580)
Selling and distribution costs							(33,134)
Administrative expenses							(23,000)
Research and development costs							(30,509)
Finance costs							(34,647)
Profit before taxation							274,179
Taxation							(40,647)
Profit for the period							233,532

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018

	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	869,441	517,395	262,495	25,038	7,765	–	1,682,134
— Inter-segment sales*	–	108,422	–	–	–	(108,422)	–
	869,441	625,817	262,495	25,038	7,765	(108,422)	1,682,134
Cost of goods sold	(689,278)	(529,074)	(217,338)	(20,278)	(7,320)	108,422	(1,354,866)
SEGMENT RESULT	180,163	96,743	45,157	4,760	445	–	327,268
Unallocated income and expenses:							
Other income							18,513
Impairment losses, net of reversal							(40,929)
Other gain							1,334
Selling and distribution costs							(26,283)
Administrative expenses							(24,163)
Research and development costs							(26,568)
Finance costs							(32,428)
Profit before taxation							196,744
Taxation							(30,506)
Profit for the period							166,238

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants	**1,697**	3,804
Interest income	**7,624**	10,067
Investment income from other financial assets	**3,786**	3,007
Rental income	**–**	200
Others	**1,909**	1,435
	15,016	18,513

5. IMPAIRMENT LOSSES, NET OF REVERSAL AND OTHER GAIN AND LOSS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Impairment losses, net of reversal include the following:		
Impairment losses, net of reversal, on trade receivables	**(24,888)**	(40,929)
Other gain and loss includes the following:		
Exchange (loss) gain	**(1,580)**	1,334

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**8,907**	6,050
Cost of inventories recognised as expenses	**1,689,991**	1,341,325
Depreciation of property, plant and equipment	**12,911**	16,010
Depreciation of right-of-use assets	**1,170**	–
Operating lease rentals in respect of land use rights	**–**	1,060
and after crediting:		
Gross rental income from investment properties (net of negligible direct operating expenses)	**–**	200

7. TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax	**47,256**	37,547
Deferred taxation credit *(Note 16)*	**(6,609)**	(7,041)
Taxation for the period	**40,647**	30,506

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

The following subsidiaries of the Company in the PRC, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology"), 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.*) ("Trigiant Optic-Electric") and 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.*) ("Trigiant Sensing"), were endorsed as High and New Technology Enterprises by relevant authorities in the PRC with last renewal 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, dividends distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the Enterprise Income Tax 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 condensed consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both periods.

8. DIVIDENDS

During the current interim period, the Company declared a final dividend of HK2.3 cents per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: final dividend of HK2.1 cents per share in respect of the year ended 31 December 2017). The aggregate amount of the final dividend in respect of the year ended 31 December 2018 declared in the current interim period amounted to HK$41,204,500 (equivalent to approximately RMB36,178,000) (six months ended 30 June 2018: HK$37,621,500 (equivalent to approximately RMB31,583,000)).

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK2.2 cents).

* For identification only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Profit for the period for the purpose of basic and diluted earnings per share	**233,532**	166,238
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,791,500,000**	1,791,500,000

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of RMB2,826,000 (six months ended 30 June 2018: RMB779,000).

During the current interim period, the Group entered into a new lease agreement for the use of office premises for 3 years. The Group is required to make fixed monthly payments. On commencement of such lease, the Group recognised RMB1,473,000 of right-of-use assets and RMB1,473,000 lease liabilities.

11. INTANGIBLE ASSETS

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.

12. GOODWILL

For the purpose of impairment test, goodwill of RMB41,773,000 has been allocated to the cash generating unit ("CGU") of Jiang Mei Limited ("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 Limited ("Rosy Elite") which is related to the segment of "New-type electronic components".

JIANG MEI

At 30 June 2019 and 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 (31 December 2018: 5 years) and a discount rate of 16.2% (31 December 2018: 16.2%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (31 December 2018: 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 30 June 2019 and 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 (31 December 2018: 5 years) and a discount rate of 15.7% (31 December 2018: 15.7%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% (31 December 2018: 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.

13. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables and an aged analysis of 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:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables, net, aged		
0–90 days	**1,273,681**	950,915
91–180 days	**779,316**	784,827
181–365 days	**1,060,833**	840,812
Over 365 days	**847,421**	947,545
	3,961,251	3,524,099
Current portion of land use rights	**–**	2,120
Interest receivable	**6,455**	7,238
Other receivables *(Note)*	**37,832**	77,687
Deposits paid to suppliers	**5,537**	5,000
Prepaid expenses	**2,051**	4,427
Staff advances	**2,276**	2,361
	4,015,402	3,622,932

Note: At 30 June 2019, other receivables mainly include receivables relating to resale of copper materials of RMB32,876,000 (31 December 2018: RMB75,496,000).

Included in the Group's trade receivables at 30 June 2019 are bills receivables of RMB42,368,000 (31 December 2018: RMB36,733,000).

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

14. TRADE AND OTHER PAYABLES

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables, aged		
0–90 days	**280,533**	173,106
91–180 days	**106,316**	58,790
181–365 days	**100,061**	27
	486,910	231,923
Accrued expenses	**13,016**	18,557
Deposits from suppliers	**13,526**	12,639
Dividends payables	**36,248**	–
Consideration payable	**–**	80,000
Other payables	**11,836**	7,428
Other tax payables	**14,314**	13,418
Payable for acquisition of property, plant and equipment	**1,265**	2,128
Payroll and welfare payables	**10,254**	16,081
	587,369	382,174

Included in the Group's trade payables at 30 June 2019 are bills payables of RMB356,826,000 (31 December 2018: RMB154,641,000).

15. BANK BORROWINGS — DUE WITHIN ONE YEAR

During the current interim period, the Group obtained new short-term bank borrowings amounting to RMB572,000,000 (six months ended 30 June 2018: RMB1,026,000,000) and repaid bank borrowings amounting to RMB960,206,000 (six months ended 30 June 2018: RMB895,561,000). The proceeds were used for daily operation of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. DEFERRED TAXATION

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

	Fair value adjustment on intangible 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 2018 (audited)	21,177	7,978	17,627	2,191	(43,725)	5,248
Opening adjustments	–	–	–	–	(2,070)	(2,070)
At 1 January 2018 (restated)	21,177	7,978	17,627	2,191	(45,795)	3,178
(Credited) charged to profit or loss for the period	(1,513)	(90)	701	–	(6,139)	(7,041)
Released upon dividend declared	–	–	(5,500)	–	–	(5,500)
At 30 June 2018 (unaudited)	19,664	7,888	12,828	2,191	(51,934)	(9,363)
At 1 January 2019 (audited)	**35,924**	**7,800**	**16,527**	**–**	**(54,786)**	**5,465**
Credited to profit or loss for the period	**(2,226)**	**(90)**	**(560)**	**–**	**(3,733)**	**(6,609)**
At 30 June 2019 (unaudited)	**33,698**	**7,710**	**15,967**	**–**	**(58,519)**	**(1,144)**

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Deferred tax assets	**58,519**	54,786
Deferred tax liabilities	**(57,375)**	(60,251)
	1,144	(5,465)

17. 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 2018, 31 December 2018 and 30 June 2019	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 30 June 2019	1,791,500,000	17,915,000	14,638

18. SHARE OPTIONS

SHARE OPTION SCHEME OF THE COMPANY

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

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

The subscription price for the Company's shares shall be a price at least equal to the highest of i) the nominal value of the Company's shares; ii) the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options; and iii) the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 21 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.

18. SHARE OPTIONS (CONTINUED)

SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)

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 30,600,000 share options remained outstanding as at 30 June 2019. 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 RMB333,000 during the period ended 30 June 2019 (six months ended 30 June 2018: RMB1,062,000). In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

During the current period, no share options were granted, exercised or cancelled under the Scheme (six months ended 30 June 2018: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. SHARE OPTIONS (CONTINUED)

SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)

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

Date of grant	Balance at 1 January 2018	Lapsed during the year	Balance at 31 December 2018	Lapsed during the period	Balance at 30 June 2019	Exercise price	Exercisable period
Granted to directors on							
20 June 2014	640,000	(640,000)	–	–	–	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	640,000	(80,000)	560,000	–	560,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	640,000	(80,000)	560,000	–	560,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	640,000	(80,000)	560,000	–	560,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	2,560,000	(880,000)	1,680,000	–	1,680,000		
Granted to employees on							
20 June 2014	12,800,000	(12,800,000)	–	–	–	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	12,800,000	(1,960,000)	10,840,000	(1,200,000)	9,640,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	12,800,000	(1,960,000)	10,840,000	(1,200,000)	9,640,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	12,800,000	(1,960,000)	10,840,000	(1,200,000)	9,640,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	51,200,000	(18,680,000)	32,520,000	(3,600,000)	28,920,000		
Total	53,760,000	(19,560,000)	34,200,000	(3,600,000)	30,600,000		

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

20. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group had no significant transactions and balances with related parties during the period. The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2019, directors' emoluments of approximately RMB1,141,000 (six months ended 30 June 2018: RMB1,210,000) were paid or payable to the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the six months ended 30 June 2019 ("Period"), the long-awaited 5G commercial licensing was eventually approved in the market. On 6 June 2019, the Ministry of Industry and Information Technology of the PRC officially issued the first batch of 5G commercial licenses to the four telecommunication operators, namely, China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Limited* (中國聯合網絡通信股份有限公司) ("China Unicom"), China Telecommunications Corporation* (中國電信集團公司) ("China Telecom") and China Broadcasting Network Corporation Ltd* (中國廣播電視網絡有限公司) ("China Broadcasting Network"). This has officially began the era of 5G commercialisation. The 5G commercial licensing will facilitate the maturity of the entire industry, which is expected to accelerate the infrastructure development of scaled 5G commercialisation. As a result, opportunities will arise from the vertical transformation of the industry. As a supplier of core products used to construct base stations for the 5G, the Group become one of the first enterprises benefiting from the 5G commercial licensing, since there is significant increase in power usage in 5G base stations, the sales volume of the Group's optical and electrical hybrid cable, flame-retardant flexible cable and other products used in base stations would significantly improve. On the other hand, the mobile traffic volume continues to rise at a fast pace, which commensurate with the prosperous growth of mobile internet applications. This leads to a pressure on the 4G network supply, wherein all major operators will continue to upgrade and expand the 4G network by terminating low-band-width networks, such as 2G and 3G, as well as replacing such networks with the 4G network. In the long run, the demands for 4G network construction will continue. As a leading mobile telecommunication solution provider, the Group will regard the growing demands for 5G/4G network infrastructure as an important drive for our business growth.

Upon the advent of 5G commercialisation, a foundation has been laid for connecting to everything. Virtual reality ("VR"), driverless, artificial intelligence ("AI"), Internet of Things ("IoT") and other scenarios applications are gradually implemented, and more and more new downstream applications are launched, among which, inseparable with the IoT is the increasing demand for sensors and chips. The Group captured the opportunity to enter into the IoT industry in 2018 and recorded an outstanding performance during the Period. With the development of science and technology, and the sentiment of the industry is getting better, the IoT business of the Group will usher in a new wave of development opportunities.

During the Period, the Group has achieved various impressive milestones:

1. In September 2018, the Group won the bid of base station power project from China Mobile for the first time. We mainly supply flame-retardant flexible cable products. During the Period, the sales of flame-retardant flexible cable increased significantly by approximately 75.4% from approximately RMB262.5 million in the first half of 2018 to approximately RMB 460.4 million as compared to the corresponding period in last year;

2. During the Period, the Group won the bid of optical and electrical hybrid cables (used in Massive MIMO antenna) for 5G from Huawei, which is beneficial for the sale of optical and electrical hybrid cable products of the Group;

3. In anticipation of the 5G era, the Group completed the acquisition of entire equity interest in Trigiant Sensing in July 2018. During the Period, the turnover of Trigiant Sensing amounted to RMB67.2 million, which delivered eye-catching performance. The Group has successfully expanded its product offering to provide more comprehensive and competitive products and services for 5G related industry customers;

MANAGEMENT DISCUSSION AND ANALYSIS

4. The Group is committed to continually optimising its financial structure and improving the management of its balance sheet. During the Period, the Group repaid some of its bank loans. The balance of our borrowings decreased by approximately RMB388.2 million from RMB1,725.2 million in December 2018 to RMB1,337.0 million in June 2019. The aging of the Group's trade receivables improved continuously, allowance for impairment loss on our trade receivables decreased by approximately 39.2% from approximately RMB40.9 million in the first half of 2018 to approximately RMB24.9 million in the first half of 2019. As compared with the first half of 2018, the Group's operating cash flow turned from the negative to positive; the net cash used in the operating activities in the first half of 2018 was approximately RMB38.1 million, whereas the net cash generated from operating activities in the first half of 2019 was approximately RMB155.7 million.

RESULT ANALYSIS

In September 2018, the Group won the bid of base station power project from China Mobile for the first time. During the Period, as flame-retardant flexible cable products were gradually delivered, the sales of which increased significantly. On the other hand, the Group also won the bid of optical and electrical hybrid cables for 5G from Huawei. Benefiting from the increasing demand for development in the 4G and 5G mobile communication infrastructure, the sales of the feeder cables and optical fibre cables continues to grow. In addition, acquisition of Trigiant Sensing boosted the sales of new-type electronic components to more than 3 times. As a result of the above factors, the turnover of the Group's main products all recorded significant growth, which contributed to an increase of approximately 25.1% in our turnover from approximately RMB1,682.1 million in the first half of 2018 to approximately RMB2,104.2 million in the first half of 2019. While our turnover enjoyed a steady growth, the Group actively adjusted its product mix with a view to generating greater profits. During the Period, the Group's overall gross profit grew by approximately 24.3% from approximately RMB327.3 million in the first half of 2018 to RMB406.9 million. For the first half of 2019, the overall gross profit margin decreased by approximately 0.2 percentage point to approximately 19.3% as a result of a higher sales growth in lower gross profit margin products together with strategical price adjustment.

During the Period, the Group's allowance for impairment losses on trade receivables decreased by approximately 39.2% from approximately RMB40.9 million in the first half of 2018 to approximately RMB24.9 million in the first half of 2019. The profit for the period increased by approximately 40.5% from approximately RMB166.2 million for the first half of 2018 to approximately RMB233.5 million for the first half of 2019. Basic earnings per share increased by RMB3.76 cents from approximately RMB9.28 cents for the first half of 2018 to approximately RMB13.04 cents for the first half of 2019.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2019	2018	Change	Change
	RMB'000	RMB'000	RMB'000	%
Feeder cable series	**896,367**	869,441	26,926	3.1%
Optical fibre cable series	**636,810**	517,395	119,415	23.1%
Flame-retardant flexible cable series	**460,403**	262,495	197,908	75.4%
New-type electronic components	**110,543**	25,038	85,505	341.5%
Others	**102**	7,765	(7,663)	-98.7%
Total	**2,104,225**	1,682,134	422,091	25.1%

MANAGEMENT DISCUSSION AND ANALYSIS

FEEDER CABLE SERIES — APPROXIMATELY 42.6% OF THE TOTAL TURNOVER

The turnover of feeder cable series increased by approximately 3.1% to approximately RMB896.4 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products increased by approximately 5,900 kilometres to approximately 94,500 kilometres as compared to the corresponding period in last year. The gross profit margin maintained at approximately 20.7%.

OPTICAL FIBRE CABLE SERIES — APPROXIMATELY 30.3% OF THE TOTAL TURNOVER

During the Period, the turnover of optical fibre cable series products increased by approximately 23.1% to approximately RMB636.8 million as compared to the corresponding period in last year. Sales volume increased by approximately 879,000 fibre kilometres to approximately 6,038,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 0.1 percentage point to approximately 18.6% as a result of the change in sales mix.

FLAME-RETARDANT FLEXIBLE CABLE SERIES — APPROXIMATELY 21.9% OF THE TOTAL TURNOVER

Flame-retardant flexible cable series, another major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Due to accelerated development in the mobile communication infrastructure, the turnover grew by approximately 75.4% to approximately RMB460.4 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by 0.2 percentage point to approximately 17.0% as compared to the corresponding period in last year.

MAJOR CUSTOMERS AND SALES NETWORK

The Group has long been a major supplier to the three major telecommunications operators and also telecommunications equipment manufacturers such as Huawei in the PRC and maintained a good relationship with them leveraging on its reputation in the industry for its diverse products portfolio, excellent product quality, comprehensive and efficient aftersales services, and regional network extensive coverage. During the Period, the overall turnover of the Group derived from China Unicom, China Mobile and China Telecom accounted for approximately 32.3%, 32.2% and 25.2%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators, the Group also maintained a sound business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). As at 30 June 2019, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

PATENTS, AWARDS AND RECOGNITION

As at 30 June 2019, the Group obtained 165 patents and developed 159 new products in the PRC. The Group received various awards and honours which included the following:

- according to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronic Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for nine consecutive years from 2010 to 2018;

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE PLANS

On 6 June, 2019, the Ministry of Industry and Information Technology of the PRC ("MIIT") officially issued 5G commercial licenses to China Mobile, China Telecom, China Unicom and China Broadcasting Network, announcing that China will enter the 5G era. According to the plan, China Mobile planned to reach a build of 50,000 5G base stations this year, and is expected to invest RMB17.2 billion in 5G; while China Telecom planned to build 40,000 5G base stations in 2019. China Unicom planned to build 40,000 5G base stations in 2019. It is expected that 4G and 5G still need long-term coexistence, and there is wide room for development in 4G construction. In order to meet the growing demand for mobile communication traffic, the MIIT and the State-owned Assets Supervision and Administration Commission of the State Council jointly issued a 2019 special action notice to continue to support the construction of 4G base stations in administrative villages and remote areas, so as to achieve a 4G coverage rate of over 98% in administrative villages. The Group expects the demand for 4G construction to remain strong. The number of 4G base stations in China increased by 730,000 and reached 4.45 million during the first six months of 2019.

With the arrival of the 5G era, the power usage of the Massive MIMO antenna used in 5G and the overall power usage of 5G base stations are significantly higher as compared to 4G, and our Group becomes one of the first enterprises benefiting from the 5G era. The Group expects that the construction of 5G base stations will significantly improve sales value of base station related products of the Group such as optical and electrical hybrid cables, flame-retardant flexible cables and radio frequency components.

CONTINUE TO DEEPEN THE COOPERATION WITH THE THREE MAJOR TELECOMMUNICATIONS OPERATORS

As a state-level technical centre, the Group has developed the mobile communications industry for years and possesses strong research and development capabilities, to respond quickly to customer needs. During the Period, the Group developed a new product, namely coaxial cable for smooth aluminum tube for a telecom operator in Korea, and such new product is delivered successively in batch in 2019. With excellent service and after-sales capabilities, the Group maintains good partnerships with the three major telecommunications operators, and shares a large proportion in terms of supply in the cooperation.

PROACTIVE EXPANSION OF THE INTERNET OF THINGS AND SENSOR BUSINESSES

With the development of IoT, a large number of sensors are required to provide original data information under the general trend of Internet of Everything, sensors have become the core of the IoT. In recent years, the IoT has begun to be widely applied in the sectors such as transportation, medical and smart homes. The IoT is an emerging application in the communications industry. According to the statistics of the "Analysis Report on Market Demand and Investment Forecast of the Application of the Internet of Things in China (《中國物聯網行業應用領域市場需求與投資預測分析報告》)", the market size of IoT industry in the PRC only amounted RMB78 billion in 2018. However, the market size of IoT industry in the PRC is expected to be over RMB1.8 trillion by 2020, which will also provide huge development opportunities for the Group. Upon the completion of the acquisition of a sensing company by the Group in 2018, the Group further expanded its product chain and got a head start in industry development. In addition, on 17 March 2019, Trigiant Technology, a subsidiary of the Group, entered into a strategic cooperation framework agreement with China Telecom Corporation Limited, Wuxi Branch* (中國電信股份有限公司無錫分公司) and Research Institute of Forest Resources Information Technique (中國林科院資源所) in relation to the co-construction of IoT Smart Agriculture, pursuant to which the parties will explore extensive collaboration on various aspects, including the targeted enhancement of forestry quality through the combination of 5G, IoT, big data, and cloud computing technologies, as well as provision of effective ecosystem products and comprehensive solutions. By identifying Yixing, Jiangsu as the pilot zone for specific practices and applications, where the parties so involved will strive to build the pilot project into a role model of the smart forestry powered by "internet+" and "Smart+" for the Yangtze River delta region and even across the country, they will strive to showcase their joint achievements at the World IoT Expo 2019 in September 2019, and promote their joint achievements across the country to strengthen their industry influence.

MANAGEMENT DISCUSSION AND ANALYSIS

DESIRABLE DEVELOPMENT IN OVERSEAS BUSINESS EXPANSION

The Group will also continue to pay attention to overseas development opportunities in the future. By taking advantage of the development of 5G and in line with the overseas customers' demand for mobile communication infrastructure, the Group will continue to actively expand into emerging economies, currently many countries around the world are actively promoting 5G construction and strengthening the scale coverage of 4G networks. The Group, through our equipment suppliers and distributors, participated communication network construction with telecommunication operators in Korea, India, Russia, the Middle East and Southeast Asia, and provided to them system solutions and products. Also, the Group will actively participate in international exhibitions in the future, to enhance the Group's overseas reputation and explore more new developments and opportunities, so as to create more profit to reward shareholders for their support.

FINANCIAL REVIEW

TURNOVER

In favour of the development of 5G mobile communication facilities and expansion of the capacity of 4G base stations, turnover increased by approximately RMB422.1 million, or 25.1%, from approximately RMB1,682.1 million for the first half of 2018 to approximately RMB2,104.2 million for the first half of 2019. The increase in turnover contributed by feeder cable series, optical fibre cable series, flame-retardant flexible cable series and new-type electronic components of approximately RMB26.9 million, RMB119.4 million, RMB198.0 million and RMB85.5 million, respectively, was partly offset by the decrease in turnover of others of approximately RMB7.7 million. The increase in turnover of feeder cable series is a result of increasing demand during the first half of 2019. The increase in turnover of flame-retardant flexible cable series is mainly due to the increase in sales of flame-retardant flexible cables as a result of the significant increase in the deployment of base stations, primarily driven by the first successful bid of base station power cable project from China Mobile during the second half of 2018. The increase in turnover of new-type electronic components is mainly as a result of the integration of the sensing business by acquisition of Trigiant Sensing during the second half of 2018. In addition, the increase in turnover of optical fibre cable series products is mainly due to the increasing demands for optical and electrical hybrid-cable driven by the increasing number of base stations deployed by as three major telecommunication operators in the PRC deployed more base stations, and especially increase in the power usage of 5G Massive MIMO antenna has promoted the demands for optical and electrical hybrid-cable.

COST OF GOODS SOLD

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Cost of goods sold increased generally in line with the increase in turnover by approximately RMB342.4 million, or 25.3%, from approximately RMB1,354.9 million for the first half of 2018 to approximately RMB1,697.3 million for the first half of 2019.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series, decreased by 7.0% as compared to the first half of 2018. As the Group adopted the cost-plus-pricing-model for its feeder cable series products to control the price risk of raw materials and maintained good relationship with its customers and suppliers, the purchase cost and the selling price was more stable than the market price of raw materials, and therefore the average selling price remained stable in the first half of 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased by approximately RMB79.7 million, or 24.3%, from approximately RMB327.3 million for the first half of 2018 to approximately RMB406.9 million for the first half of 2019. The increase in gross profit is mainly a result of the increase in turnover. Overall gross profit margin decreased from approximately 19.5% for the first half of 2018 to approximately 19.3% the first half of 2019. The slight decrease in overall gross profit margin is mainly a result of a higher sales growth in lower gross profit margin products.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

Other income decreased by approximately RMB3.5 million, or 18.9%, from approximately RMB18.5 million for the first half of 2018 to approximately RMB15.0 million for the first half of 2019 primarily due to the decrease in interest income by approximately RMB2.4 million.

IMPAIRMENT LOSSES

Impairment losses represented impairment losses on trade receivables, which decreased by approximately RMB16.0 million, or approximately 39.2% from a loss of approximately RMB40.9 million for the first half of 2018 to a loss of approximately RMB24.9 million for the first half of 2019.

OTHER GAIN AND LOSS

The Group recorded other gain of approximately RMB1.3 million for the first half of 2018 as compared to other loss of approximately RMB1.6 million for the first half of 2019, mainly attributable to an exchange gain of approximately RMB1.3 million recorded for the first half of 2018 as compared to an exchange loss of approximately RMB1.6 million recorded for the first half of 2019.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by approximately RMB6.8 million, or 26.1%, from approximately RMB26.3 million for the first half of 2018 to approximately RMB33.1 million for the first half of 2019, mainly due to the increase in entertainment costs and amortisation of intangible asset, in relation to sales, acquired during acquisition of a subsidiary.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately RMB1.2 million, or 4.8%, from approximately RMB24.2 million for the first half of 2018 to approximately RMB23.0 million for the first half of 2019 mainly due to the decrease in salary expense of administrative staff.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by approximately RMB3.9 million, or 14.8%, from approximately RMB26.6 million for the first half of 2018 to approximately RMB30.5 million for the first half of 2019 primarily due to additional research and development costs incurred in order to broaden the Group's product portfolio to tailor for the communication network requirements.

FINANCE COSTS

Finance costs increased by approximately RMB2.2 million, or 6.8%, from approximately RMB32.4 million for the first half of 2018 to approximately RMB34.6 million for the first half of 2019 primarily due to the average interest rate of bank borrowings.

TAXATION

Taxation charge increased by approximately RMB10.1 million, or 33.2%, from approximately RMB30.5 million for the first half of 2018 to approximately RMB40.6 million for the first half of 2019. The Group's Enterprise Income Tax ("EIT") arises from its principal subsidiaries in the PRC, which enjoy a reduced EIT rate of 15% as they are qualified as High and New Technology Enterprises. The increase in taxation charge for the first half of 2019 is primarily attributable to the increased taxable profit of the principal subsidiaries of the Group in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE PERIOD

As a combined result of the foregoing, profit for the period increased by approximately RMB67.3 million, or 40.5%, from approximately RMB166.2 million for the first half of 2018 to approximately RMB233.5 million for the first half of 2019 and the corresponding net profit margin increased from approximately 9.9% for the first half of 2018 to approximately 11.1% for the first half of 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net cash from (used in) operating activities	**155,677**	(38,062)
Net cash used in investing activities	**(7,774)**	(74,461)
Net cash (used in) from financing activities	**(421,278)**	99,340

As at 30 June 2019, the Group had bank balances and cash and pledged bank deposits of approximately RMB370.9 million, the majority of which were denominated in Renminbi. As at 30 June 2019, the Group had total bank borrowings of approximately RMB1,337.0 million which are repayable within one year. As at 30 June 2019, RMB330.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB1,007.0 million were variable rate borrowings. As at 30 June 2019, bank borrowings of approximately RMB1,337.0 million were denominated in Renminbi.

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

GEARING RATIO

Gearing ratio decreased from approximately 29.2% as at 31 December 2018 to approximately 28.3% as at 30 June 2019. Such decrease was primarily resulted from the repayment of bank borrowings. Gearing ratio is calculated by dividing total bank borrowings net of pledged bank deposits and bank balances and cash over total equity.

PLEDGE OF ASSETS

As at 30 June 2019, the Group pledged certain bank deposits with carrying value of approximately RMB153.1 million (31 December 2018: approximately RMB295.2 million) to certain banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 30 June 2019, the Group had approximately 921 (31 December 2018: 961) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, its directors and employees in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board is optimistic about the development of 5G and increase products enhancement in relation to 5G network technology evolution and business development, in order to enhance the comprehensive competitiveness and enable the Group to obtain a larger market share in 5G to benefit the shareholders, the Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK2.2 cents).

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The Directors consider that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the six months ended 30 June 2019 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2019.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2019. In addition, the Group had no significant investments held during the six months ended 30 June 2019.

SHARE OPTION SCHEME

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

Further details of the Scheme and the share options granted are disclosed in Note 18 of the Notes to the condensed consolidated financial statements.

OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Future Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) of the Company as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

LONG POSITIONS

Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest
Mr. Qian Lirong	Interest in controlled corporation	516,531,750 *(Note a)*	–	516,531,750	28.83%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.01%
	Beneficial owner	6,740,000	–	6,740,000	0.38%
Mr. Jiang Wei	Beneficial owner	60,000	1,200,000 *(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. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

(b) These shares are registered in the name of Abraholme.

(c) These interests in underlying shares represent interests in options granted on 20 June 2014 under the Company's share option scheme conditionally adopted on 27 May 2014 which were accepted on 4 July 2014. Please refer to Note 18 of the Notes to the condensed consolidated financial statements for further details of the share options granted.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations of the Company.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company:

LONG POSITIONS

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Trigiant Investments	Beneficial owner	516,531,750	28.83%
Abraholme	Beneficial owner	250,000	0.01%
	Interest in controlled corporation	516,531,750 *(Note a)*	28.83%
Madam Qian Jundi	Interest of spouse	523,521,750 *(Note b)*	29.22%
Eternal Asia (HK) Limited	Beneficial owner	292,876,000 *(Note c)*	16.35%
Shenzhen Eternal Asia Investment Holding Limited ("Eternal Asia Investment")* 深圳市怡亞通投資控股有限公司	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
Shenzhen Eternal Asia Supply Chain Management Ltd. ("Eternal Asia")* 深圳市怡亞通供應鏈股份有限公司	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
Zhou Guohui	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
People's Bank of China	Interest in controlled corporation	261,000,000 *(Note d)*	14.57%
中國進出口銀行深圳分行	Interest in controlled corporation	261,000,000 *(Note e)*	14.57%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

LONG POSITIONS (CONTINUED)

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Easy Beauty Limited	Beneficial owner	428,000,000 *(Note f)*	23.89%
Dai Xiaolin	Interest in controlled corporation	428,000,000 *(Note f)*	23.89%
Artemis Delight Limited	Interest in controlled corporation	428,000,000 *(Note f)*	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 in turn wholly owned by Mr. Qian Lirong, an executive Director and the chairman of the Board. By virtue of the provisions of part XV of the SFO, each of Mr. Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

(b) Madam Qian Jindi is the spouse of Mr. Qian Lirong and by virtue of the provisions of part XV of the SFO, she is deemed to be interested in all the shares in which Mr. Qian Lirong is interested or deemed to be interested.

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

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

(e) Based on the notices of disclosure of interests dated 25 February 2019 of 中國進出口銀行深圳分行 filed with the Stock Exchange, these interests in shares are registered in the name of 中國進出口銀行深圳分行.

(f) 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.

OTHER INFORMATION

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

Since the date of the 2018 annual report of the Company and as at the date of this report, changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

— The annual salary of Mr. Qian Lirong, executive Director, of HK$600,000 and RMB480,000 was revised to be payable by HK$10,000 and RMB40,000 monthly and the remaining amount payable in January of the subsequent year with effect from 1 July 2019.

— The annual salary of Mr. Jiang Wei, executive Director, of HK$396,000 and RMB480,000 was revised to be payable by HK$0 and RMB40,000 monthly and the remaining amount payable in January of the subsequent year with effect from 1 July 2019.

— Mr. Chan Fan Shing, non-executive Director, qualified as a Chartered Professional Accountant, Certified General Accountant (CPA, CGA) of the Chartered Professional Accountants of British Columbia, Canada in April 2019.

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control and risk management systems of the Group. As at the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely Mr. Chan Fan Shing, Professor Jin Xiaofeng and Ms. Jia Lina. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2019 have been reviewed by the Audit Committee.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the first half of 2019 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 28 August 2019