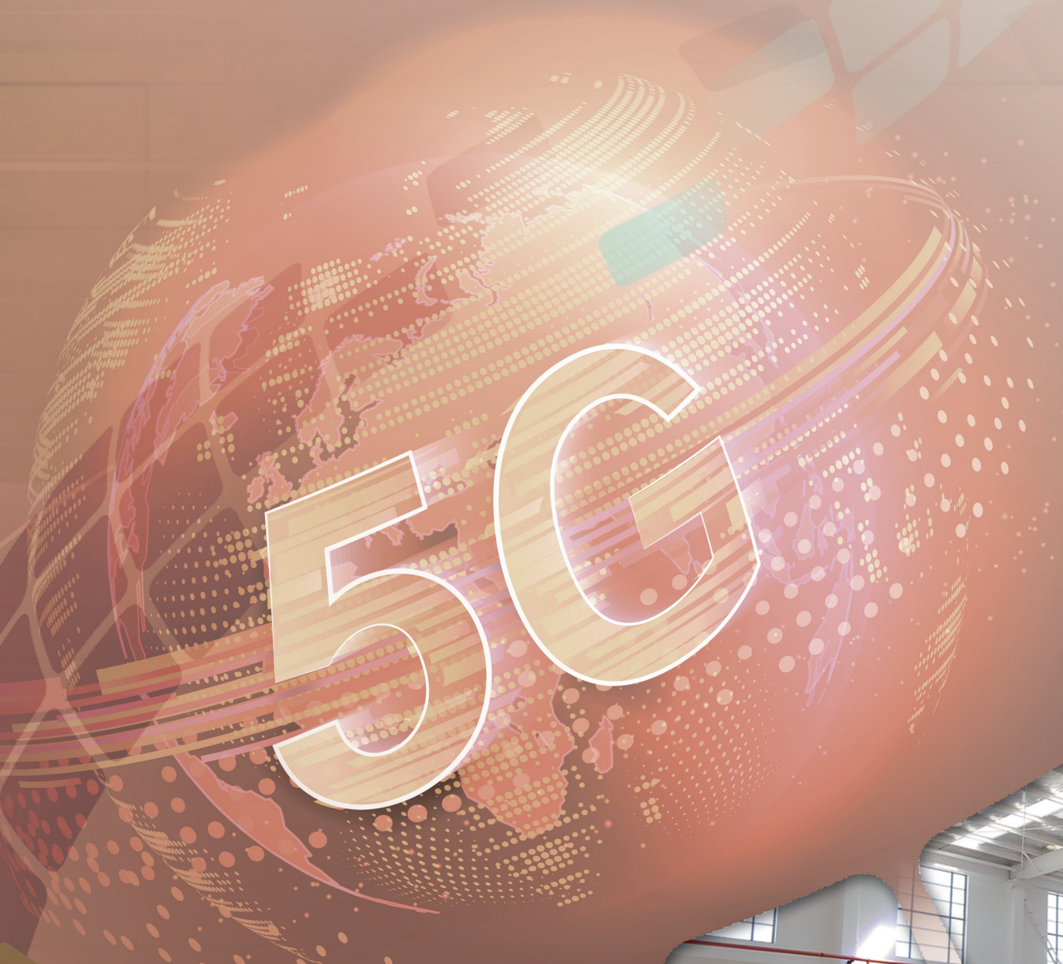
TRIGIANT GROUP LIMITED
俊知集團有限公司*

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



Interim Report 2020

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Qian Lirong *(Chairman and Group chief executive officer)*
Qian Chenhui

NON-EXECUTIVE DIRECTOR

Xia Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Jin Xiaofeng
Chan Fan Shing
Chen Gang

ALTERNATE DIRECTOR

Qian Liqian *(alternate director to Qian Lirong)*

AUDIT COMMITTEE

Chan Fan Shing *(Chairman)*
Professor Jin Xiaofeng
Chen Gang

REMUNERATION COMMITTEE

Professor Jin Xiaofeng *(Chairman)*
Qian Chenhui
Chan Fan Shing

NOMINATION COMMITTEE

Professor Jin Xiaofeng *(Chairman)*
Chan Fan Shing
Chen Gang

CORPORATE GOVERNANCE COMMITTEE

Qian Chenhui *(Chairman)*
Chan Fan Shing
Chen Gang

COMPANY SECRETARY

Lee Yiu Wai William

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.

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

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8 Fleming Road
Wanchai
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

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

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

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
Postal Savings Bank of China
Standard Chartered 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

In the first half of 2020, the outbreak of the novel coronavirus ("COVID-19 Pandemic") resulted in a suspension of the development of the industry for a period of time and a decline in the Group's orders. With the easing of the COVID-19 Pandemic, the Group expeditiously resumed its work and production, as a result of which, its production capacity was successfully restored to the levels before the pandemic and orders continuously rebounded in the second quarter.

Interim results for the six months ended 30 June 2020 compared with the six months ended 30 June 2019 ("2019H1"):

- Turnover decreased by approximately RMB945.7 million, or approximately 44.9%, to approximately RMB1,158.5 million;
- Gross profit margin slightly decreased by approximately 1.4 percentage point, to approximately 17.9%;
- The Group recorded loss for the period of approximately RMB125.6 million, as compared to profit for the period in 2019H1 of approximately RMB233.5 million;
- Net loss margin was approximately 10.8%, as compared to net profit margin in 2019H1 of approximately 11.1%;
- The Group recorded loss per share of RMB7.01 cents as compared to earnings per share in 2019H1 of RMB13.04 cents; and
- The Board is optimistic about the industry's development, the investment in advanced technology and the increase in products enhancement, the Board does not recommend the declaration of payment of interim dividend for the six months 30 June 2020 (2019H1: Nil).

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 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.

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 26, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,158,509**	2,104,225
Cost of goods sold		**(950,672)**	(1,697,304)
Gross profit		**207,837**	406,921
Other income	*4*	**10,514**	15,016
Impairment losses under expected credit loss model, net of reversal	*5*	**(136,419)**	(24,888)
Impairment loss of goodwill	*11*	**(94,307)**	–
Other loss	*5*	**(3,457)**	(1,580)
Selling and distribution costs		**(29,831)**	(33,134)
Administrative expenses		**(22,126)**	(23,000)
Research and development costs		**(28,764)**	(30,509)
Finance costs		**(33,317)**	(34,647)
(Loss) profit before taxation	*6*	**(129,870)**	274,179
Taxation credit (charge)	*7*	**4,246**	(40,647)
(Loss) profit and total comprehensive (expense) income for the period		**(125,624)**	233,532
(Loss) earnings per share	*9*		
— basic		**(7.01) cents**	13.04 cents
— diluted		**(7.01) cents**	13.04 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**216,421**	227,412
Right-of-use assets	*10*	**69,264**	70,582
Intangible assets		**117,502**	126,409
Goodwill	*11*	**62,220**	156,527
Equity instruments at fair value through other comprehensive income		**950**	950
Deferred tax assets	*15*	**82,545**	62,738
		548,902	644,618
Current assets			
Inventories		**151,446**	125,108
Trade and other receivables	*12*	**4,110,516**	3,977,935
Other financial assets		**50,000**	105,000
Pledged bank deposits		**116,342**	213,225
Bank balances and cash		**538,465**	360,119
		4,966,769	4,781,387
Current liabilities			
Trade and other payables	*13*	**475,472**	503,664
Bank borrowings	*14*	**1,535,000**	1,297,000
Lease liabilities	*10*	**560**	550
Taxation payable		**40,291**	32,276
		2,051,323	1,833,490
Net current assets		**2,915,446**	2,947,897
Total assets less current liabilities		**3,464,348**	3,592,515
Non-current liabilities			
Lease liabilities	*10*	**358**	603
Government grants		**2,229**	2,382
Deferred tax liabilities	*15*	**54,058**	56,203
		56,645	59,188
Net assets		**3,407,703**	3,533,327
Capital and reserves			
Share capital	*16*	**14,638**	14,638
Reserves		**3,393,065**	3,518,689
Total equity		**3,407,703**	3,533,327

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve RMB'000 *(note a)*	Special reserve RMB'000 *(note b)*	Other reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	**14,638**	**1,509,764**	**101**	**475,098**	**62,947**	**(312,834)**	**8,086**	**1,775,527**	**3,533,327**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(125,624)**	**(125,624)**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(466)**	**466**	**–**
Transfer	**–**	**–**	**–**	**949**	**–**	**–**	**–**	**(949)**	**–**
At 30 June 2020 (unaudited)	**14,638**	**1,509,764**	**101**	**476,047**	**62,947**	**(312,834)**	**7,620**	**1,649,420**	**3,407,703**
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

Notes:

(a) As stipulated by the relevant laws and regulations in the People's Republic of China ("PRC" or "China"), the PRC subsidiaries of the Company are required to maintain a statutory surplus reserve. 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 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 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	**(180,127)**	155,677
Investing activities		
Release of pledged bank deposits	**623,698**	1,120,331
Redemption of other financial assets	**55,000**	70,000
Interest received	**4,776**	12,193
New pledged bank deposits placed	**(526,815)**	(978,290)
Purchase of property, plant and equipment	**(1,910)**	(2,826)
Purchase of other financial assets	**–**	(149,182)
Cash outflow from acquisition of subsidiaries	**–**	(80,000)
Net cash from (used in) investing activities	**154,749**	(7,774)
Financing activities		
New bank borrowings raised	**919,000**	572,000
Repayment of bank borrowings	**(681,000)**	(960,206)
Interest paid	**(33,998)**	(32,744)
Repayment of lease liabilities	**(278)**	(135)
Dividend paid	**–**	(193)
Net cash from (used in) financing activities	**203,724**	(421,278)
Net increase (decrease) in cash and cash equivalents	**178,346**	(273,375)
Cash and cash equivalents at beginning of the period	**360,119**	491,133
Cash and cash equivalents at end of the period, represented by bank balances and cash	**538,465**	217,758

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 ("Stock Exchange").

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

The Group was affected by the global COVID-19 Pandemic in the first half of 2020: (1) the COVID-19 Pandemic has hindered the construction progress of 5G base stations of telecommunications companies in various countries in 2020, which affected the Company's orders and temporarily disrupted the production and upstream supply chain of the Group; (2) strict prevention and protection policies were adopted in various regions of the PRC to curb the spread of the COVID-19 Pandemic. As most of the major customers of the Group worked from home, the settlement process was delayed and has resulted in an increase in the balance and aging of trade receivables. The Group's impairment losses under expected credit loss model net of reversal for the first half of 2020 increase as compared with the first half of 2019; (3) the COVID-19 Pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting value in use calculation. In the first half of 2020, the Group's management made an impairment loss of goodwill arising from the acquisition of a subsidiary in 2018. For details of the above, please refer the respective notes to the condensed consolidated financial statements of the Group.

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 additional accounting policies resulting from application of amendments to 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 2020 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

IMPACTS OF APPLICATION ON AMENDMENTS TO HKAS 1 AND HKAS 8 "DEFINITION OF MATERIAL"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

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 other accessories 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
- Other accessories (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.

3. TURNOVER AND SEGMENT INFORMATION (continued)

The segment results represent the gross profit earned (loss charged) by each segment (segment revenue less segment cost of goods sold). Other income, impairment losses under expected credit loss model, net of reversal, impairment loss of goodwill, other 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.

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

For the six months ended 30 June 2020

	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	Other accessories RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	527,312	226,913	343,057	61,198	29	–	1,158,509
— Inter-segment sales*	–	36	–	12,547	–	(12,583)	–
	527,312	226,949	343,057	73,745	29	(12,583)	1,158,509
Cost of goods sold	(427,897)	(184,164)	(289,200)	(61,950)	(44)	12,583	(950,672)
SEGMENT RESULT	99,415	42,785	53,857	11,795	(15)	–	207,837
Unallocated income and expenses:							
Other income							10,514
Impairment losses under expected credit loss model, net of reversal							(136,419)
Impairment loss of goodwill							(94,307)
Other loss							(3,457)
Selling and distribution costs							(29,831)
Administrative expenses							(22,126)
Research and development costs							(28,764)
Finance costs							(33,317)
Loss before taxation							(129,870)
Taxation credit							4,246
Loss for the period							(125,624)

3. TURNOVER AND SEGMENT INFORMATION (continued)

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	Other accessories 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 under expected credit loss model, 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 charge							(40,647)
Profit for the period							233,532

* 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.

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). No further disaggregation of revenue of the Group is provided other than revenue by products as disclosed above.

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants *(note)*	**2,928**	1,697
Interest income	**4,446**	7,624
Investment income from other financial assets	**2,909**	3,786
Others	**231**	1,909
	10,514	15,016

Note: Included in government grants is RMB2,730,000 (six months ended 30 June 2019: RMB1,471,000) 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 RMB198,000 (six months ended 30 June 2019: RMB226,000), they are government subsidies received for the acquisition of property, plant and equipment.

5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL AND OTHER LOSS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Impairment losses under expected credit loss model, net of reversal include the following:		
Impairment losses on trade receivables	**(136,419)**	(24,888)
Other loss include the following:		
Exchange loss	**(3,457)**	(1,580)

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**8,907**	8,907
Cost of inventories recognised as expenses	**946,108**	1,689,991
Loss on disposal of property, plant and equipment	**11**	1
Depreciation of right-of-use assets	**1,337**	1,170
Short-term lease payment	**406**	519
Depreciation of property, plant and equipment	**12,188**	12,911
Capitalised in cost of inventories manufactured	**(8,377)**	(9,021)
	3,811	3,890

7. TAXATION CREDIT (CHARGE)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
The credit (charge) comprises:		
PRC Enterprise Income Tax	**(17,706)**	(47,256)
Deferred taxation credit *(note 15)*	**21,952**	6,609
Taxation credit (charge) for the period	**4,246**	(40,647)

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

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

During the current interim period, the Company does not declare any final dividend in respect of the year ended 31 December 2019 (six months ended 30 June 2019: final dividend of HK2.3 cents per share in respect of the year ended 31 December 2018). The aggregate amount of the final dividend in respect of the year ended 31 December 2018 declared in prior interim period amounted to HK$41,204,500 (equivalent to approximately RMB36,178,000).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss) earnings:		
(Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(125,624)**	233,532
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,791,500,000**	1,791,500,000

The computation of diluted loss per share does not assume the exercise of the Company's share options for the current interim period because the exercise of those share options would result in a decrease in loss per share.

The computation of diluted earnings per share did not assume the exercise of the Company's share options for the prior interim period because the exercise price of those share options was higher than the average market price of the Company's shares during the prior interim period.

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

During the current interim period, the Group acquired property, plant and equipment of RMB1,208,000 (six months ended 30 June 2019: RMB2,826,000).

During the current interim period, the Group does not enter into any new lease agreement and does not recognised any right-of-use assets nor lease liabilities.

During the prior 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 of lease liabilities.

11. GOODWILL

	RMB'000
COST	
At 1 January 2019, 31 December 2019 and 30 June 2020	156,527
IMPAIRMENT	
At 1 January 2019 and 31 December 2019	–
Impairment provided for the period	94,307
At 30 June 2020	94,307
CARRYING VALUES	
At 30 June 2020	62,220
At 31 December 2019	156,527

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the following cash generating units ("CGUs"):

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
— Jiang Mei Limited ("Jiang Mei")	**41,773**	41,773
— Rosy Elite Limited ("Rosy Elite")	**20,447**	114,754
	62,220	156,527

The CGU of Jiang Mei is related to the segment of "Optical fibre cable series and related products" and the CGU of Rosy Elite is related to the segment of "New-type electronic components".

11. GOODWILL (continued)

ROSY ELITE

At 30 June 2020 and 31 December 2019, the directors of the Company conducted a review of the carrying value of goodwill from Rosy Elite. 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 2019: 5 years) and a discount rate of 15.8% (31 December 2019: 15.6%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% (31 December 2019: 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.

During the period ended 30 June 2020, the management of the Group determined that there was an impairment of RMB94,307,000 relating to the CGU of Rosy Elite (for the six months ended 30 June 2019: Nil). The COVID-19 Pandemic has adversely affected the global economic growth forecast and this CGU's performance in the current interim period. The actual CGU's performance in the second quarter of 2020 did not meet the management's expectation and affected the growth forecast of this CGU. As it has taken longer than expected to grow the business of Rosy Elite, the cash flow projections and valuation assumptions were adjusted to reflect the latest forecast of the CGU. Hence the recoverable amount was determined to be lower than the carrying amounts of the assets allocated to this CGU.

12. 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 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables, net, aged		
0–90 days	**836,062**	629,779
91–180 days	**367,223**	781,738
181–365 days	**1,210,519**	1,495,108
Over 365 days	**1,680,382**	1,022,419
	4,094,186	3,929,044
Interest receivables	**4,795**	5,125
Other receivables *(note)*	**4,888**	36,841
Deposits paid to suppliers	**294**	1,770
Prepaid expenses	**3,778**	2,745
Staff advances	**2,575**	2,410
	4,110,516	3,977,935

Note: At 31 December 2019, other receivables mainly included receivables relating to resale of copper materials of RMB34,943,000 (30 June 2020: Nil).

12. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivables at 30 June 2020 are bills receivables of RMB14,049,000 (31 December 2019: RMB23,118,000).

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

Movement in the allowance for expected credit losses:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Balance at the beginning of the period/year	**413,884**	360,865
Impairment losses allowance reversed	**(168,985)**	(286,678)
Impairment losses allowance recognised	**305,404**	339,697
Balance at the end of the period/year	**550,303**	413,884

An impairment loss, net of reversal of RMB136,419,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB24,888,000) has been recognised during the period. As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,297,968,000 (31 December 2019: RMB1,808,875,000) which are past due at the reporting date. To promote rapid growth of China's telecommunications industry, the Group has formed marketing strategy for key customers, including China's three major telecommunications operators and China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"), to extend repayment period after basic credit period to gain market share and maintain a long-term partnership with them. The Group performs impairment assessment under expected credit loss model on trade receivables under HKFRS 9 "Financial instruments". The Board believes that the current allowance for impairment losses of trade receivables is sufficient but not excessive based on good repayment records of those debtors and their respective continuous business with the Group.

13. 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 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables, net, aged		
0–90 days	269,973	88,760
91–180 days	102,311	347,303
181–365 days	50,314	14,211
Over 365 days	–	56
	422,598	450,330
Accrued expenses	13,304	13,586
Deposits from suppliers	14,135	13,623
Other payables	9,100	8,465
Other tax payables	5,342	2,469
Payable for acquisition of property, plant and equipment	298	1,000
Payroll and welfare payables	10,695	14,191
	475,472	503,664

Included in the Group's trade payables at 30 June 2020 are bills payables of RMB316,109,000 (31 December 2019: RMB351,538,000) issued by the banks through the Group's credit facilities.

14. BANK BORROWINGS

During the current interim period, the Group obtained new short-term bank borrowings amounting to RMB919,000,000 (six months ended 30 June 2019: RMB572,000,000) and repaid bank borrowings amounting to RMB681,000,000 (six months ended 30 June 2019: RMB960,206,000). The proceeds were used for daily operation of the Group.

15. 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	Allowance for impairment losses on trade receivables RMB'000	Total RMB'000
At 1 January 2019 (audited)	35,924	7,800	16,527	(54,786)	5,465
(Credited) charged to profit or loss for the year	(4,454)	(178)	584	(7,952)	(12,000)
At 31 December 2019 and 1 January 2020	**31,470**	**7,622**	**17,111**	**(62,738)**	**(6,535)**
(Credited) charged to profit or loss for the period	**(2,227)**	**(90)**	**172**	**(19,807)**	**(21,952)**
At 30 June 2020 (unaudited)	**29,243**	**7,532**	**17,283**	**(82,545)**	**(28,487)**

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deferred tax assets	**82,545**	62,738
Deferred tax liabilities	**(54,058)**	(56,203)
	28,487	6,535

16. 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 2019, 31 December 2019 and 30 June 2020	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 30 June 2020	1,791,500,000	17,915,000	14,638

17. 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 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.

17. 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 19,200,000 share options remained outstanding as at 30 June 2020. 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 did not recognise any share-based payment expense during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB333,000). 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 2019: Nil).

17. 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 2019	Lapsed during the year	Reclassification *(note)*	Balance at 31 December 2019	Lapsed during the period	Balance at 30 June 2020	Exercise price	Exercisable period
Granted to directors on								
20 June 2014	560,000	(560,000)	–	–	–	–	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	560,000	(80,000)	240,000	720,000	–	720,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	560,000	(80,000)	240,000	720,000	–	720,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	1,680,000	(720,000)	480,000	1,440,000	–	1,440,000		
Granted to employees on								
20 June 2014	10,840,000	(10,840,000)	–	–	–	–	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	10,840,000	(1,200,000)	(240,000)	9,400,000	(520,000)	8,880,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	10,840,000	(1,200,000)	(240,000)	9,400,000	(520,000)	8,880,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	32,520,000	(13,240,000)	(480,000)	18,800,000	(1,040,000)	17,760,000		
Total	34,200,000	(13,960,000)	–	20,240,000	(1,040,000)	19,200,000		

Note: An employee became a director during the year ended 31 December 2019.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	30 June 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through other comprehensive income ("FVTOCI")	**Unlisted equity investments: 950**	Unlisted equity investments: 950	Level 3	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.
Financial assets at fair value through profit or loss ("FVTPL")	**Other financial assets: 50,000**	Other financial assets: 105,000	Level 3	Discounted cash flow

There were no transfers between Level 1 and 2 in the current and prior periods.

There were no movement of Level 3 fair value measurements of financial assets at FVTOCI in the current and prior periods.

Reconciliation of Level 3 fair value measurements of financial assets at FVTPL

	Financial assets at FVTPL RMB'000
At 1 January 2020	105,000
Redemption during the period	(55,000)
At 30 June 2020	50,000
At 1 January 2019	175,000
Purchase during the period	149,182
Redemption during the period	(70,000)
At 30 June 2019	254,182

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

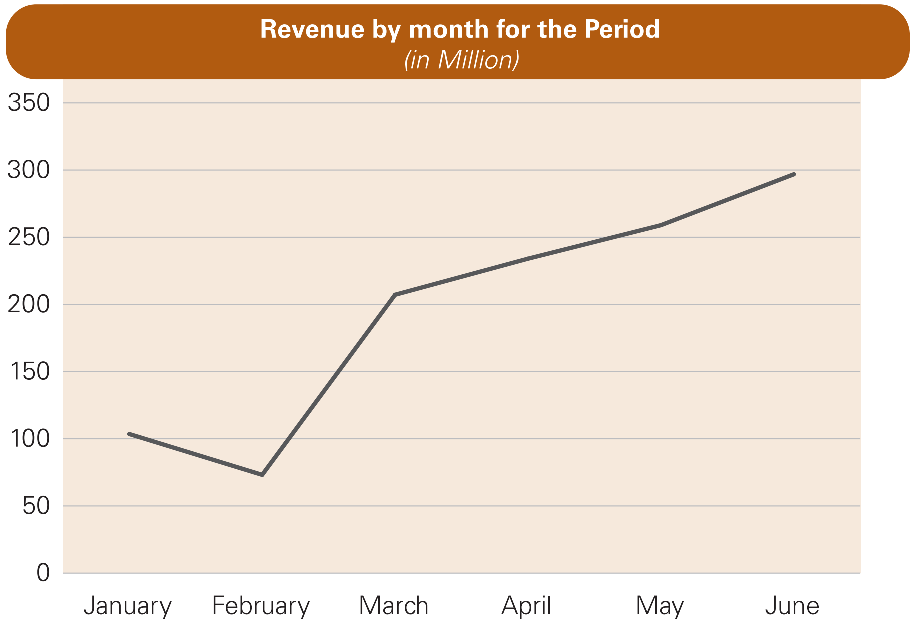
19. RELATED PARTY TRANSACTIONS

The Group had no significant transactions and balances with related parties during the period. The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2020, directors' emoluments of approximately RMB611,000 (six months ended 30 June 2019: RMB1,141,000) were paid or payable to the directors of the Company.

MARKET REVIEW

For the six months ended 30 June 2020 ("Period"), the telecommunications industry celebrated the first anniversary of the 5G commercial licenses issued in the PRC, representing a unique significance. Within one year since the 5G commercial licensing, many industries have been empowered by the application of 5G. In particular, during the fight against the outbreak of COVID-19 Pandemic and the production resumption, a number of 5G applications have been introduced expeditiously, such applications include 5G telemedicine, 5G telecommuting, 5G remote class, and 5G smart logistics. The demand for 5G has accelerated the network construction. According to the statistics of the Ministry of Industry and Information Technology in June 2020, at the advent of the first anniversary of 5G commercial licensing, the telecommunications infrastructure enterprises have built more than 250,000 5G base stations in the first half of 2020, with accumulated number of 410,000 5G base stations covering over 66 million 5G terminal connections. It is estimated that by the end of 2020, over 600,000 5G base stations will be established in all cities at or above the prefecture level in the PRC. As a supplier of core products used to construct 5G base stations, the Group becomes a major enterprise benefiting from the 5G industry, which in return has boosted its sales of feeder cable, optical fibre cable, optical and electrical hybrid cable, flame-retardant flexible cable and other products used in macro and micro base stations, indoor coverage and long-distance transmission.

In the first half of 2020, the outbreak of COVID-19 Pandemic resulted in a suspension of the development of the industry for a period of time and a decline in the Group's orders. With the easing of the COVID-19 Pandemic, the Group expeditiously resumed its work and production, as a result of which, its production capacity was successfully restored to the levels before the pandemic and orders continuously rebounded in the second quarter.



In comparison with 3G and 4G signals, 5G signal transmits a higher frequency with shorter wavelength. On an equivalent transmission power, the 5G signal travels at a shorter range, as a result of which a single 5G base station has a smaller signal coverage. In this case, more micro base stations are required to boost the range. It is estimated that the number of microcell base stations will be more than double the number of 4G base stations, while the number of micro base stations will be approximately twice to three times as many as that of macro base stations. The Group also aims at the industry prospects of micro base stations and the Company is also actively deploying by mainly introducing optical and electrical hybrid cable products, which helps connecting micro base stations to network equipment. Upon securing the bidding for optical and electrical hybrid cables with a China major telecommunication equipment manufacturer, the Group will continue to work with that manufacturer on research and testing of coding products that apply to 5G optical and electrical hybrid cables and accessories so as to complete the supply delivery as soon as possible.

During the Period, the Group secured the successful bid for centralised procurement project of China Mobile Limited in respect of non-slotted core ribbon optical fibre cable products and secured the successful bid for 5G distributed antenna system — centralised e-commerce procurement project for leaky cables and accessories of China Tower. In July 2020, the Group secured the first successful bid for the centralised procurement project of China Mobile Limited in respect of optical splitter products. These successful bids will contribute to a positive impact on the Group's future results.

RESULTS ANALYSIS

The COVID-19 Pandemic has adversely affected the results of the Company for the Period in the following three major areas:

(1) the turnover of the Group's main products all recorded a significant decrease, which, in aggregate, contributed to a decrease of approximately 44.9% in the turnover of the Group from approximately RMB2,104.2 million in 2019H1 to approximately RMB1,158.5 million in the first half of 2020. During the Period, the Group's overall gross profit decrease by approximately 48.9% from approximately RMB406.9 million in 2019H1 to RMB207.8 million in the first half of 2020. For the Period, the overall gross profit margin decreased by approximately 1.4 percentage point to approximately 17.9%;

(2) as regards the Company's trade receivables as at 30 June 2020, the three major telecommunications operators in China and China Tower accounted for 98% of the total trade receivables. Due to the COVID-19 Pandemic, strict prevention and protection policies were adopted in various regions of the PRC to curb the spread of the pandemic. As most of the major customers of the Group worked from home, the settlement process was delayed and has resulted in an increase in the balance and aging of trade receivables. Therefore by application of HKFRS 9 "Financial Instruments" and adoption of the provision matrix in calculating the expected credit losses on trade receivables, the Group's impairment losses under expected credit loss model net of reversal for the Period was approximately RMB136.4 million, representing an increase of approximately RMB111.5 million as compared with the impairment losses under expected credit loss model net of reversal for 2019H1 (of approximately RMB24.9 million); and

(3) the COVID-19 Pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting value in use calculation. An impairment loss of goodwill arised from the acquisition of a subsidiary in 2018 of approximately RMB94.3 million (2019H1: Nil) should be made in the Period.

The Group recorded loss for the period of approximately RMB125.6 million as compared to profit for the period of approximately RMB233.5 million for 2019H1. The Group recorded loss per share of RMB7.01 cents as compared to earnings per share of approximately RMB13.04 cents for 2019H1.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2020	2019	Change	Change
	RMB'000	RMB'000	RMB'000	%
Feeder cable series	**527,312**	896,367	(369,055)	–41.2
Optical fibre cable series	**226,913**	636,810	(409,897)	–64.4
Flame-retardant flexible cable series	**343,057**	460,403	(117,346)	–25.5
New-type electronic components	**61,198**	110,543	(49,345)	–44.6
Other accessories	**29**	102	(73)	–71.6
Total	**1,158,509**	2,104,225	(945,716)	–44.9

Feeder Cable Series — Approximately 45.5% of the Total Turnover

Due to the impact of the COVID-19 Pandemic on development progress of mobile communication infrastructure, the turnover of feeder cable series decreased by approximately 41.2% to approximately RMB527.3 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products decreased by approximately 34,300 kilometres to approximately 60,200 kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 1.8 percentage point to approximately 18.9% as compared to the corresponding period in last year.

Optical Fibre Cable Series — Approximately 19.6% of the Total Turnover

Due to the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, the turnover of optical fibre cable series products decreased by approximately 64.4% to approximately RMB226.9 million as compared to the corresponding period in last year. Sales volume decreased by approximately 2,391,000 fibre kilometres to approximately 3,647,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin increased by approximately 0.3 percentage point to approximately 18.9% as a result of the change in sales mix.

Flame-retardant Flexible Cable Series — Approximately 29.6% of the Total Turnover

Flame-retardant flexible cable series, another major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Due to the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, the turnover decreased by approximately 25.5% to approximately RMB343.1 million for the Period as compared to the corresponding period in last year. The gross profit margin decreased by 1.3 percentage point to approximately 15.7% 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, namely China Mobile, China Unicom and China Telecom, 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 Mobile, China Telecom and China Unicom accounted for approximately 39.7%, 25.2% and 23.6%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a sound business relationship with China Tower. As at 30 June 2020, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

PATENTS, AWARDS AND RECOGNITION

As at 30 June 2020, the Group obtained 167 patents and developed 207 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 ten consecutive years from 2010 to 2019;

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

- Trigiant Optic-Electric was awarded as Jiangsu Enterprise Technology Center; and

- Trigiant Technology and Trigiant Optic-Electric have been rated AAA (Integrated Credit) by China's Lianhe Credit Information Service Co., Ltd, Jiangsu Branch in 2020.

PROSPECTS AND FUTURE PLANS

At the meeting of the Central Politburo of the Communist Party of China in February 2020, it was emphasised that the development of 5G networks should be accelerated. In March 2020, the Standing Committee of the Central Politburo of the Communist Party of China continued to emphasise that construction of novel infrastructure, including 5G networks and data centres, should be accelerated, as a result of which, 5G applications are highly anticipated for novel infrastructure. With pandemic control and prevention in place, various entities, including the central government, the Ministry of Industry and Information Technology, and the three major telecommunications operators, have actively promote the construction of novel infrastructure. In this regard, the Company anticipates that large-scale 5G infrastructure construction will take place in the next three to five years.

It is expected that China plans to construct at least 600,000 5G base stations in 2020, and that Trigiant will also embrace an improvement period for its new development. By capitalising on such opportunity, the Company also plans a business expansion in the emerging economies. In close integration into vertical 5G applications, we will explore our market presence in smart agriculture and forestry, smart manufacturing, railway transportation, and other areas.

Furthermore, the Company will continue with its reserve expansion for forward-looking technologies, and make early preparation for research and development of millimeter-wave products and mirco base stations so that its core competitive strength will be further reinforced in the post-5G era. As a result, the Group will lay a solid foundation for new growth momentum of its business performance.

Expansion of new customer base

In addition to continuing to strengthen the cooperation with the three major telecommunications operators, the Group is also proactively expanding to reach new customers in other areas such as radio and television, rail transit, security, microwave communications and private network communications in China. By capitalising on the core advantages of its products, continuous technical research and development, and outstanding service and after-sales capabilities, the Group is well-positioned to expand the customer base and maintain a long-term cooperative relationship with its major customers and aims to increase the Group's proportion of supply to them in the cooperation.

Active expansion of the Internet of Things ("IoT") business

According to "Research Report on Internet of Things Industry Market in 2019" published by Forward-Looking Industry Research Institution (前瞻產業研究院), the compound annual growth rate of IoT from 2019 to 2022 is approximately 9%. It is estimated that the scale of China's IoT industry will exceed RMB2 trillion and the connection scale will reach RMB7 billion by 2022. In recent years, in line with the accelerating integration of the IoT concept into industrial applications, the Group has seized enormous business opportunities by cooperating with Resources Institute and China Telecom Wuxi Branch (中國電信無錫分公司) to establish the National Innovation Alliance of IoT and AI for Forestry Application (林業和草原物聯網與人工智慧應用國家創新聯盟) as a role model of the smart forestry powered by "internet+" and "Smart+" in accordance with the policy for development and application of forestry business networks, laying a solid foundation for the Group's diversified development.

Overseas development plan

The Group originally planned to attend specialised communications trade exhibitions held in various regions, such as India, Spain, Russia, Singapore, Dubai, and Mexico in 2020. Some of the exhibitions have been postponed to 2021 due to the COVID-19 Pandemic. On top of our established relationship with our current customer base, the Group will focus on the customer expansion and development in the Southeast Asia, the Middle East, and the Americas through local partners. By capitalising on its existing product and technology advantages, the Group plans to increase its market share in overseas markets such as South Korea, the Southeast Asia, Europe, America and the Middle East. 5G construction has become a global undertaking that requires active promotion and development due to the increasing demand for mobile infrastructure. In the future, riding on the momentum of 5G development, the Group will continue to explore overseas development opportunities, further expand its diversified sales channels, and seek growth opportunities. These initiatives aim to generate more profits in appreciation for the continued recognition and support of all shareholders.

FINANCIAL REVIEW

Turnover

Due to the impact of the COVID-19 Pandemic on the development progress of mobile communication infrastructure, turnover decreased by approximately RMB945.7 million, or 44.9%, from approximately RMB2,104.2 million for 2019H1 to approximately RMB1,158.5 million for the first half of 2020. The decrease in turnover was contributed by the decrease in turnover of feeder cable series, optical fibre cable series, flame-retardant flexible cable series and new-type electronic components of approximately RMB369.1 million, RMB409.9 million, RMB117.3 million and RMB49.3 million, respectively.

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 decreased generally in line with the decrease in turnover by approximately RMB746.6 million, or 44.0%, from approximately RMB1,697.3 million for 2019H1 to approximately RMB950.7 million for the first half of 2020.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series, decreased by 7.5% as compared to 2019H1 and the average selling price decreased generally in line with the copper price. 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.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB199.1 million, or 48.9%, from approximately RMB406.9 million for 2019H1 to approximately RMB207.8 million for the first half of 2020. The decrease in gross profit is mainly a result of the decrease in turnover. Overall gross profit margin decreased from approximately 19.3% for 2019H1 to approximately 17.9% for the first half of 2020. The decrease in overall gross profit margin is mainly a result of a decrease in revenue but the Group had a certain portion of fixed cost.

Other income

Other income decreased by approximately RMB4.5 million, or 30.0%, from approximately RMB15.0 million for 2019H1 to approximately RMB10.5 million for the first half of 2020 primarily due to the decrease in interest income and investment income from other financial assets.

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, increased by approximately RMB111.5 million, or approximately 448.1% from a loss of approximately RMB24.9 million for 2019H1 to a loss of approximately RMB136.4 million for the first half of 2020, mainly due to increase in aging of trade receivables.

The COVID-19 Pandemic has adversely affected the global economic growth forecast, and the Group updated the forecast data to reflect the relevant impact when conducting asset valuation. The Group recorded an impairment loss of goodwill of approximately RMB94.3 million for the first half of 2020 (2019H1: Nil).

Other loss

Other loss increased by approximately RMB1.9 million, or 118.8% from approximately RMB1.6 million for 2019H1 to approximately RMB3.5 million for the first half of 2020, mainly attributable to the increase in exchange loss.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB3.3 million, or 10.0%, from approximately RMB33.1 million for 2019H1 to approximately RMB29.8 million for the first half of 2020, mainly due to the decrease in consumable materials, entertainment and travelling expenses.

Administrative expenses

Administrative expenses decreased by approximately RMB0.9 million, or 3.8%, from approximately RMB23.0 million for 2019H1 to approximately RMB22.1 million for the first half of 2020 mainly due to the decrease in entertainment and travelling expense of administrative staff.

Research and development costs

Research and development costs decreased by approximately RMB1.7 million, or 5.7%, from approximately RMB30.5 million for 2019H1 to approximately RMB28.8 million for the first half of 2020 primarily due to the decrease in research material cost.

Finance costs

Finance costs decreased by approximately RMB1.3 million, or 3.8%, from approximately RMB34.6 million for 2019H1 to approximately RMB33.3 million for the first half of 2020 primarily due to the decrease in the average interest rate of bank borrowings.

Taxation

The Group recorded a taxation credit of approximately RMB4.2 million for the first half of 2020, as compared to taxation charge of RMB40.6 million for 2019H1. The deferred tax impact on allowance for impairment losses on trade receivable was larger than the PRC Enterprise Income Tax for the period, therefore the Group recorded a deferred tax credit for the period. 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 decrease in taxation charge for the first half of 2020 is primarily attributable to the decreased taxable profit of the principal subsidiaries of the Group in the PRC.

(Loss) profit for the period

As a combined result of the foregoing, the Group recorded a loss for the period of approximately RMB125.6 million, as compared to a profit for the period of approximately RMB233.5 million for 2019H1, and a corresponding net loss margin for the first half of 2020 of approximately 10.8%, as compared to net profit margin for 2019H1 of approximately 11.1%.

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 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash (used in) from operating activities	**(180,127)**	155,677
Net cash from (used in) investing activities	**154,749**	(7,774)
Net cash from (used in) financing activities	**203,724**	(421,278)

As at 30 June 2020, the Group had bank balances and cash and pledged bank deposits of approximately RMB654.8 million, the majority of which were denominated in Renminbi. As at 30 June 2020, the Group had total bank borrowings of approximately RMB1,535.0 million which are repayable within one year. As at 30 June 2020, RMB860.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB675.0 million were variable rate borrowings. As at 30 June 2020, bank borrowings of approximately RMB1,535.0 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 increased from approximately 20.5% as at 31 December 2019 to approximately 25.8% as at 30 June 2020. Such increase was primarily resulted from the addition 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 2020, the Group pledged certain bank deposits with carrying value of approximately RMB116.3 million (31 December 2019: approximately RMB213.2 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 2020.

EMPLOYEE INFORMATION

As at 30 June 2020, the Group had approximately 991 (31 December 2019: 921) 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.

INTERIM DIVIDEND

The Board is optimistic about the industry development, the investment in advanced technology and the increase in products enhancement, the Board does not recommend the declaration of payment of interim dividend for the six months 30 June 2020 (2019H1: Nil).

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance 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") ("Corporate Governance Code") as its own code of corporate governance. The Directors consider that save for the deviation from code provision A.2.1 of the Corporate Governance Code which requires the segregation of the roles of the chairman of the Board and chief executive officer, both of which are currently taken up by Mr. Qian Lirong, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2020 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 2020.

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 2020.

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 2020. In addition, the Group had no significant investments held during the six months ended 30 June 2020.

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 17 of the Notes to the condensed consolidated financial statements.

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

As at 30 June 2020, 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 *(Note c)*
Mr. Qian Lirong	Interest in controlled corporation	523,521,750 *(Note a)*	–	523,521,750	29.22%
Mr. Qian Chenhui	Beneficial owner	–	480,000 *(Note b)*	480,000	0.03%
Professor Jin Xiaofeng	Beneficial owner	–	160,000 *(Note b)*	160,000	0.01%

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 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.

(c) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2020 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2020, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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 *(Note g)*
Trigiant Investments	Beneficial owner	523,521,750	29.22%
Abraholme	Interest in controlled corporation	523,521,750 *(Note a)*	29.22%
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%
中國進出口銀行深圳分行	Person having a security interest in shares	261,000,000 *(Note e)*	14.57%
Easy Beauty Limited	Beneficial owner	428,000,000 *(Note f)*	23.89%
Artemis Delight Limited	Interest in controlled corporation	428,000,000 *(Note f)*	23.89%
Mr. Dai Xiaolin	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 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 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 Easy Beauty Limited, Artemis Delight 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.

(g) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2020 has been used for the calculation of the approximate percentage.

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

Changes in information of the Directors since the date of the 2019 annual report of the Company are set out below:

Mr. Chan Fan Shing, an independent non-executive Director, was appointed as an executive director of Tycoon Group Holdings Limited effective on 8 October 2018. Tycoon Group Holdings Limited is a company the shares of which were first listed on the Main Board of the Stock Exchange (stock code: 3390) on 15 April 2020.

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

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control and risk management systems of the Group. As at the date of this report, the Audit Committee comprises all independent non-executive Directors, namely Mr. Chan Fan Shing, Professor Jin Xiaofeng and Mr. Chen Gang. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2020 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 2020 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 27 August 2020