TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

Annual 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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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8 Fleming Road
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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 1 Junzhi Road
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Science & Technology
Yixing City
Jiangsu Province
PRC

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

INVESTOR RELATIONS

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

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

LCH Lawyers LLP *(as to Hong Kong laws)*

CORPORATE INFORMATION

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

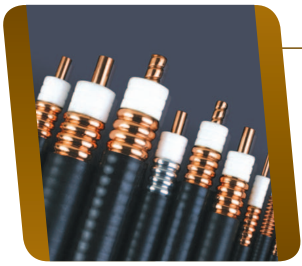
Trigiant Group Limited and its subsidiaries (collectively the "Group") is one of the leading manufacturers in the People's Republic of China ("PRC" or "China") engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible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

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

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

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

SUMMARY OF MAJOR PRODUCTS



FEEDER CABLE SERIES

(a) Feeder cables

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

(b) Leaky cables

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

OPTICAL FIBRE CABLE SERIES AND RELATED PRODUCTS

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

FLAME-RETARDANT FLEXIBLE CABLE SERIES

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

NEW-TYPE ELECTRONIC COMPONENTS

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

OTHER ACCESSORIES

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

CHAIRMAN'S STATEMENT

MR. QIAN LIRONG
(Chairman and Group Chief Executive Officer)

Dear valued shareholders,

On behalf of the board ("Board") of directors ("Directors") of Trigiant Group Limited and its subsidiaries (collectively the "Group"), I present the audited consolidated results of the Group for the year ended 31 December 2020 ("Year").

In 2020, the global economy was overshadowed by the outbreak of the novel coronavirus pandemic ("COVID-19 Pandemic") across the world. On the one hand, the COVID-19 Pandemic resulted in a suspension of industrial activities in the first quarter. However, with the COVID-19 Pandemic brought under control in the PRC, the progress of the industrial activities accelerated, as a result of which, sales in the second quarter successfully rebounded and revenue for the second half of the year exceeded the level of the same period last year. On the other hand, consumer behaviours were extensively affected by the COVID-19 Pandemic, significantly encouraging the popularity of new technologies and applications, including 5G smart medical treatment, 5G remote class, and 5G telecommuting, as well as further deepening the integration of 5G applications with economic and social sectors. The 5G network has taken the lead in the "novel infrastructures" and entered a period of acceleration. As at December 2020, China completed the construction of over 700,000 5G base stations, and achieved continuous coverage in key regions, beating the annual target with approximately 200 million 5G subscribers. Driven by a rapid growing penetration rate, the 5G network gradually evolved from "service availability" to "user-friendly application"[1]. Due to the higher frequency and smaller signal coverage of 5G, miniature base stations will become the mainstream solution for the 5G indoor coverage. Taking advantage of development opportunities arising from the 5G industry, the Company actively and strategically developed miniature base station transmission solutions, while timely following up the relevant bidding projects.

[1] "Eyes on Opportunities from Industrial Applications of 5G Indoor Coverage and Cloud-based Internet of Things" issued by Eastmoney Securities on 23 December 2020

CHAIRMAN'S STATEMENT

SIGNIFICANT SURGE IN THE DEMAND FOR OPTICAL AND ELECTRICAL HYBRID CABLES

As emphasised by the Central Government in March 2020, construction of novel infrastructures, including 5G networks and data centres, should be accelerated. As part of the novel infrastructures comprising the underlying information infrastructures, 5G is perceived as the leading player. In light of the fact that the popularity of 5G technology is directly driven by the coverage rate of base stations, while the progress in constructing macro, miniature, and micro base stations, as well as indoor distribution systems, is facilitated, the Group achieved an outstanding performance in the development of optical and electrical hybrid cables by applying the 5G-based new antenna technology and network implementation techniques. In the future, the Company optimistically believes that construction of miniature base stations will be doubled down and lead to a robust demand for transmission cables. As a result, in terms of quantity and amount, sales of our telecommunication cable products are expected to increase. As for product research and development, the Group continues with its technology upgrading to research and develop new product lines for 5G communications, including "super flexible and low-consumption feeder cables for 5G mobile communication base stations", "optical and electrical hybrid cables for 5G wireless communications micro base stations", and "bow-type hybrid cables for indoor 5G signal coverage", which are aimed at meeting market demands. In doing so, the Group will maintain its competitive strengths.

OUR MILLIMETER-WAVE PRODUCT TEAM TAKING SHAPE DUE TO OUR FIRST MOVER ADVANTAGE

With the 5G construction being accelerated, research and development of the millimeter-wave technology becomes a battleground contested by major market players. Besides a short wavelength, the millimeter-wave technology features transmission of massive data, high frequency and fast transmission, so it is considered as the best way to realise the "big connection" vision of the Internet of Things. Utilising our first-mover advantage, the Group made early and strategic advancement to build a millimeter-wave product team, which starts to take shape. Currently, the Group has a full range of testing and assembly equipment for millimeter-wave products, initially achieving the capacities of design, research and development, and production for millimeter-wave products.

IOT EXPANSION BY LAYING A SOLID FOUNDATION FOR COMMUNICATIONS TECHNOLOGY

The 5G technology enables a significant boost in the peak rate, latency, and traffic volume density of wireless signal transmission, correspondingly resulting in massive commercial applications of Internet of Things (IoT). By tapping into our expertise and experience accumulated from communications technology and sensing devices, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology"), an indirectly wholly-owned subsidiary of the Group, joined 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科技創新聯盟). In the meantime, IoT technologies and related solutions will lay a foundation for smart transportation, smart logistics, smart medical treatment, smart education, smart tourism, and smart cities. In view of these, we will harness the experiences from the National Innovation Alliance of IoT and AI for Forestry Application and build a solid foundation, while gradually exploring the opportunities for its IoT application solutions.

OUTLOOK

According to the Report on the Work of the Government issued in 2020, it is proposed to strengthen the construction of novel infrastructures and develop a new generation of information networks, among which, the 5G construction is included in the Report on the Work of the Government for the second consecutive year. In 2021, China's 5G commercial development remains in a favourable position, as preferential policies will remain effective and construction of base stations will continue to be the highlight of the industrial development. Looking into 2021, the PRC market anticipates the construction of 600,000 macro base stations. As 5G adopts a higher frequency band, the full-range signal coverage sets higher requirements for the density of micro base stations, which in return will result in a significant increase in the demand for our radio frequency transmission and flame-retardant flexible cables and other products. In the meantime, the ultrahigh-speed signal transmission of 5G will lead to a significant uptick in the power usage of base stations, and the transmission system specifications are expected to improve accordingly, driving the product value to new heights. In 2021, operators are expected to phase out the large-scale construction of 4G networks, but the "4G+5G" networks will co-exist for a long time. The 4G network expansion and the low-band refarming networks will bring continuous and stable demand for the main products of the Company. In terms of the customers, in addition to the close collaboration with the three major telecommunications operators, the Group will proactively explore business relationship with major equipment providers as well as China Tower and China Broadcast Network. It is believed that the Group will continue to secure considerable market shares in the 5G development.

As the demand for communications speed and capacity increases, the Group will firmly maintain its pioneering position in the millimeter-wave technology, actively improve product specifications, and strategically shift towards communications technologies with higher frequency bands. The Group's millimeter-wave product team has taken shape. In line with the continuous team expansion, the Group will strengthen its efforts to develop front-end components and sub-systems, including antennas, filters, splitters, which are applied in the millimeter-wave bands. At the same time, the Group will continue to liaise with the research institutes and universities to secure its position as a millimeter-wave forerunner.

In addition to its focus on its core business operation, the Group is actively expanding its industry chain. While constantly expanding into the big data and artificial intelligence sectors, the Group actively explores its strategic presence in the 5G market of upstream devices and related applications. According to the "Notice on Further Promoting the Comprehensive Development of Mobile Internet of Things (《關於深入推進移動物聯網全面發展的通知》)" issued by the Ministry of Industry and Information Technology of the PRC in May 2020, it is necessary to promote the migration and transformation of 2G/3G IoT services. In the future, with the 2G network being phased out, the Cat1 and NB-IoT modules in the industry are expected to grow significantly. Currently, the Group has acquired the 100% equity interest in Trigiant Sensing, which is incorporated into our strategic structure. The Group also has been strategically focusing on the sensing business segment, laying a foundation for IoT applications. In 2021, the Group will continue to strategically develop the IoT segment, by focusing on the core IoT technologies and chip development, actively extending the industry chain and expanding the business layout of the Company.

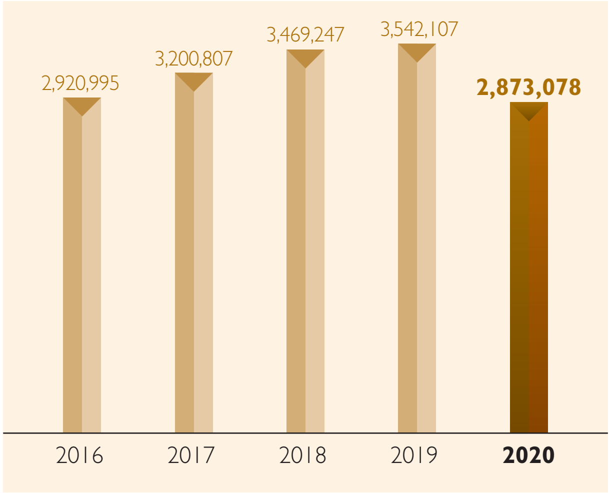
With the rapid development in the communications industry, the Group remains sensitive to the market and researches and develops transmission solutions based on the customers' needs. We will continue to focus on opportunities for expansion into overseas markets while vigorously developing our domestic business. Due to the pandemic impact, the exhibitions that the Group originally planned to attend were postponed to 2021, including specialised communications trade exhibitions in India, Spain, Russia, Singapore and other regions. In 2021, on top of our deepening relationship with our current customer base, the Group will focus on the customer expansion and development in the Southeast Asia, the Middle East, and Americas, while revisiting overseas customers to follow up on orders and maintain customer loyalty and stable customer resources.

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

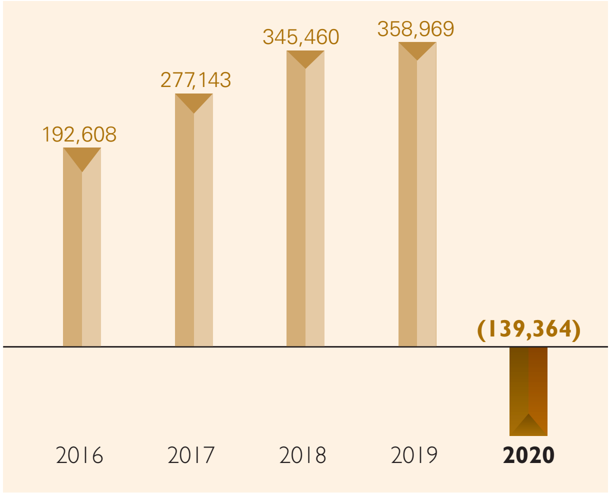
Qian Lirong
Chairman

Hong Kong, 24 March 2021

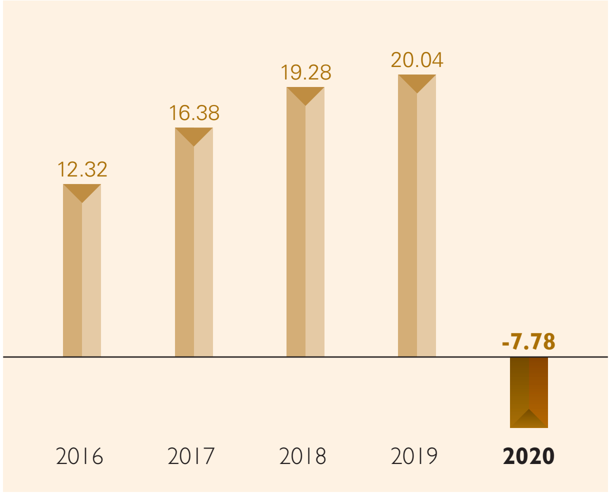
TURNOVER
(RMB'000)



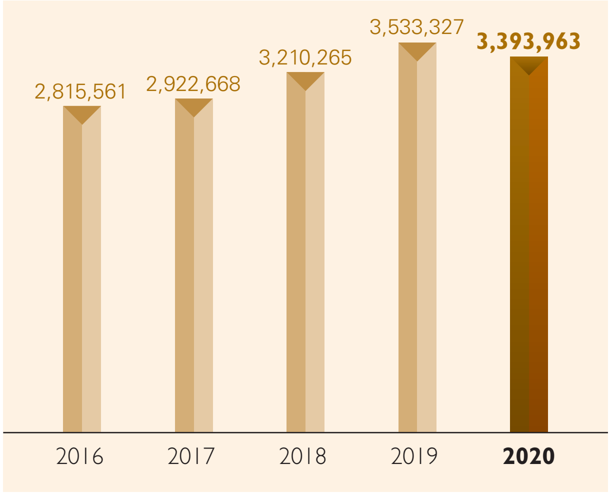
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS/(LOSS) PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



FINANCIAL HIGHLIGHTS

Results performance for the year ended 31 December	2020	2019
Total revenue *(RMB'000)*	**2,873,078**	3,542,107
Revenue of feeder cable series *(RMB'000)*	**1,199,217**	1,517,933
Revenue of optical fibre cable series and related products *(RMB'000)*	**588,867**	1,014,392
Revenue of flame-retardant flexible cable series *(RMB'000)*	**948,050**	817,774
Gross profit *(RMB'000)*	**511,372**	675,696
Gross profit margin	**17.8%**	19.1%
(Loss) profit for the year *(RMB'000)*	**(139,364)**	358,969
Net (loss) profit margin	**(4.9%)**	10.1%
Basic (loss) earnings per share	**RMB(7.78) cents**	RMB20.04 cents
Diluted (loss) earnings per share	**RMB(7.78) cents**	RMB20.04 cents

Liquidity and gearing ratios	2020	2019
Inventories turnover day *(Note 1)*	**22 days**	18 days
Trade and bills receivables turnover day *(Note 2)*	**502 days**	364 days
Trade and bills payables turnover day *(Note 3)*	**59 days**	37 days
Current ratio	**2.5**	2.6
Gearing ratio *(Note 4)*	**18.9%**	20.5%

Operating cash flow and capital expenditure for the year ended 31 December	2020	2019
Net cash from operating activities *(RMB'000)*	**82,514**	297,947
Capital expenditure *(RMB'000)*	**3,429**	4,880

Notes:

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

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

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

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

MARKET REVIEW

Looking back to 2020, despite the economic pressure caused by the outbreak of COVID-19 pandemic ("Pandemic"), the increasing demand for telecommuting, online learning and online entertainment led to an explosive growth in internet traffic of 50% in the PRC during the outbreak as compared to the end of 2019. Since the outbreak, the public's demand for life, work and entertainment has gradually shifted online, and the monthly active users of mobile internet experienced explosive growth a short period of time, exceeding 1.16 billion, according to MobTech. With the coming of the period of large-scale 5G commercialisation in China, the rapid development of 5G commercialisation continues to expand the investment in 5G infrastructure construction, which is conducive to the development of the industry. As disclosed by the Ministry of Industry and Information Technology of the PRC ("MIIT") in November 2020, China has the world's largest 5G network, with 700,000 5G base stations, accounting for nearly 70% in the world, and 180 million terminals connected. In the same month, MIIT issued the band use permit for the use of 5G medium-and-low frequency for a term of 10 years to the three major telecommunications operators, namely, China Mobile, China Unicom and China Telecom, while allowing some of the existing 4G frequency resources to be re-cultivated for 5G application to speed up the large-scale deployment of 5G network. As a supplier of core products for the construction of 5G base stations, the Group offers 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 transmission. In the future, our product sales will benefit from the increasing procurement demand for 5G base station construction.

Due to the higher frequency and the smaller signal coverage of 5G, more micro base stations are required to boost the range. In the 5G era, more than 80% of the data services will take place indoors, and the market prospect of indoor network coverage is promising. According to Dell'Oro's projections, the scale of global micro base station market is expected to reach US$25 billion in 2024, and the total revenue of the global micro base station equipment providers will be 1 to 1.5 times higher than in 2019, which is much higher than the revenue growth of macro base station equipment suppliers. The Group actively lays out micro base station transmission solutions and promptly follows up the relevant tenders. The extension demand for most of the active micro base stations will greatly increase the demand for optical and electrical hybrid cable products of the Group. It is estimated that the demand for transmission cables for each micro base station will be about RMB2,000 to RMB3,000. Given the optimistic prospect of micro base station construction in the future and its strong demand for the transmission cables, the Group's sales volume and amount of communication transmission cable products is expected to increase at the same time.

During the Year, the Group secured the successful bids for 2020 centralised procurement project of China Telecom in respect of power cables and the centralised procurement project of China Mobile and China Unicom in respect of power cables from 2020 to 2021, of which Trigiant Technology, one of the six bid winners of the above project of China Telecom, was awarded 30% and 50% of the tenders of China Telecom and China Unicom, respectively. In addition, the Group also secured the successful bids for the centralised procurement project of China Telecom in respect of outdoor optical fibre cables and distributed antenna system — major centralised procurement project for power cables of China Tower. These successful bids indicated a positive and promising future performance for the Group.

RESULTS ANALYSIS

The global Pandemic has hindered the construction progress of 5G base stations of telecommunications operators in various countries in 2020, which affected the Group's orders and temporarily disrupted the production, upstream and downstream supply chain of the Group. The Pandemic has stabilised in the PRC in the second half of 2020 and the Group's sales has improved significantly as a result. In this regard, the Group's turnover for the second half of 2020 was approximately RMB1,714.6 million, representing an increase of approximately 48.0% as compared to the turnover for the first half of 2020 (approximately RMB1,158.5 million), but the turnover for the Year was still less than that for 2019.

Overall, the turnover decreased by approximately RMB669.0 million to RMB2,873.1 million. The turnover of optical fibre cable series and feeder cable series decreased by approximately RMB425.5 million and RMB318.7 million respectively, and such turnover decrease was partially offset by an increase in turnover of flame-retardant flexible cable series of approximately RMB130.3 million. Due to change in sales mix and a decrease in revenue but the Group had a certain portion of the fixed cost in production, the Group's overall gross profit decreased by approximately 24.3% from approximately RMB675.7 million in 2019 to RMB511.4 million in 2020. The overall gross profit margin was approximately 17.8% in 2020, representing a slight decrease of approximately 1.3 percentage point as compared with 2019. The 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 impairment losses of goodwill and intangible assets of approximately RMB156.5 million (2019: Nil) and RMB92.4 million (2019: Nil) respectively in 2020, and in addition, the Group's impairment losses on trade receivables increased by approximately 256.9% from approximately RMB53.0 million in 2019 to approximately RMB189.2 million in 2020. As such, the Group recorded a loss for the year of approximately RMB139.4 million as compared to a profit for the year of approximately RMB359.0 million for 2019. The Group recorded loss per share of RMB7.78 cents as compared to earnings per share in 2019 of RMB20.04 cents. The Group's operating profit after taxation and before impairment losses for the Year was approximately RMB298.8 million, representing a decrease of 27.5% as compared to the operating profit after taxation and before impairment losses for 2019 of approximately RMB412.0 million.

BREAKDOWN OF TURNOVER BY PRODUCTS

Year ended 31 December	2020 RMB'000	2019 RMB'000	Change RMB'000	Change Percentage
Feeder cable series	**1,199,217**	1,517,933	(318,716)	–21.0%
Optical fibre cable series and related products	**588,867**	1,014,392	(425,525)	–41.9%
Flame-retardant flexible cable series	**948,050**	817,774	130,276	+15.9%
New-type electronic components	**135,653**	191,888	(56,235)	–29.3%
Others	**1,291**	120	1,171	+975.8%
Total	**2,873,078**	3,542,107	(669,029)	–18.9%

Feeder cable series — approximately 41.7% of the total turnover

Due to the impact of the Pandemic on the development progress of mobile communication infrastructure, the sales volume of the Group's feeder cable series products decreased by approximately 27,200 kilometres to approximately 134,800 kilometres in 2020 as compared to that in last year. Therefore, the turnover of feeder cable series decreased by approximately 21.0% to approximately RMB1,199.2 million in 2020 as compared to that in last year. During the Year, the average price of copper, being the main raw materials for the Group's feeder cable series, plummeted in the first half of the year and rebound strongly in the second half of the year, and as a whole, increased by approximately 2.1%. As the Group adopted the cost-plus pricing model for the pricing of its feeder cable series products, the average selling price of the products remained relatively stable overall as a whole. Meanwhile, the gross profit margin decreased by approximately 1.8 percentage point to approximately 18.4% as a result of a decrease in revenue but the Group had a certain portion of the fixed cost in production..

Optical fibre cable series — approximately 20.5% of the total turnover

Due to the impact of the Pandemic on the development progress of mobile communication infrastructure, the turnover of optical fibre cable series products decreased by approximately 41.9% to approximately RMB588.9 million in 2020 as compared to that in last year. Sales volume decreased by approximately 1,506,000 fibre kilometres to approximately 9,328,000 fibre kilometres in 2020 as compared to that in last year. The gross profit margin increased by approximately 0.2 percentage point to approximately 19.0% mainly as a result of change in sales mix.

Flame-retardant flexible cable series — approximately 33.0% of the total turnover

Flame-retardant flexible cable series is another major product of the Group which is mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Despite the impact of the Pandemic, the power usage in 5G base stations has been significantly higher than the existing 4G base stations which increased the demand of customers, the turnover of flame-retardant flexible cable series increased by approximately 15.9% to approximately RMB948.0 million as compared to that in last year. The gross profit margin slightly decreased by 0.7 percentage point to approximately 15.9% as compared to that in last year as the Group actively adjusted its price mix to generate greater profits.

MAJOR CUSTOMER AND SALES NETWORK

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

As at 31 December 2020, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 29 out of the 31 provincial subsidiaries of China Mobile, 29 out of the 31 provincial subsidiaries of China Telecom and 25 out of the 31 provincial subsidiaries of China Tower.

The turnover derived from China Mobile, China Unicom, and China Telecom accounted for approximately 41.4%, 28.6%, and 21.0% of the Group's turnover during the Year, respectively. Besides having close cooperation with the three major telecommunications operators in the PRC, the Group also maintained a good business relationship with other customers. By closely following the latest movements of its business partners, the Group will timely adjust its business strategy.

MARKETING STRATEGY

Leveraging on finance cost advantages to actively support the development of China's telecommunications industry; focusing on expansion of telecommunications business through scientific research capability and winning customer trust with quality

Since the inception of the Group, more than 90% of its annual sales have been made to the three major telecommunications operators in the PRC and (the subsequently established) China Tower. From the 3G and 4G eras to the official kick-off of the era of 5G commercialisation in China in 2019, the Group, as a supplier of base station and communication network construction products including feeder cable, optical and electrical hybrid cables and flame-retardant flexible cables, has been benefiting from China's rapid development of the telecommunications industry in network construction and is one of the key beneficiary enterprises in the industry. In view of the Group's low financing costs with its years of credibility and its understanding that China's telecommunications operators require substantial capital for network construction in the course of their rapid network construction, to promote the efficiency and effectiveness of telecommunications infrastructure construction as well as to provide strong support to the high-quality development of China's telecommunications industry, as part of its marketing strategies, the Group has granted additional credit cycle to the key customers of the Group, being China's three major telecommunications operators and China Tower, in line with the high growth of their network construction, so as to gain market share and maintain a long-term sound cooperative relationship with them. Since the establishment of the Company and up to date, as part of its marketing strategies, the Group generally grants its customers a credit period ranging from 180 days to 360 days, leading to the Group's relatively longer period of turnover days of accounts receivables. In recent years, the turnover days for trade and bills receivables is about one year on average. Meanwhile, the proportion of trade receivables in the total assets of the Group is relatively higher as a result of the said marketing strategy for supporting the network investment of China's three major telecommunications operators and China Tower. With an emphasis on scientific research and development in the telecommunications industry, the Group makes significant annual investment in research and development, and focuses on the sales of telecommunications equipment to improve the competitiveness of the Group. In terms of overseas sales, the Group strives to win the trust of customers with quality, and is highly cautious in handling accounts receivable from overseas customers. It is expected that the Group will maintain the relevant policies in the 5G era, while expanding sales channels of the Group and seeking growth opportunities for business development.

PATENTS, AWARDS AND RECOGNITION

As at 31 December 2020, the Group had obtained 155 patents and developed 206 new products in the PRC.

- The Group was awarded the 2019 5G Technology Leadership Award (2019年度5G技術領先獎) at the "2019 Information and Communication Technology ("ICT") Leaderboard & Excellence Solutions Election (2019年度ICT行業龍虎榜暨優秀解決方案評選)" event held by Communication World Omnimedia (通信世界全媒體).

- In June 2020, according to special planning, Communications Weekly ranked 20 enterprises as shortlisted for the "2020 5G New Infrastructure Pioneer List (2020年5G新基建先鋒榜)" among the major equipment vendors, network construction service providers, optic fibre cable manufacturers and other companies that are registered or whose subsidiaries are registered in the PRC after a comprehensive assessment in terms of technology research and development and innovation capabilities, market leadership and industry development potential. The Group is one of 20 enterprises on the list.

PROSPECTS AND FUTURE PLANS

Driven by the new infrastructure policy in 2020, the three major telecommunications operators in the PRC have invested RMB180 billion in 5G network construction. Over the six years from the issuance of 4G licenses in 2013, the three major telecommunications operators have invested approximately RMB830 billion in the construction of 4G networks. As the number of base stations required for 5G networks is more than that of 4G and the construction cost for each base station is higher, it is expected that the three major telecommunications operators will continue to make large investment in the next 4 to 5 years to achieve full coverage of 5G networks nationwide. According to the China Academy of Information and Communications Technology, it is expected that the investment in 5G network construction in the PRC will accumulate to RMB1.2 trillion by 2025. The Forward-Looking Industry Research Institution (前瞻產業研究院) predicts that the number of 5G macro base stations in the PRC in the next decade will be approximately 5 million to 6 million in total, representing approximately 1 to 1.2 times that of 4G base stations. According to the news press conference of the State Council Information Office held on 26 January 2021, China aims to build 600,000 5G base stations in 2021. Due to the high-power and high-frequency characteristics of 5G, a large number of micro base stations and macro base stations are required for continuous coverage and indoor shallow coverage. In view of the vast market space for 5G base stations, the Group, as a leader of communication transmission system segment, will play an important role in the supply chain of base station equipment. Under the 5G wave, the Group will seize 5G infrastructure opportunities and achieve outstanding performance.

Investment in the research and development of 5G related products under national policy promoting 5G infrastructure

In 2020, a crucial year for the development of 5G, "the acceleration of the pace of 5G commercialisation" has been repeatedly stated at the meeting of the Political Bureau of the Central Committee of the Communist Party of China and Executive Meetings of the State Council and in the relevant documents, reflecting the importance the government attaches to 5G infrastructure. The Group continues to develop new products and new applications. Due to characteristics of large bandwidth, high speed and low latency, the millimeter-wave spectrum is the next evolution direction for important 5G technology. As the millimeter-wave application is one of the research and development priorities, the Group has established a millimeter-wave technical team, and acquired a full set of millimeter-wave product testing and assembly equipment, to initially possess the design, research and development and production capacities of millimeter-wave products. In line with the continuous expansion of the technical team, the Group will be able to produce front-end components and sub-systems (whether active or passive), including antennas, filters, splitters, which are applied in the millimeter-wave bands. At the same time, the Group will continue to liaise with the research institutes and universities to secure its position as a millimeter-wave forerunner. In addition, the Group continues with its technology upgrading to research and develop new product lines for 5G communications, including "super flexible and low-consumption feeder cables for 5G mobile communication base stations", "optical and electrical hybrid cables for 5G wireless communications micro base stations", and "bow-type hybrid cables for indoor 5G signal coverage". The Group will strive to promote the development of the communications industry. In addition to the in-depth research and development of millimeter-wave products, the Group will carry out the 6G development plan, research and develop related products applicable to 6G application scenarios, to further enhance its competitive advantage, and establish its solid position in the industry.

Orderly development of the Internet of Things ("IoT") business

According to the 2020 Mobile Economy Report published by GSMA, the total IoT connections worldwide is expected to reach 24.6 billion by 2025, with a compound annual growth rate of 21.4% from 2019 to 2025, among which, China will account for 30% of the global IoT connections. The PRC's IoT connections is expected to reach 8.01 billion by 2025, most of which will come from the industrial market. The deployment of 5G networks will provide a strong driving force for the economic improvement of the IoT industry, and the sectors of smart industry, intelligent transportation, intelligent health and smart energy are likely to become the fastest growing areas of industrial Internet of Things connections. 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科技創新聯盟), which is jointly established by the Group, the Research Institute of Forest Resources Information Technique (中國林業科學研究院資源資訊研究所) and China Telecom Wuxi Branch)中國電信無錫分公司), will seek to promote the development of basic theories and innovative applications in the forestry and grassland IoT and AI technology industries, laying a solid foundation for the Group's diversified development.

Expansion to reach new customers

In addition to continuing to strengthen the cooperation with the three major telecommunications operators and China Broadcasting Network Corporation Ltd ("China Broadcasting"), 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. In October 2020, China Broadcasting was admitted as the fourth telecommunications operator. As a new operator with 700MHz high-quality spectrum resources, China Broadcasting will further promote the construction of 5G networks. The Group will actively participate in the tenders of China Broadcasting, to further expand its sales network. By capitalising on the advanced technology research and development capabilities, outstanding service quality and advantages of its products, the Group is well-positioned to expand to the new customer base and maintain cooperative relationship with its major customers and increase the proportion of supply in the cooperation.

Overseas development plan

Due to the complete or partial lockdown in many countries around the world as a result of the ongoing Pandemic abroad, some of the specialised communications trade exhibitions that the Group had originally planned to attend in various regions, such as India, Spain, Russia, Singapore, Dubai, and Mexico, have been postponed to 2021. On top of maintaining existing customers, the Group will focus on the customer expansion and development in the Southeast Asia, the Middle East, and the Americas to expand its business footprint with the expansion of new markets in Qatar, India, Singapore and Malaysia. Despite the global impact of the Pandemic in 2020, the construction of 5G industry still recorded a growth against the economy downtrend. By capitalising on its own product and technology advantages, 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 PERFORMANCE REVIEW

Turnover

Total turnover of the Group decreased by approximately RMB669.0 million, or approximately 18.9%, from approximately RMB3,542.1 million in 2019 to approximately RMB2,873.1 million in 2020. The decrease in turnover was mainly contributed by the decrease in the turnover of optical fibre cable series and related products and feeder cable series products of approximately RMB425.5 million and RMB318.7 million respectively, and such decrease was partially offset by the increase in turnover of flame-retardant flexible cable series of approximately RMB130.3 million, further particulars of which are set out in the section headed "Management discussion and analysis — Breakdown of turnover by products" above.

Overall sales to the three major telecommunications operators in the PRC decreased by approximately RMB610.5 million from approximately RMB3,223.6 million in 2019 to approximately RMB2,613.2 million in 2020.

Cost of goods sold

Cost of goods sold decreased by approximately RMB504.7 million, or approximately 17.6%, from approximately RMB2,866.4 million in 2019 to approximately RMB2,361.7 million in 2020. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 98.6% and 97.7% of the total cost of goods sold in 2019 and 2020 respectively. The decrease in cost of goods sold was in line with the decrease in turnover in 2020.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB164.3 million, or approximately 24.3%, from approximately RMB675.7 million in 2019 to approximately RMB511.4 million in 2020. The overall gross profit margin was approximately 17.8% in 2020, representing a slight decrease of approximately 1.3 percentage point as compared with 2019. The decrease in overall gross profit margin is due to change in sales mix and as a result of a decrease in revenue but the Group had a certain portion of fixed cost in production.

Other income

Other income decreased by approximately RMB4.6 million, or approximately 17.9%, from approximately RMB25.9 million in 2019 to approximately RMB21.3 million in 2020. Such decrease was primarily due to the decrease in interest income from decrease in average bank balance.

Impairment losses

Impairment losses under expected credit loss model, net of reversal, on trade receivables, increased by approximately RMB136.2 million, or approximately 256.9% from approximately RMB53.0 million for 2019 to approximately RMB189.2 million in 2020, mainly due to increase in ageing of trade receivables.

The 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 impairment losses of goodwill and intangible assets of approximately RMB156.5 million (2019: Nil) and RMB92.4 million (2019: Nil) respectively in 2020.

Other loss

The Group recorded other loss of approximately RMB5.7 million in 2020 as compared to other loss of approximately RMB1.9 million in 2019, mainly attributable to an exchange loss of approximately RMB1.9 million recorded in 2019 as compared to an exchange loss of approximately RMB5.7 million recorded in 2020.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB0.2 million, or approximately 0.3%, from approximately RMB60.9 million in 2019 to approximately RMB60.8 million in 2020. Such decrease was mainly benefited by the decrease in travelling expense. During the year, the amortisation of intangible asset amounting RMB19,500,000 was included in selling and distribution costs (2019: RMB17,814,000).

Administrative expenses

Administrative expenses increased by approximately RMB1.2 million, or approximately 2.9%, from approximately RMB42.7 million in 2019 to approximately RMB43.9 million in 2020. Such increase was primarily due to increase in staff cost and legal and professional expenses.

Research and development costs

Research and development costs decreased by approximately RMB1.5 million, or approximately 2.4%, from approximately RMB61.9 million in 2019 to approximately RMB60.4 million in 2020. Such decrease was attributable to the Pandemic which had hindered the research and development progress in the first quarter of 2020.

Finance costs

Finance costs increased by approximately RMB2.0 million, or approximately 3.0%, from approximately RMB64.8 million in 2019 to approximately RMB66.8 million in 2020. Such increase was primarily due to increase in average bank borrowings balances in 2020.

Taxation

The Group recorded a taxation credit of approximately RMB3.7 million for the Year, as compared to taxation charge of RMB57.4 million for 2019. The deferred tax impact on allowance for impairment loss on trade receivable and impairment loss of intangible assets was larger than the PRC Enterprise Income Tax for the Year, therefore the Group recorded a deferred tax credit for the Year. The Group's Enterprise Income Tax arises from its principal subsidiaries in the PRC, which enjoy a reduced Enterprise Income Tax rate of 15% as they are qualified as an High and New Technology Enterprises.

(Loss) profit for the year

As a combined result of the foregoing, the Group recorded a loss for the year of approximately RMB139.4 million for the Year, as compared to a profit for the year of approximately RMB359.0 million for 2019, and a corresponding net loss margin for the Year of approximately 4.9%, as compared to net profit margin for 2019 of approximately 10.1%.

Liquidity, financial resources and capital structure

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

The following table summarises the cash flows for the two years ended 31 December 2020:

	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	82,514	297,947
Net cash generated from investing activities	183,542	96,704
Net cash generated from (used in) financing activities	60,813	(525,665)

As at 31 December 2020, the Group had bank balances and cash and pledged bank deposits of approximately RMB783.3 million and the majority of which were denominated in RMB. As at 31 December 2020, the Group had total bank borrowings of approximately RMB1,425.0 million which were repayable within one year. As at 31 December 2020, approximately RMB440.0 million of the total bank borrowings were variable rate borrowings and approximately RMB985.0 million were fixed rate borrowings. As at 31 December 2020, bank borrowings of approximately RMB1,425.0 million were denominated in RMB.

During the Year, the majority of the Group's transactions were denominated in RMB and the Group did not enter into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging instrument but will consider hedging its foreign currency exposure should the need arise.

Gearing ratio

Gearing ratio of the Group, calculated as total bank borrowings net of pledged bank deposits and bank balances and cash divided by total equity, decreased from approximately 20.5% as at 31 December 2019 to approximately 18.9% as at 31 December 2020. Such decrease was primarily due to the increase in bank balances and cash and pledged bank deposits as at 31 December 2020.

Pledge of assets

As at 31 December 2020, the Group pledged bank deposits of approximately RMB96.3 million (2019: RMB213.2 million) to secure certain credit facilities granted to the Group, those credit facilities include letter of credit and bills factoring.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020.

Employee information

As at 31 December 2020, the Group had a total of 997 full time employees (2019: 919). In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

INVESTMENT IN INVESTMENT PRODUCTS

As at 31 December 2020, the Group held unlisted investment products in an aggregate principal amount of RMB50.0 million ("Investment Products") issued by one bank in the PRC with the anticipated (but not guaranteed) annual rates of return was 3.71% (2019: 3.7% to 4.5%). The investment scope of the Investment Products principally include investments in bank deposits, listed and private debt equities, money market bonds, bond market funds trust plans, asset-backed securities, and other fixed income in asset nature. The Investment Products represented approximately 0.9% of the total assets of the Group as at 31 December 2020.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During the year ended 31 December 2020, the Group had no material acquisition or disposal of subsidiaries or associated companies. Save as disclosed in the section headed "Investment in Investment Products" above, the Group had no significant investments held during the year ended 31 December 2020.

MR. QIAN LIRONG

Executive Director, Chairman and Group Chief Executive Officer

Mr. Qian Lirong, aged 56, is an executive Director, the chairman of the Board and Group Chief Executive Officer and a substantial shareholder of the Company. Mr. Qian is principally responsible for the overall strategic development of the Group's operation as well as overall management of the Group. Mr. Qian joined Trigiant Technology in November 2007. Mr. Qian is also the chairman and general manager of Trigiant Technology and a director of certain subsidiaries of the Company. Mr. Qian is an uncle of Mr. Qian Chenhui and an uncle of Ms. Qian Liqian.

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

Mr. Qian has been awarded numerous awards in the past, including but not limited to, Jiangsu Science and Technology Entrepreneur (江蘇省科技企業家) in 2018, Outstanding Entrepreneur Leadership Award (傑出企業家領馭獎) and Wuxi Top 100 Entrepreneurs (無錫市百名錫商人物) in 2017, Outstanding People in the Fiber Optic Communication Industry in China (中國光纖通信業界優秀人物) and The Third Jiangsu ''Top 100 Stars of Honesty'' (第三屆江蘇省「百名誠信之星」) in 2016, Most Influential Entrepreneurs in Chinese Telecommunication Optical Industry (中國通信光電纜最具影響力企業家) in 2015, Outstanding Leader of PRC Information Industry of the Year (中國信息產業年度領袖人物) in 2012, Chinese Outstanding Entrepreneur (Private Enterprises) (中國優秀民營企業家) in 2010, Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2008, Outstanding People of PRC Information Industry of the Year (中國信息產業年度新銳人物) in 2007, Outstanding Technological Entrepreneur (Private Enterprise) (中國優秀民營科技企業家) by the China Private Enterprise Technology Association (中國民營科技實業家協會) in 2004, Outstanding Worker in High and New Technology Industrialisation (高新技術產業化「先進工作者」) by the Ministry of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2003 and an exemplary worker of Jiangsu Province. Mr. Qian is a senior member of China Institute of Communications, Vice President of the Jiangsu Foreign Investment Enterprise Association (江蘇省外商投資企業協會), a member of the fifth, seventh and eighth Communications Cable Committee (通信線路委員會) of China Institute of Communications, Vice President of Jiangsu Provincial Information Association (江蘇省信息化協會), Vice President of Jiangsu Association of Industrial Economic (江蘇省工業經濟聯合會), Vice President of Jiangsu Enterprises Confederation (江蘇省企業聯合會), Vice President of Jiangsu Province Enterprises Directors Association (江蘇省企業家協會), Vice President of Jiangsu Enterprise Information Association (江蘇省企業信息化協會), Vice President of Yixing Federation of Industry and Commerce (宜興市工商聯), Vice President of Yixing General Chamber of Commerce (宜興市總商會), the representative of the Wuxi Municipal People's Congress of the Communist Party of China for several terms, as well as the member of The Chinese People's Political Consultative Conference of Yixing City Committee and the representative of the Yixing Municipal People's Congress for several terms. Mr. Qian is a director of many education institutions, including Changshu Institute of Technology (formerly known as Changshu Machinery and Industrial Employees' University (常熟市機械工業職工大學)) and Yixing Middle School Jiangsu Province, as well as the chairman of the editorial board of Year Book of China Fiber Optic Communication.

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

MR. QIAN CHENHUI

Executive Director

Mr. Qian Chenhui, aged 35, is an executive Director. Mr. Qian Chenhui joined the Group in March 2011 and has been serving as the general manager of the Investment Securities Department of Trigiant Technology since January 2017 and has been promoted as the group vice general manager of the Company since March 2019. Mr. Qian Chenhui has served as the chairman and general manager of Jiangsu Trigiant Sensing Technology Co., Ltd. (江蘇俊知傳感技術有限公司), a subsidiary of the Company, since June 2019. Mr. Qian Chenhui read Engineering Science at Brasenose College, University of Oxford from October 2006 and obtained a Master degree with Honour in Engineering Science from University of Oxford in June 2011. Mr. Qian is an uncle of Mr. Qian Chenhui and Ms. Qian Liqian, alternate director to Mr. Qian Lirong, is a cousin of Mr. Qian Chenhui.

Mr. XIA BIN

Non-Executive Director

Mr. Xia Bin, aged 44, is a non-executive Director. Mr. Xia has extensive legal in-house experience in corporations and enterprises. Mr. Xia is currently a deputy general manager and secretary of the board of directors of Shenzhen Eternal Asia Supply Chain Management Ltd.* (深圳市怡亞通供應鏈股份有限公司) (''Shenzhen Eternal Asia''), a joint stock company established in the People's Republic of China with limited liability whose shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (stock code: 002183) and the holding company of Eternal Asia (HK) Limited, which owns approximately 16.35% of the issued share capital of the Company as at the date of this report. Mr. Xia is also a director of Yunnan Ben Yuan Payment Management Co., Ltd.* (雲南本元支付管理有限公司), a company principally engaged in internet payment and financial services, since January 2019. Prior to joining Shenzhen Eternal Asia in December 2007, from June 2001 to November 2007, Mr. Xia worked in Joincare Pharmaceutical Group Industry Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600380) where his last position was senior legal officer.

Mr. Xia obtained his qualification as a lawyer in the People's Republic of China in June 2001. Mr. Xia obtained a Bachelor of Law from Luoyang Institute of Technology (now known as Henan University of Science and Technology) in June 1999 and a degree of Master of Law from China University of Political Science and Law in June 2008.

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 52, is an independent non-executive Director. Professor Jin is currently the professor of the Faculty of Information Science and Electrical Engineering, Zhejiang University (浙江大學). From September 2013 to August 2019, Professor Jin was an independent director of Zhongli Sci-Tech Group Co., Ltd (中利科技集團股份有限公司), a company with shares listed on the Shenzhen Stock Exchange. In February 2007, he was appointed as a Doctor of Philosophy supervisor in the Zhejiang University. Between January 2004 and February 2006, Professor Jin worked in Hengtong Group Technology Center (亨通集團技術中心). In July 2005, Professor Jin was appointed as a member of the first Technical Committee of the Optical Transmission Engineering and Technology Center of Jiangsu Province (江蘇省光電傳輸工程技術研究中心第一屆技術委員會). During the period from October 2000 to 2003, Professor Jin worked in Oplink Communications Inc., LightMatix Inc. and Agiltron Inc in the U.S.

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

MR. CHAN FAN SHING
Independent Non-Executive Director

Mr. Chan Fan Shing, aged 44, has extensive experience in auditing, accounting and financial management. From October 2018 to August 2020, Mr. Chan was an executive director of Tycoon Group Holdings Limited (滿貫集團控股有限公司), a Hong Kong-based provider of Proprietary Chinese Medicines, health supplement, skin care, personal care and other healthcare products, the shares of which are listed on the Main Board of the Stock Exchange since April 2020 (stock code: 3390), and a director of Tycoon Asia Pacific Group Limited (滿貫(亞太)集團有限公司). From September 2009 to March 2016, Mr. Chan was the company secretary, financial controller and authorised representative of CPMC Holdings Limited, a leading manufacturer in the PRC packaging industry, the shares of which are listed on the Main Board of the Stock Exchange and a subsidiary of COFCO Corporation (中糧集團), a PRC state-owned conglomerate and a Fortune 500 company. Prior to that, Mr. Chan has been working as senior management in Hong Kong listed companies and international audit firms as auditor. Mr. Chan is an independent non-executive director of Joy City Property Limited (Stock Code: 207) since February 2020, a company the shares of which are listed on the Main Board of the Stock Exchange.

MR. CHEN GANG
Independent Non-Executive Director

Mr. Chen Gang, aged 50, is an independent non-executive Director. He has more than 20 years' experience in investment management. Mr. Chen is an executive partner of Nanjing Daoying Enterprise Management Service Centre (General Partnership)* (南京道盈企業管理服務中心(普通合夥)). He is the executive partner and designated representative of Jiangsu Industrial and Information Property Investment Fund (Limited Partnership)* (江蘇工業和信息產業投資基金(有限合夥)), Jiangsu Huatai Internet Property Investment Fund (Limited Partnership)* (江蘇華泰互聯網產業投資基金(有限合夥)), Jiangsu Huatai Strategic Emerging Property Investment Fund (Limited Partnership)* (江蘇華泰戰略新興產業投資基金(有限合夥)), Yili Suxin Investment Fund Partnership Enterprise* (伊犁蘇新投資基金合夥企業(有限合夥)) and Yili Huatai Ruida Equity Investment Management Partnership (Limited Partnership)* (伊犁華泰瑞達股權投資管理合夥企業(有限合夥)) since March 2016. Mr. Chen is also a general manager of Shengdao (Nanjing) Equity Investment Management Limited* (盛道(南京)股權投資管理有限公司), Yili Huatai Ruida Equity Investment Management Limited* (伊犁華泰瑞達股權投資管理有限公司) and Nanjing Zhiyuan Equity Investment Partnership* (南京致遠股權投資合夥企業(有限合夥)) since March 2016. Mr. Chen is a director of Saferun Group* (薩馳華辰機械(蘇州)有限公司) since March 2017 and is a director of Wuxi Longda Metal Material Co., Ltd.* (無錫隆達金屬材料有限公司) since November 2018.

From August 2016 to August 2019, Mr. Chen was a director of Yijiahe Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 603666).

From October 2011 to February 2016, Mr. Chen worked in Huatai United Securities (華泰聯合證券有限責任公司), a subsidiary of Huatai Securities. Co., Ltd (華泰證券股份有限公司) (''Huatai Securities''), a joint stock company incorporated in the People's Republic of China the H Shares of which have been listed on the Main Board of the Stock Exchange (Stock Code: 6886) and the A Shares of which have been listed on the Shanghai Stock Exchange (Stock Code: 601688), where his last position was managing director. From August 1997 to October 2011, Mr. Chen worked in Huatai Securities where his last position was department manager of investment banking department.

Mr. Chen obtained a Bachelor of Optical Technology in Optical Instrument from Nanjing University of Science and Technology (previously known as Hua Dong Institute of Technology* (華東工學院)) in July 1992. He also obtained a Master of Economics from Nanjing University in June 1997.

MR. LEE YIU WAI WILLIAM
Chief Financial Officer and Company Secretary

Mr. Lee Yiu Wai William, aged 37 is the Chief Financial Officer and Company Secretary of the Company. Mr. Lee is primarily responsible for company secretarial, corporate finance, finance reporting and investor relations management affairs of the Group. Mr. Lee has over 13 years of experience in corporate finance, accounting and auditing. He was a senior manager of PricewaterhouseCoopers before joining the Group in 2017.

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

The board ("Board") of directors ("Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

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

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

The Board considers that save for the deviation from code provision A.2.1 of the CG Code as described in the section headed "Chairman and chief executive officer" of this report, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 December 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry with all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

(I) Board composition

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

During the year ended 31 December 2020 and up to the date of this report, the Board consisted of the following members:

Executive Directors
Mr. Qian Lirong *(Chairman and Group chief executive officer)*
Mr. Qian Chenhui

Non-executive Director
Mr. Xia Bin

Independent Non-executive Directors
Professor Jin Xiaofeng
Mr. Chan Fan Shing
Mr. Chen Gang

Alternate Director to Mr. Qian Lirong
Ms. Qian Liqian

(II) Board meetings

During the year ended 31 December 2020, four board meetings were held. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the board meetings.

(III) Responsibilities of the Board and management

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

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

(IV) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three independent non-executive Directors during the year ended 31 December 2020. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Chan Fan Shing, has extensive experience in auditing, accounting and financial management. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

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

(V) Continuous professional development

During the year ended 31 December 2020, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or attending other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2020.

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

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company during the year ended 31 December 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. With the appointment of Mr. Qian Lirong as the Group chief executive officer with effect from 31 December 2019 upon the retirement of Mr. Jiang Wei, the roles of the chairman and the chief executive officer of the Group is not separated and are performed by the same individual, Mr. Qian Lirong. Mr. Qian Lirong joined the Group in 2007 and, as executive Director and chairman of the Board, is principally responsible for the overall strategic development of the Group's operation as well as overall management of the Group. The Board believes that vesting both the roles of chairman and chief executive officer in the same person can ensure consistent leadership and enables more effective and efficient overall strategic planning for the Group. In addition, the Board is of the view that the balanced composition of executive and non-executive Directors (including the independent non-executive Directors) on the Board and the various committees of the Board (primarily comprising independent non-executive Directors) in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

TERMS OF NON-EXECUTIVE DIRECTORS

Mr. Xia Bin, non-executive Director, was appointed for a term of three years commencing from 1 July 2019.

Professor Jin Xiaofeng, independent non-executive Director, was appointed for a term of three years commencing from 23 August 2020. Mr. Chan Fan Shing, independent non-executive Director, was appointed for a term of three years commencing from 30 September 2018. Mr. Chen Gang, independent non-executive Director, was appointed for a term of three years commencing from 2 December 2019.

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

BOARD COMMITTEES

Audit committee

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

During the year ended 31 December 2020, the audit committee has held four meetings, at which the members of audit committee principally reviewed and discussed with the external auditor of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 December 2019, the interim review scope and process for the Group's results for the six months ended 30 June 2020, the interim results for the six months ended 30 June 2020 and audit scope and process for the Group's annual results for the year ended 31 December 2020 and discussed with the management about the effectiveness of the risk management and assessment, financial reporting process and internal control system, respectively.

Remuneration committee

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

During the year ended 31 December 2020, the remuneration committee has held two meetings, at which the members of remuneration committee principally reviewed and made recommendations on the remuneration agreement, structure and policy for the Directors and senior management. The remuneration committee made recommendation based on performance of the Directors and senior management.

Nomination committee

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

The Board has adopted a board diversity policy to set out the approach to achieve diversity on the Board. According to the Board diversity policy, the Board takes into account various elements of diversity including but not limited to age, gender, cultural and educational background, skills, professional knowledge and industry experience in determining the appointment and reappointment of the Directors and proposed candidates. All Directors appointments are based on meritocracy and due regard is given to the Board's diversity to ensure the Company can obtain the benefits of such diversity. The nomination committee is responsible for the monitoring and review of the policy. During the year ended 31 December 2020, the nomination committee was satisfied with the diversity of the existing Board composition and did not, for the time being, set up any measurable objective regarding board diversity.

During the year ended 31 December 2020, the nomination committee has held one meeting, at which the members of nomination committee principally reviewed and recommended the diversity, structure, size and composition of the Board.

Corporate governance committee

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

During the year ended 31 December 2020, the corporate governance committee has held one meeting, at which the members of the corporate governance committee principally reviewed the policies and practices on the corporate governance adopted by the Company and made recommendation on the necessary revision in response to the changes in the relevant rules and regulations.

NOMINATION POLICY

A director nomination policy ("Nomination Policy") has been adopted by the Board with effect from 1 January 2020 for the purpose of enhancing transparency and accountability of the nomination process of Directors and enabling the Company to ensure the Board has a balance of skills and experience and diversity of perspectives appropriate to the requirements of the Company's business.

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

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

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

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at various meetings held during the year ended 31 December 2020 are set out below:

	Board Meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Corporate governance committee meeting	General meeting
Executive Directors						
Mr. Qian Lirong *(Chairman and Group chief executive officer)*	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Qian Chenhui	4/4	N/A	2/2	N/A	1/1	1/1
Non-executive Director						
Mr. Xia Bin	4/4	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Professor Jin Xiaofeng	4/4	4/4	2/2	1/1	N/A	1/1
Mr. Chan Fan Shing	4/4	4/4	2/2	1/1	1/1	1/1
Mr. Chen Gang	3/4	3/4	N/A	1/1	1/1	1/1

AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the total fees paid/payable in respect of audit and non-audit services provided to the Group by Deloitte Touche Tohmatsu are set out below:

	RMB'000
Audit service	
Audit of the annual consolidated financial statements	1,607
Non-audit services	
Review of the interim consolidated financial statements	380
Internal control review	174
Tax services	62

Directors' and auditor's responsibilities on the financial statements

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

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

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

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

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

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

The Group currently does not have an internal audit function. Nonetheless, the Company has engaged a consulting firm to conduct an annual review of the effectiveness of the internal control system of the Group including making recommendations to enhance the overall internal control system for the year ended 31 December 2020. The internal control review report has been approved by the audit committee and the Board. Based on the internal control review report and its own assessment, the Board considered that the Company's internal control system is adequate and effective and no internal audit function is considered necessary in consideration of the Group's current operation size and organisation structure. The Board has also assessed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget and considered that they are effective and adequate.

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

COMPANY SECRETARY

During the year ended 31 December 2020, the company secretary of the Company was an employee of the Company and the Company did not engage an external service provider as its company secretary. The company secretary took no less than 15 hours of the relevant professional training during the year ended 31 December 2020.

DIVIDEND POLICY

The Board has adopted a dividend policy ("Dividend Policy") in compliance with code provision E.1.5 of the CG Code with effect from 1 January 2020. Declaration and payment of dividends by the Company is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the articles of association of the Company.

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

There are no provisions allowing Shareholders to put forward proposals at the general meeting under the Company's articles of association or under the Companies Act of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

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

The existing articles of association of the Company were adopted by the then sole shareholder of the Company on 28 February 2012. During the year ended 31 December 2020, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 24 March 2021

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Environmental, Social and Governance Report ("ESG Report") of Trigiant Group Limited ("Company") illustrates the Environmental, Social and Governance ("ESG") initiatives, plans and performance of the Company and its subsidiaries (collectively the "Group" or "we"). The Group adheres to the management policies of sustainable ESG development and are committed to handling the Group's ESG affairs effectively and responsibly.

Corporate Philosophy

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

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

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

The ESG Governance Structure

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

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

STAKEHOLDER ENGAGEMENT

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

Types of Stakeholder	Communication Channels	Expectations*
Shareholders/Investors	• Annual general meeting • Annual report and interim report • Announcements and circulars • Investor conferences	• Information disclosure and transparency • Protect shareholders' rights and treat shareholders fairly
Customers	• Customer satisfaction surveys • Customer service centre • Account managers	• Safe and high-quality products • Stable cooperation relationship • Integrity • Business ethics
Suppliers	• Supplier management conferences and activities • On-site supplier auditing and management system	• Long-term cooperation relationship • Honest cooperation, fairness and openness • Information resource sharing • Supply quality • Reduce business risks
Employees	• Employee surveys • Employee communication channels (e.g. suggestion forms and boxes) • Regular management communication and performance appraisals • Staff newsletters and broadcasts • Intranet	• Protection of employees' rights and interests • Comfortable working environment • Career development opportunities and self-realisation • Occupational health and safety
Governments/ Regulators	• Regular meetings • Regular performance reports • Written replies to public consultations • On-site inspection	• Comply with laws and regulations • Pay taxes, operate according to law, accept government supervision and evaluation • Participate in the formulation of industry standards • Promote economic development and employment
Peers and industry chambers of commerce	• Industry conferences and lectures • Industry chambers of commerce conferences	• Experience sharing • Fair competition • Collaboration
Communities, Non-governmental Organisations and Media	• Community investment plan • ESG Report	• Community participation • Social responsibility • Provide employment opportunities

* Stakeholders in all categories may not necessarily respond directly to the questionnaire. The Group collects market data through experts to understand their expectations.

REPORTING SCOPE

The ESG Report covers the overall ESG policy and relevant information of the Group from 1 January 2020 to 31 December 2020 ("Year").

The information disclosed in the ESG Report is limited to the three major subsidiaries of the Group located at the headquarter in the Industrial Park for Environmental Protection Science & Technology, Yixing City, Jiangsu Province, the PRC, namely Jiangsu Trigiant Technology Co. Ltd., Jiangsu Trigiant Optic-Electric Communication Co. Ltd. and Jiangsu Trigiant Sensing Technology Co., Ltd. and the office of the Group's principal place of business in Hong Kong except when otherwise indicated. These three companies are responsible for production and sales, and their volume of sales equals to the revenue of the Group.

REPORTING FRAMEWORK

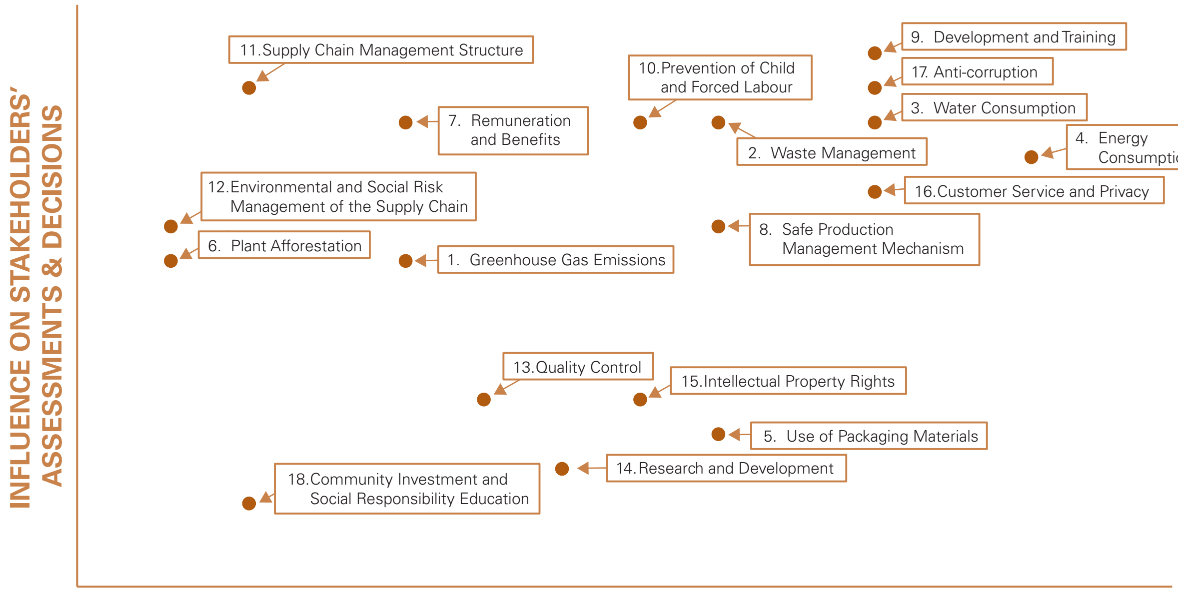
The ESG Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

MATERIALITY ASSESSMENT

The Group values stakeholder's opinion, and identifies and determines material topics included in the Report through feedback from relevant stakeholders. The Group's management and staff in major functions are involved in the preparation of the Report, so to assist the Group in reviewing its operations and identifying the relevant ESG issues, and assess the materiality of those relevant issues to our business and stakeholders. The Group has compiled a survey with open-ended questions in accordance with the identified material ESG issues, and invited various stakeholders to assess the materiality of these issues by enabling them to provide their feedback on the ESG issues of the Group.

The following chart illustrates the materiality matrix compiled by the Group based on the feedback as to the materiality assessment for the Year.

Materiality Matrix



During the Year, the Group confirmed that appropriate and effective management policies and internal control systems for ESG issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

A. ENVIRONMENT

A1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

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

During the Year, the Group was not aware of any material non-compliance with laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, that would have a significant impact on the Group including but not limited to "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Atmosphere Pollution" and "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste" and Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

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

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

Exhaust Gas Emissions

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM), the major source of which are vehicle exhaust gas and the level of relevant gas emissions generated by the Group during production is not material. To reduce the exhaust gas emissions from the abovementioned source, the Group has formulated related policies and implemented various reduction measures.

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

Exhaust Gas Category	2020 Total Emissions (in kilogram)	2019 Total Emissions (in kilogram)
Nitrogen oxides (NO_x)	**17.05**	24.06
Sulphur oxides (SO_x)	**0.44**	0.58
Particulate Matter (PM)	**1.26**	1.77

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

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

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

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

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

Greenhouse Gas Emissions

The Group's Greenhouse Gas ("GHG") emissions are generated from refrigerants, diesel for mobile machinery, gasoline for transportation and natural gas for cooking (Scope 1), purchased electricity (Scope 2), and business travels and paper disposal (Scope 3).

The GHG emissions of the Group were as follows:

Indicator[1]	2020 CO_2e calculated by tonnes	2019 CO_2e calculated by tonnes
Direct GHG emissions (Scope 1)	902.52	1,075.39
Indirect GHG emissions (Scope 2)	6,433.14	7,408.83
Other indirect GHG emissions (Scope 3)[2]	82.70	140.01
Total GHG emissions (Scopes 1, 2 and 3)	7,418.36	8,624.23

During the Year, the average GHG emissions by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre was approximately 22.97 tonnes CO_2e and 0.16 tonnes CO_2e respectively.[3]

Notes:

1. Greenhouse gas emission data are presented in terms of CO_2 equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Carbon Emission Reference Coefficients and Calculation Methods and Formulas issued by the Carbon Emission Trading, and the latest published Baseline Emission Factors for Regional Power Grids in China, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, HK Electric Investments & HK Electric Investments Limited's Sustainability Report 2018 and "Global Warming Potential Values" from the Intergovernmental Panel on Climate Change Fifth Assessment Report.

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

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

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

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

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

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

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

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

Wastewater Discharge

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

To reduce the impacts of domestic wastewater discharge to the environment, we appointed third party testing organisations to monitor the water quality at the discharge outlet to ensure the discharged domestic sewage of our production plant is in compliance with the requirements of the “Wastewater Quality Standards for Discharge to Municipal Sewers”(CJ343-2010).

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

Waste Disposal

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

Hazardous Waste

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

Year	Total waste emissions[4] (kilogram)	Intensity (kilogram/ 1,000 km feeder cable)[3]	Intensity (kilogram/ cable with 1,000 km optical fibre)[3]
2020	412	1.28	0.01
2019	692	1.83	0.02

Note:

4. The consumption of hazardous is approximately 0.412 tonnes in 2020 and 0.692 tonnes in 2019. The 2019 data included waste mineral oil and waste rag, while 2020 data included waste mineral oil and waste activated carbon, so the relevant data cannot be directly compared.

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

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

Non-hazardous Waste

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

Year	Total waste emissions[5] (kilogram)	Intensity (kg/1,000 km feeder cable)[3]	Intensity (kg/cable with 1,000 km optical fibre)[3]
2020	59,073.18	182.92	1.30
2019	59,274.63	156.80	1.57

Note:

5. The consumption of non-hazardous waste is approximately 59.07 tonnes in 2020 and 59.27 tonnes in 2019.

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

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

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

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

A2. Use of Resources

General Disclosures and KPIs

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

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

Energy Consumption

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

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

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

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

The consumption of electricity and other energy by the Group were as follows:

Types of Energy Consumption	**2020 Consumption (kWh)**	2019 Consumption (kWh)
Direct energy	**935,254.90**	1,113,155.48
Natural gas[6]	**179,715.09**	183,083.21
Diesel oil[7]	**466,618.23**	546,456.51
Gasoline[8]	**288,921.58**	383,615.76
Indirect energy		
Electricity	**10,911,023.00**	11,424,827.00
Total energy consumption	**11,846,277.90**	12,537,982.48
Total energy consumption intensity (kWh/1,000 km feeder cable)[3]	**36,681.10**	33,166.80
Total energy consumption intensity (kWh/cable with 1,000 km optical fiber)[3]	**260.29**	331.42

Notes:

6. The consumption of natural gas was approximately 17,183.00 m^3 in 2020 and 17,075.00 m^3 in 2019.

7. The consumption of diesel was approximately 43,596.00 litres in 2020 and 53,697.00 litres in 2019.

8. The consumption of gasoline was approximately 29,812.29 litres in 2020 and 39,697.76 litres in 2019.

Water Consumption

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

The Group's total water consumption during the Year was 67,927 m^3 (2019: 60,890 m^3) and the average water consumption by producing a thousand kilometers of feeder cable and cable with a thousand of optical fibre was approximately 210.33 m^3 (2019: 161.07 m^3) and 1.49 m^3 (2019: 1.61 m^3) respectively.

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

Use of Packaging Materials

The packaging materials used by the Group during the Year included wood and cartons. The total amount of wood used was 53,935 m^3 (2019: 48,069 m^3) and a total of 376,430 cartons (2019: 365,887 cartons) were used. Due to the variety of products, it is unable to calculate the amount of packaging material used per unit product.

A3. The Environment and Natural Resources

General Disclosures and KPIs

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

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

Plant Afforestation

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

The green area, wetland area and landscape lake area of our production site were approximately 72,212 m^2, 19,000 m^2, and 5,000 m^2, respectively, and the total area at our production site was 240,708 m^2 during the Year. In addition, approximately 3,719 trees (2019: 3,667 trees) and approximately 20,000 shrubs of all kinds are grown within our production plant premises.

B. SOCIAL

B1. Employment

General Disclosures and KPIs

People Oriented

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

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). The Group has established relevant personnel management policies to protect the welfare of employees and to enable employees to actively integrate personal pursuits into the long-term development of the Group.

As at 31 December 2020, the Group had a total of 997 (2019: 919 employees), all of them were full time employees.

The information of our employee were as follows:

By Gender

	Number as at 31 December 2020	2020 Percentage	Number as at 31 December 2019	2019 Percentage
Male	**689**	**69.1%**	638	69.4%
Female	**308**	**30.9%**	281	30.6%
	997	**100.0%**	919	100.0%

By Age

	Number as at 31 December 2020	2020 Percentage	Number as at 31 December 2019	2019 Percentage
Aged 25 or below	**179**	**17.9%**	177	19.3%
Aged 26 to 35	**538**	**54.0%**	487	53.0%
Aged 36 to 45	**223**	**22.4%**	184	20.0%
Aged above 46	**57**	**5.7%**	71	7.7%
	997	**100.0%**	919	100.0%

By Educational Level

	Number as at 31 December 2020	2020 Percentage	Number as at 31 December 2019	2019 Percentage
Undergraduate or above	**298**	**29.9%**	240	26.1%
College	**266**	**26.7%**	274	29.8%
Technical junior high	**168**	**16.9%**	151	16.4%
Senior high (vocational school)	**135**	**13.5%**	63	6.9%
Junior high or below	**130**	**13.0%**	191	20.8%
	997	**100.0%**	919	100.0%

By Geographical Area

	Number as at 31 December 2020	**2020 Percentage**	Number as at 31 December 2019	2019 Percentage
Mainland China	**995**	**99.8%**	917	99.8%
Hong Kong	**2**	**0.2%**	2	0.2%
	997	**100.0%**	919	100.0%

Remuneration and Benefits

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

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

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

Recruitment, Promotion and Dismissal

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

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

Equal Opportunity

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

Communication with Employees

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

Work-life Balance

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

B2. Health and Safety

General Disclosures and KPIs

The existing occupational health and safety management systems of the three major subsidiaries of the Group have all complied with GB/T 28001-2011/OHSAS 18001:2007 management system certification, which demonstrates that the Group attaches great importance to the health and safety of its employees and is committed to creating a healthy, safe and comfortable working environment for employees.

During the Year, the Company was not aware of any serious violations of relevant health and safety laws and regulations that caused material impact on the Group, including but not limited to "Labour Law of the People's Republic of China", "Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", "Fire Protection Law of the People's Republic of China" and "The Occupational Safety and Health Ordinance"(Cap. 57 of the Laws of Hong Kong).

Swift Response to the COVID-19 Pandemic (the "Pandemic")

In light of the Pandemic, the Group maintains a vigilant mind to monitor potential impacts on the health and safety of its employees and customers. The Group issued to its employees the notices regarding the "Effective Measures for the Pandemic Prevention and Control" and "Effective Measures for the Pandemic Prevention and Control Adopted for the Cafeterias", to remind its our employees of the importance of maintaining personal hygiene, and implemented the disinfection procedures at the plant facilities and office premises. For the benefits of our employees, the Group established body temperature checkpoints so that only healthy employees are permitted to enter our plant facilities. In addition, the Group regularly distributed masks to our employees and advised our employees to avoid the crowded venues and minimise the frequency of taking public transportation. Furthermore, the employees who return to the staff quarters from hometown are required to carry out quarantine procedures under the supervision of our quarters manager. As for the preventive and control measures adopted for our cafeterias, our employees are required to wear the mask and practice social distancing when entering the cafeterias and waiting in line, and each dining table only serves one individual. On the other hand, food storage shall be in strict compliance with the food sanitation management policies and related systems, and the cafeterias must be disinfected thoroughly on a daily basis to effectively prevent the spread of the Pandemic.

Safe Production Management Mechanism

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

Indicators of Occupational Health and Safety	Unit	2020 Total number	2019 Total number
Numbers of work-related death	person	0	0
Numbers of work-related injuries	person	4	6
Numbers of working days lost due to work-related injuries	day	233.5	144

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

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

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

- Operate the specialised machines and equipment by the licensed specialist operator;

- Employees must comply with all safety and sanitation regulations and wear protective supplies as required and report to their superiors in case of unusual circumstances during the operation;

- Provide physical examinations to employees whenever necessary to ensure that their physical conditions meet position requirements; and

- Provide job safety trainings for employees when their position changes due to different skills required in each post, so as to ensure that they have enough safety knowledge upon reassignments.

Storage of Chemicals

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

B3. Development and Training

General Disclosures and KPIs

Training Management

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

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

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

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

By Gender

	2020 Number of trained employees	2020 %	2019 Number of trained employees	2019 %
Male	689	69.1%	638	69.4%
Female	308	30.9%	281	30.6%
	997	100.0%	919	100.0%

By Employment Type[9]

	2020 Number of trained employees	2020 %
Chief executive	17	1.7%
Technicians	182	18.3%
Administrative staff	79	7.9%
Production staff	538	54.0%
Sales staff	93	9.3%
Logistical staff	88	8.8%

Note:

9. The Group expanded the disclosure of relevant KPIs in the current year and therefore there was no relevant data for 2019.

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

B4. Labour Standards

General Disclosures and KPIs

Prevention of Child Labour and Forced Labour

The Group strictly prohibits the employment of any child labour and forced labour. The Group clearly stipulates in recruitment guidelines that only employees reaching legal working age can be recruited, and that new recruits should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including identity cards to confirm the legal working age requirement is met. At the same time, the Group also avoids the appointment of such vendors and contractors who are known to have engaged in child labour or forced labour in their operations to provide products and services.

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

During the Year, the Group was not aware of any material non-compliance with child labour and forced labour related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the People's Republic of China and the Employment Ordinance of Hong Kong (Cap. 57 of the Laws of Hong Kong).

B5. Supply Chain Management

General Disclosures and KPIs

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

Supply Chain Management Structure

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

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

During the Year, the Group has engaged 259 suppliers in total, comprising 257 PRC suppliers and 2 overseas suppliers. Among the suppliers in PRC, 193 are from Jiangsu Province and 64 are from other provinces and cities. The Group is committed to reducing carbon emissions arising from transportation, the Group will first consider suppliers located in Jiangsu Province during procurement.

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

Environmental and Social Risk Management of the Supply Chain

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

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

Fair Tendering

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

B6. Product Responsibility

General Disclosures and KPIs

The Group recognises the importance of product quality and corporate reputation, we actively monitor the quality of our products and services through internal controls and is committed to producing high quality products that meet industry standards. We also maintain communication with our customers to ensure we understand and meet customers' needs and expectations, while understanding customers satisfaction, so to continuously improve our products and services.

During the Year, the Group was unaware of any material non-compliance with laws and regulations related to health and safety, advertising, labeling and privacy matters and remedies related to products and services that would have a significant impact on the Group, including but not limited to the "Product Quality Law of the People's Republic of China", "Advertising Law of the People's Republic of China", "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China", "Copyright Law of the People's Republic of China", "Law Against Unfair Competition of the People's Republic of China", "Technology Contract Law of the People's Republic of China" and Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong).

Quality Control

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

The Group adopts standardised quality management systems in all production processes, finished product inspections and services. We have set up a professional quality management team for quality management and product control to ensure all relevant standards are met. In addition, we require necessary anti-dust, anti-moisture, anti-fire and anti-explosion measures and other protective measures to be taken to ensure the quality and safety of our supplies. During the Year, the Group did not receive any cases in which the products sold or shipped had to be recalled for safety and health reasons.

Research and Development

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

We have also set up an Engineering and Technology Center to develop products such as broadband green RF cables and high-rate special optical cables for Internet of Thing systems. During the Year, the Group has obtained 155 patents and developed 206 new products. The Group has also obtained a number of honors such as "Advanced Enterprise in Technological Innovation" and "Excellent Enterprise — Leader and Driver". Our innovation and research and development results have been recognised by the industry, our partners and local government.

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

Customer Service and Privacy

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

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

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

Intellectual Property Rights

Over the course of our productions and operations, the Group has established relevant intellectual property management codes in accordance with national and provincial intellectual property laws and regulations, setting out the duties of employees to protect the Group's patent rights, trade secrets and trademarks. In addition, we continue to raise awareness of intellectual property rights protection in accordance with internal regulations. In case of infringement disputes, we will promptly handle and resolve them.

B7. Anti-corruption

General Disclosures and KPIs

The Group believes that a corporate culture of high integrity is the key to its continuous success. Therefore, the Group recognises the importance of anti-corruption work and system establishment. Meanwhile, the Group is committed to creating a fair and honest, open and transparent, standardised and efficient internal management atmosphere. Our employees, in particular our management, are required to regard honesty, trustworthiness and integrity as the most basic code of conduct. During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations related to bribery, extortion, fraud and money laundering, which would have a significant impact on the Group, including but not limited to "Criminal Law of the People's Republic of China", "Anti-Money Laundering Law of the People's Republic of China", "Company Law of the People's Republic of China", "Decision of the Standing Committee of the National People's Congress on Amending the Bidding Law of the People's Republic China and the Metrology Law of the People's Republic China", "Law Against Unfair Competition of the People's Republic of China" and Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong). No concluded legal cases regarding corrupt practices were brought against the Group or its employees during the Year. The Group also provided anti-corruption training to the directors and employees on how to properly address possible conflicts of interest and acceptance of benefits at work.

We continuously update the relevant policies and internal management system for preventing corruption and bribery in accordance with the above laws and regulations, thereby strengthening our employees' awareness of anti-corruption and regulating their behavior. We also signed an integrity self-discipline commitment declaration with the Group's management or above level.

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

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

B8. Community Investment

General Disclosures and KPIs

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

Social Responsibility Education

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

Charity events during the Year include:

- Made a donation of RMB30,000 to Jiangsu Far East Charitable Foundation in January 2020;
- Made a donation of RMB1,000,000 to Yixing Red Cross in February 2020 for the purpose of the prevention and control of COVID-19 pandemic;
- Made a donation of RMB400,000 to Yixing Red Cross in March 2020; and
- Made a donation of RMB100,000 to Yixing Charity Committee (宜興市慈善會) in October 2020.

CONTACT US

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

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources — Energy Consumption, Water Consumption and Use of Packaging Materials
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources — Energy Consumption
KPI A2.2	Water consumption in total and intensity	Use of Resources — Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources — Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources — Water Consumption
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Use of Resources — Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources — Plant Afforestation

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment
KPI B1.1#	Total workforce by gender, employment type, age group and geographical region	Employment — People Oriented
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
KPI B2.1#	Number and rate of work-related fatalities	Health and safety — Safe Production Management Mechanism
KPI B2.2#	Lost days due to work injury	Health and safety — Safe Production Management Mechanism
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training
KPI B3.1#	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Development and Training

Recommended disclosure

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Labour Standards
KPI B4.1#	Description of measures to review employment practices to avoid child and forced labour	Labour standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Management
KPI B5.1#	Number of suppliers by geographical region	Supply Chain Management — Supply Chain Management Structure
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	Product Responsibility
KPI B6.1#	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility — Quality Control
KPI B6.2#	Number of products and service related complaints received and how they are dealt with	Product Responsibility — Customer Service and Privacy
KPI B6.3#	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility — Intellectual Property Rights
KPI B6.5#	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility — Customer Service and Privacy

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
KPI B7.1#	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption
KPI B7.2#	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment
KPI B8.1#	Focus area of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment — Social Responsibility Education
KPI B8.2#	Resources contributed (e.g. money or time) to the focus area	Community Investment — Social Responsibility Education

The board ("Board") of directors ("Directors") of the Company hereby presents this Directors' report together with the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

Particulars of the principal activities of the Company's principal subsidiaries are set out in note 38 of the Notes to the consolidated financial statements of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

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

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

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

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

COMPLIANCE WITH RELEVANT RULES AND REGULATIONS

During the course of the business operations, the Group shall comply with different laws and regulations, including i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; ii) the "Environmental Protection Law of the PRC" governing production activities and the measures implemented in Jiangsu Province under the "Work-Related Injuries Regulations"; and iii) laws that safeguard the intellectual property rights of the Group, such as the "Patent Law of the PRC", the "Trademark Law of the PRC", the "Copyright Law of the PRC", the "Anti-Unfair Competition Law of the PRC", and the "Technology Contract Law of the PRC". For the year ended 31 December 2020, the Group was in strict compliance with these said laws and regulations.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this annual report.

The Directors do not recommend the payment of dividend for the year ended 31 December 2020.

FIVE YEAR FINANCIAL SUMMARY

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

FIXED ASSETS

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2020 are set out in note 14 of the Notes to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year ended 31 December 2020 are set out in note 29 of the Notes to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to Shareholders amounted to approximately RMB1,546,200,000 million.

DONATION

The Group made charitable donations totalling approximately RMB1,537,000 during the year ended 31 December 2020.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report were as follows:

Executive Directors
Mr. Qian Lirong
Mr. Qian Chenhui

Non-executive Director
Mr. Xia Bin

Independent non-executive Directors
Professor Jin Xiaofeng
Mr. Chan Fan Shing
Mr. Chen Gang

Alternate Director to Mr. Qian Lirong
Ms. Qian Liqian

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, each of Professor Jin Xiaofeng and Mr. Chan Fan Shing shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Mr. Qian Lirong, executive Director, has entered into a service agreement with the Company pursuant to which he agreed to act as a Director for a fixed term of three years with effect from 19 March 2021. Mr. Qian Chenhui, executive Director, has entered into a service agreement with the Company pursuant to which he agreed to act as a Director for a fixed term of three years with effect from 31 December 2019.

The non-executive Director has been appointed for a fixed term of three years with effect from 1 July 2019. Professor Jin Xiaofeng, independent non-executive Director, was appointed for a term of three years commencing from 23 August 2020. Mr. Chan Fan Shing, independent non-executive Director, was appointed for a term of three years commencing from 30 September 2018. Mr. Chen Gang. independent non-executive Director, was appointed for a term of three years commencing from 2 December 2019.

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged Directors' and officers' liability insurance throughout the year ended 31 December 2020 to indemnify the Directors and officers for their liabilities arising from their lawful discharge of duties. The insurance coverage and premium is reviewed on an annual basis.

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

EMOLUMENT POLICY

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

The remuneration committee reviews and makes recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management with reference to the market data. Details of the remuneration of the Directors for the year ended 31 December 2020 are set out in note 10 of the Notes to the consolidated financial statements of this annual report.

RETIREMENT BENEFIT SCHEMES

The Group participates in state-managed retirement benefit schemes operated by the PRC government which covers the Group's eligible employees in the PRC and the Mandatory Provident Fund Scheme for the employees in Hong Kong. Please refer to note 35 of the Notes to the consolidated financial statements of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three independent non-executive Directors throughout the year ended 31 December 2020. The Board considers that all the independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Chan Fan Shing has extensive experience in auditing, accounting and financial management. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

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

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

As at 31 December 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 and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest *(Note d)*
Mr. Qian Lirong	Interest in controlled corporation	523,521,750 *(Note a)*	–	523,521,750	29.22%
Professor Jin Xiaofeng	Beneficial owner	–	80,000 *(Note b)*	80,000	0.01%
Mr. Qian Chenhui	Beneficial owner	–	240,000 *(Note b)*	240,000	0.01%

Notes:

(a) These shares are registered in the name of Trigiant Investments Limited ("Trigiant Investments"), a company wholly owned 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) These interests are long position.

(d) The total number of 1,791,500,000 shares of the Company in issue as at 31 December 2020 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2020, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 43.3% (2019: 62.4%) and 76.4% (2019: 77.8%) of the Group's total purchases, respectively.

For the year ended 31 December 2020, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 41.4% (2019: 34.8%) and 95.6% (2019: 94.6%) of the Group's total turnover, respectively.

At all time during the year ended 31 December 2020, none of the Directors or any of their close associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

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

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme ("Share Option Scheme") to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group. Further details of the Share Option Scheme and the share options granted are disclosed in note 31 of the Notes to the consolidated financial statements in this annual report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2020, was the Group or any of the Company's holding companies or subsidiaries of the Company's holding companies a party to any arrangements to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2020.

CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Group, the Company's holding companies or subsidiaries of the Company's holding companies was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in note 34 of the Notes to the consolidated financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 as follows:

LONG POSITIONS

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
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%

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
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 wholly owned 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.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float during the year ended 31 December 2020 and up to the date of this report.

CORPORATE GOVERNANCE

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

USE OF NET PROCEEDS FROM COMPANY'S INITIAL PUBLIC OFFERING

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

Up to 31 December 2020, the net proceeds from the IPO had been utilised in accordance with the plan as stated in the IPO prospectus for the expansion of the sales and distribution network, production capacity and advancement of production facilities of the Group and research and development of new products and upgrading product functions and related technologies, repayment of bank borrowings and for general working capital.

As at 31 December 2020, the remaining net proceeds of approximately RMB22.5 million were deposited with certain licensed financial institutions.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2020. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 24 March 2021

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated statement of financial position and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2020, the Group's net trade receivables amounting to RMB3,983,152,000, which represented approximately 74% of total assets of the Group. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix with appropriate groupings based on debtors' ageing because these customers with common risk characteristics that are representative of the debtors' abilities to pay all amounts due. Estimated loss rates are based on historical observed default rates over the expected life of the debtors taking into consideration of ageing, repayment history and/or past due status, and are adjusted for supportable forward-looking information that is reasonable and supportable available without due costs or effort. As disclosed in note 32 to the consolidated financial statements, the Group recognised an additional amount of RMB189,245,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2020 amounted to RMB603,129,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding the credit risk assessment and impairment assessment process and evaluating on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; and • Challenging management's basis and judgment in determining credit loss allowance on trade receivables as at 31 December 2020, including the reasonableness of management's grouping of the trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical observed default rates and forward-looking information).

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to significant judgments and assumptions required by the management in assessing the impairment of goodwill and intangible assets. As set out in note 4 to the consolidated financial statements, impairment of goodwill and intangible assets is assessed by comparing the recoverable amounts of the cash-generating units to which the goodwill and intangible assets have been allocated and their carrying amounts at the end of the reporting period. Recoverable amounts are the higher of the value in use or fair value less costs of disposal. The value in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating units, with key assumptions including budget sales and gross margin, growth rates and suitable discount rates. During the year ended 31 December 2020, impairment loss of goodwill of RMB156,527,000 is recognised. The carrying amount of goodwill of the Group is nil (net of accumulated impairment loss of RMB156,527,000 at 31 December 2020). During the year ended 31 December 2020, impairment loss of intangible assets of RMB92,366,000 is recognised. The carrying amount of intangible assets is RMB14,543,000 (net of accumulated impairment loss of RMB92,366,000 at 31 December 2020).	Our procedures in relation to evaluating the appropriateness of management's impairment assessment of goodwill and intangible assets included: • Obtaining the valuation reports and understanding the management's cash flow forecasts preparation process and impairment assessment process; • Evaluating the competence, capabilities and objectivity of the valuer; • Evaluating the historical accuracy of the cash flow forecasts by comparing the historical financial forecast against actual performance; • Evaluating the reasonableness of the key assumptions made by the management in determining the value in use of the cash-generating units to which the goodwill and intangible assets is allocated to, including budget sales and gross margin, growth rates and suitable discount rates; and • Working with our internal valuation expert in assessing the appropriateness of the discount rates applied by the management of the Group.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in the independent auditor's report is Lin Sze Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	**2020 RMB'000**	2019 RMB'000
Revenue	*5*	**2,873,078**	3,542,107
Cost of goods sold		**(2,361,706)**	(2,866,411)
Gross profit		**511,372**	675,696
Other income	*6*	**21,289**	25,938
Impairment losses under expected credit loss model, net loss of reversal	*7*	**(189,245)**	(53,019)
Impairment loss of goodwill	*18*	**(156,527)**	–
Impairment loss of intangible assets	*18*	**(92,366)**	–
Other loss	*7*	**(5,746)**	(1,873)
Selling and distribution costs		**(60,750)**	(60,945)
Administrative expenses		**(43,906)**	(42,662)
Research and development costs		**(60,424)**	(61,939)
Finance costs	*8*	**(66,766)**	(64,792)
(Loss) profit before taxation	*9*	**(143,069)**	416,404
Taxation credit (charge)	*11*	**3,705**	(57,435)
(Loss) profit and total comprehensive (expense) income for the year		**(139,364)**	358,969
(Loss) earnings per share	*12*		
— Basic		**RMB(7.78) cents**	RMB20.04 cents
— Diluted		**RMB(7.78) cents**	RMB20.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**207,187**	227,412
Right-of-use assets	*15*	**67,879**	70,582
Intangible assets	*16*	**14,543**	126,409
Goodwill	*17*	**–**	156,527
Equity instruments at fair value through other comprehensive income	*19*	**950**	950
Pledged bank deposits	*23*	**57,222**	–
Deferred tax assets	*28*	**79,522**	62,738
		427,303	644,618
Current assets			
Inventories	*20*	**160,407**	125,108
Trade and other receivables	*21*	**3,998,677**	3,977,935
Other financial assets	*22*	**50,000**	105,000
Pledged bank deposits	*23*	**39,105**	213,225
Bank balances and cash	*23*	**686,988**	360,119
		4,935,177	4,781,387
Current liabilities			
Trade and other payables	*24*	**478,075**	503,664
Bank borrowings	*25*	**1,425,000**	1,297,000
Lease liabilities	*26*	**516**	550
Taxation payable		**42,492**	32,276
		1,946,083	1,833,490
Net current assets		**2,989,094**	2,947,897
Total assets less current liabilities		**3,416,397**	3,592,515
Non-current liabilities			
Lease liabilities	*26*	**93**	603
Government grants	*27*	**1,985**	2,382
Deferred tax liabilities	*28*	**20,356**	56,203
		22,434	59,188
Net assets		**3,393,963**	3,533,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTE	**2020 RMB'000**	2019 RMB'000
Capital and reserves			
Share capital	*29*	**14,638**	14,638
Reserves		**3,379,325**	3,518,689
Total equity		**3,393,963**	3,533,327

The consolidated financial statements on pages 78 to 145 were approved and authorised for issue by the Board of Directors on 24 March 2021 and are signed on its behalf by:

QIAN LIRONG
DIRECTOR

QIAN CHENHUI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company								
	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 *(note c)*	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2019	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 year	–	–	–	–	–	–	–	358,969	358,969
Recognition of equity-settled share-based payment *(note 30)*	–	–	–	–	–	–	670	–	670
Lapse of share options	–	–	–	–	–	–	(10,920)	10,920	–
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	(36,577)	(36,577)
Transfer	–	–	–	55,727	–	–	–	(55,727)	–
At 31 December 2019 and 1 January 2020	**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 year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(139,364)**	**(139,364)**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(4,870)**	**4,870**	**–**
Transfer	**–**	**–**	**–**	**26,940**	**–**	**–**	**–**	**(26,940)**	**–**
At 31 December 2020	**14,638**	**1,509,764**	**101**	**502,038**	**62,947**	**(312,834)**	**3,216**	**1,614,093**	**3,393,963**

Notes:

(a) As stipulated by the relevant laws and regulations in the People's Republic of China ("PRC"), 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.

(c) The other reserve represents the difference of fair value of consideration paid and the amount of non-controlling interests arising from acquisition of additional interests in a subsidiary in 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Operating activities		
(Loss) profit before taxation	**(143,069)**	416,404
Adjustments for:		
Interest income	**(7,022)**	(11,487)
Investment income from other financial assets	**(7,572)**	(8,022)
Finance costs	**66,766**	64,792
Depreciation of property, plant and equipment	**23,679**	26,169
Depreciation of right-of-use assets	**2,653**	2,516
Amortisation of intangible assets	**19,500**	17,814
Impairment losses under expected credit loss model, net of reversal, on trade receivables	**189,245**	53,019
Impairment loss of goodwill	**156,527**	–
Impairment loss of intangible assets	**92,366**	–
Loss on disposal of property, plant and equipment	**14**	1
Release of government grants	**(397)**	(453)
Exchange loss	**5,746**	1,873
Expense recognised in respect of equity-settled share-based payment	**–**	670
Operating cash flows before movements in working capital	**398,436**	563,296
(Increase) decrease in inventories	**(35,299)**	38,269
Increase in trade and other receivables	**(216,222)**	(422,149)
(Decrease) increase in trade and other payables	**(25,691)**	197,236
Cash generated from operations	**121,224**	376,652
PRC Enterprise Income Tax paid	**(38,710)**	(78,705)
Net cash from operating activities	**82,514**	297,947
Investing activities		
Release of pledged bank deposits	**2,685,491**	1,752,636
Redemption of other financial assets	**105,000**	175,000
Investment income received	**7,572**	8,022
Interest received	**7,501**	21,622
New pledged bank deposits placed	**(2,568,593)**	(1,670,696)
Placement of other financial assets	**(50,000)**	(105,000)
Purchase of property, plant and equipment	**(3,429)**	(4,880)
Cash outflow on deferred consideration of acquisition of subsidiaries *(note 24)*	**–**	(80,000)
Net cash from investing activities	**183,542**	96,704

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Financing activities		
New bank borrowings raised	**1,753,000**	1,639,000
Repayment of bank borrowings	**(1,625,000)**	(2,067,206)
Interest on bank borrowings	**(66,654)**	(60,473)
Repayment of lease liabilities	**(484)**	(344)
Interest on lease liabilities	**(49)**	(65)
Dividends paid	**–**	(36,577)
Net cash from (used in) financing activities	**60,813**	(525,665)
Net increase (decrease) in cash and cash equivalents	**326,869**	(131,014)
Cash and cash equivalents at beginning of the year	**360,119**	491,133
Cash and cash equivalents at end of the year, represented by bank balances and cash	**686,988**	360,119

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the 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

Application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

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

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

New and amendments to HKFRSs in issue but not yet effective (CONTINUED)

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation of consolidated financial statements (CONTINUED)

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

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

Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Basis of consolidation (CONTINUED)

Goodwill

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

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

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

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

Revenue from contracts with customers

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

***Revenue from contracts with customers* (CONTINUED)**

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

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the credit period provided to customers upon transfer of the associated goods is less than one year, the Group applies the practical expedient of not adjusting the transaction price for significant financing component, if any.

Leases

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

The Group as a lessee (CONTINUED)

Short-term leases

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. Lease payments on short-term leases are recognised as expense on a straight line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any 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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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 are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Property, plant and equipment

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

Construction in progress include property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Research and development costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Inventories

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (CONTINUED)

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Financial instruments (CONTINUED)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

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

(i) Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9 "Financial Instruments". The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. Customers are assessed for ECL by categorising into receivables fully backed by bank bills and not backed by bank bills. The ECL on trade receivables not backed by bank bills are assessed collectively using a provision matrix with appropriate groupings based on debtors' ageing. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the banks issuing the bank bills.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

Impairment of financial assets (Continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Financial instruments (CONTINUED)

Financial assets (CONTINUED)

<u>Impairment of financial assets</u> (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward- looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, and tries to adjust for forward looking information that is available without undue cost or effort.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Derecognition of financial assets (CONTINUED)

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Taxation (CONTINUED)

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Taxation (CONTINUED)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

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

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

Government grants

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (CONTINUED)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment assessment of trade receivables

The Group estimates the amount of lifetime ECL of trade receivables not backed by bank bills based on provision matrix with appropriate groupings based on debtors' ageing because these customers with common risk characteristics that are representative of the debtors' abilities to pay all amounts due. Estimated loss rates are based on the historical observed default rates over the expected life of the debtors taking into consideration of ageing, repayment history and/or past due status, and are adjusted for supportable forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 32 and 21 respectively.

The carrying amount of trade receivables at 31 December 2020 is RMB3,983,152,000 (2019: RMB3,929,044,000) (net of allowance for impairment losses of trade receivables of RMB603,129,000 (2019: RMB413,884,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment assessment of goodwill, property, plant and equipment, right-of-use assets and intangible assets

Goodwill attributable to two CGUs, are assessed for impairment annually at least. Property, plant and equipment, right-of-use assets and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGUs to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rates and discount rates are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operations.

As at 31 December 2020, the carrying amount of right-of-use assets, property, plant and equipment and intangible assets subject to impairment assessment were RMB11,000,000, RMB50,080,000 and RMB14,543,000 respectively, after taking into account the impairment losses of nil, nil and RMB92,366,000 in respect of right-of-use assets, property, plant and equipment and intangible assets that have been recognised respectively, and goodwill attributed to two CGUs have been fully impaired. Details of the impairment is disclosed in note 18.

5. REVENUE AND SEGMENT INFORMATION

Performance obligations for contracts with customers

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 premises 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 normal credit term is 180 to 360 days upon delivery. 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.

For contracts where the credit period provided to customers upon transfer of the associated goods is less than one year, the Group applies the practical expedient of not adjusting the transaction price for significant financing component, if any.

All sales are provided for periods for one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The information of segment results is as follows:

For the year ended 31 December 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	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue							
— External sales	1,199,217	588,867	948,050	135,653	1,291	–	2,873,078
— Inter-segment sales*	–	24,638	–	1	–	(24,639)	–
	1,199,217	613,505	948,050	135,654	1,291	(24,639)	2,873,078
Cost of goods sold	(978,935)	(501,895)	(797,082)	(107,919)	(514)	24,639	(2,361,706)
Segment result	220,282	111,610	150,968	27,735	777	–	511,372

For the year ended 31 December 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
Revenue							
— External sales	1,517,933	1,014,392	817,774	191,888	120	–	3,542,107
— Inter-segment sales*	–	301,069	–	41,048	–	(342,117)	–
	1,517,933	1,315,461	817,774	232,936	120	(342,117)	3,542,107
Cost of goods sold	(1,211,273)	(1,124,682)	(682,423)	(189,979)	(171)	342,117	(2,866,411)
Segment result	306,660	190,779	135,351	42,957	(51)	-	675,696

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Reportable segment results	**511,372**	675,696
Unallocated income and expenses		
— Other income	**21,289**	25,938
— Impairment losses under ECL model, net of reversal	**(189,245)**	(53,019)
— Impairment loss of goodwill	**(156,527)**	–
— Impairment loss of intangible assets	**(92,366)**	–
— Other loss	**(5,746)**	(1,873)
— Selling and distribution costs	**(60,750)**	(60,945)
— Administrative expenses	**(43,906)**	(42,662)
— Research and development costs	**(60,424)**	(61,939)
— Finance costs	**(66,766)**	(64,792)
(Loss) profit before taxation	**(143,069)**	416,404
Taxation credit (charge)	**3,705**	(57,435)
(Loss) profit for the year	**(139,364)**	358,969

No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

Geographical information

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A	**1,188,105**	1,231,158
Customer B	**820,959**	1,159,958
Customer C	**604,088**	832,509

The three major customers purchased goods from all segments during both years. The group of entities under common control of a reporting entity are considered as a single customer.

6. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grants *(note)*	**6,289**	3,078
Interest income	**7,022**	11,487
Investment income from other financial assets	**7,572**	8,022
Others	**406**	3,351
	21,289	25,938

Note: During the current year, the Group recognised government grants of RMB193,000 in respect of COVID-19-related subsidies, of which RMB86,000 relates to Employment Support Scheme provided by the Hong Kong Government. Included in government grants is also RMB5,699,000 (2019: RMB2,625,000) 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 RMB397,000 (2019: RMB453,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 27.

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

Impairment losses under ECL model, net of reversal include the following:

	2020 RMB'000	2019 RMB'000
Impairment losses on trade receivables, net of reversal	**(189,245)**	(53,019)

Other loss include the following:

Exchange loss	**(5,746)**	(1,873)

Details of impairment assessment on trade receivables are set out in note 32.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	**66,717**	64,238
Interest on lease liabilities	**49**	65
Interest on consideration payable in connection with the acquisition of subsidiaries	**–**	489
	66,766	64,792

9. (LOSS) PROFIT BEFORE TAXATION

	2020 RMB'000	2019 RMB'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**1,783**	2,349
Other staff costs:		
Salaries and other benefits	**84,448**	75,458
Retirement benefit schemes contributions *(note)*	**2,253**	6,578
Share-based payment	**–**	644
Total staff costs	**88,484**	85,029
Less: capitalised in cost of inventories manufactured	**(39,713)**	(39,727)
	48,771	45,302
Amortisation of intangible assets (included in selling and distribution costs)	**19,500**	17,814
Auditor's remuneration	**2,324**	2,395
Cost of inventories recognised as expenses	**2,350,817**	2,850,523
Depreciation of right-of-use assets	**2,653**	2,516
Loss on disposal of property, plant and equipment	**14**	1
Short-term lease payment	**1,040**	1,120
Depreciation of property, plant and equipment	**23,679**	26,169
Less: capitalised in cost of inventories manufactured	**(16,434)**	(17,773)
	7,245	8,396

Note: The decrease in retirement benefit schemes contributions is mainly due to decrease in social insurance contribution in the PRC following the local governments social insurance concession policy due to COVID-19.

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

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

For the year ended 31 December 2020

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. Qian Lirong RMB'000 (note a)	Mr. Qian Chenhui RMB'000 (note c)	Mr. Xia Bin RMB'000 (note d)	Professor Jin Xiaofeng RMB'000	Mr. Chan Fan Shing RMB'000	Mr. Chen Gang RMB'000 (note f)	Total RMB'000
Directors' fee	**104**	**–**	**104**	**78**	**130**	**78**	**494**
Basic salaries and allowances	**943**	**335**	**–**	**–**	**–**	**–**	**1,278**
Retirement benefit schemes contributions	**6**	**5**	**–**	**–**	**–**	**–**	**11**
Share-based payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	1,053	**340**	**104**	**78**	**130**	**78**	**1,783**

For the year ended 31 December 2019

	Executive directors			Non-executive directors		Independent non-executive directors				
	Mr. Qian Lirong RMB'000 (note a)	Mr. Jiang Wei RMB'000 (note b)	Mr. Qian Chenhui RMB'000 (note c)	Mr. Xia Bin RMB'000 (note d)	Dr. Fung Kwan Hung RMB'000 (note e)	Professor Jin Xiaofeng RMB'000	Mr. Chan Fan Shing RMB'000	Mr. Chen Gang RMB'000 (note f)	Ms. Jia Lina RMB'000 (note g)	Total RMB'000
Directors' fee	–	–	–	53	53	80	133	7	73	399
Basic salaries and allowances	1,041	869	–	–	–	–	–	–	–	1,910
Retirement benefit schemes contributions	14	–	–	–	–	–	–	–	–	14
Share-based payment	–	18	–	–	–	4	–	–	4	26
	1,055	887	–	53	53	84	133	7	77	2,349

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

Notes:

(a) Mr. Qian Lirong has been appointed as the chief executive officer of the Company with effect from 31 December 2019 and is also the chairman of the board of directors of the Company. His emoluments disclosed above include those services rendered by him as the chairman of the board of directors of the Company.

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

Mr. Jiang Wei has resigned as an executive director, chief executive officer, chairman of the corporate governance committee and member of the remuneration committee of the board of directors of the Company with effect from 31 December 2019.

(c) Mr. Qian Chenhui was appointed as an executive director, chairman of the corporate governance committee and member of the remuneration committee of the board of directors of the Company with effect from 31 December 2019.

(d) Mr. Xia Bin has been appointed as a non-executive director with effect from 1 July 2019.

(e) Dr. Fung Kwan Hung has resigned as a non-executive director with effect from 1 July 2019.

(f) Mr. Chen Gang was appointed as an independent non-executive director, a member of each of the audit committee, nomination committee and corporate governance committee of the board of directors of the Company with effect from 2 December 2019.

(g) Ms. Jia Lina has resigned as an independent non-executive director, chairman of the remuneration committee, a member of each of the audit committee and nomination committee of the board of directors of the Company with effect from 2 December 2019.

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

Of the five highest paid individuals of the Group, one (2019: two) was the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2019: three) individuals were as follows:

	2020 **RMB'000**	2019 RMB'000
Basic salaries and allowances	**3,267**	2,307
Retirement benefit schemes contributions	**32**	43
	3,299	2,350

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

Their emoluments were within the following bands:

	2020 No. of employees	2019 No. of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	4	3

During the year ended 31 December 2020, no emoluments were paid by the Group to the directors of the Company and any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: nil). None of the directors of the Company has waived any emoluments during both years.

11. TAXATION CREDIT (CHARGE)

The credit (charge) comprises:

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax	**(48,926)**	(69,435)
Deferred taxation credit *(note 28)*	**52,631**	12,000
Taxation credit (charge) for the year	**3,705**	(57,435)

During the year ended 31 December 2020, deferred tax in relation to withholding tax on undistributed earnings of RMB3,245,000 (2019: RMB584,000) is recognised.

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

11. TAXATION CREDIT (CHARGE) (CONTINUED)

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, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the Enterprise Income Tax Law and Article 91 of its Detail Implementation Rules.

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

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred starting from 2018 as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

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

	2020 **RMB'000**	2019 RMB'000
(Loss) profit before taxation	**(143,069)**	416,404
Tax credit (charge) at the applicable income tax rate of 25%	**35,767**	(104,101)
Tax effect on income not taxable for tax purpose	**5,157**	2,189
Tax effect on expenses not deductible for tax purpose	**(53,712)**	(5,836)
Tax effect of tax concession	**18,972**	50,178
Withholding tax on undistributed earnings	**(3,245)**	(584)
Super Deduction for research and development expenses	**1,001**	631
Others	**(235)**	88
Taxation credit (charge) for the year	**3,705**	(57,435)

12. (LOSS) EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
(Loss) earnings		
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(139,364)**	358,969

	2020 '000	2019 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,791,500**	1,791,500

The computation of diluted loss per share does not assume the exercise of the Company's share options for the current year because the exercise price 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 year because the exercise price of those share options was higher than the average market price of the Company's shares.

13. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
2019 final — nil (2018: HK2.3 cents) per share	**–**	36,577

The Board does not recommend final dividend for the year ended 31 December 2020.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2019	199,056	231,916	11,503	8,675	3,371	454,521
Additions	117	255	1,528	444	2,536	4,880
Transfer	–	4,043	204	–	(4,247)	–
Disposals	–	–	(6)	–	–	(6)
At 31 December 2019	199,173	236,214	13,229	9,119	1,660	459,395
Additions	–	408	2,540	–	520	3,468
Transfer	–	283	328	–	(611)	–
Disposals	–	–	(139)	–	–	(139)
At 31 December 2020	**199,173**	**236,905**	**15,958**	**9,119**	**1,569**	**462,724**
DEPRECIATION						
At 1 January 2019	53,592	137,893	6,899	7,435	–	205,819
Provided for the year	9,249	15,853	952	115	–	26,169
Eliminated on disposal	–	–	(5)	–	–	(5)
At 31 December 2019	62,841	153,746	7,846	7,550	–	231,983
Provided for the year	9,139	13,302	1,082	156	–	23,679
Eliminated on disposal	–	–	(125)	–	–	(125)
At 31 December 2020	**71,980**	**167,048**	**8,803**	**7,706**	**–**	**255,537**
CARRYING VALUES						
At 31 December 2020	**127,193**	**69,857**	**7,155**	**1,413**	**1,569**	**207,187**
At 31 December 2019	136,332	82,468	5,383	1,569	1,660	227,412

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

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

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

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	**67,362**	**517**	**67,879**
As at 31 December 2019			
Carrying amount	69,482	1,100	70,582
For the year ended 31 December 2020			
Depreciation charge	**2,120**	**533**	**2,653**
For the year ended 31 December 2019			
Depreciation charge	2,120	396	2,516

	2020 RMB'000	2019 RMB'000
Expense relating to short term leases	**1,040**	993
Other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	**–**	127
Total cash outflow for leases	**1,573**	1,529
Additions to right-of-use assets	**–**	1,467

For both years, the Group leases office premises, staff quarters and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

15. RIGHT-OF-USE ASSETS (CONTINUED)

There are no new lease agreements for the use of leasehold land and leased properties for current year. In prior year, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognised RMB1,467,000 of right-of-use assets and lease liabilities, which constitute non-cash transactions.

The Group regularly entered into short-term leases for staff quarters and warehouse. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short- term leases to which the short-term lease expenses.

Details of the lease maturity analysis of lease liabilities are set out in note 26.

Restrictions or covenants on leases

In addition, lease liabilities of RMB609,000 are recognised with related right-of-use assets of RMB517,000 as at 31 December 2020 (2019: lease liabilities of RMB1,153,000 and related right-of-use assets of RMB1,100,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2019, 31 December 2019 and 31 December 2020	195,005
AMORTISATION AND IMPAIRMENT	
At 1 January 2019	50,782
Provided for the year	17,814
At 31 December 2019	68,596
Provided for the year	19,500
Impairment provided for the year	92,366
At 31 December 2020	180,462
CARRYING VALUES	
At 31 December 2020	14,543
At 31 December 2019	126,409

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

17. GOODWILL

	RMB'000
COST	
At 1 January 2019, 31 December 2019 and 31 December 2020	156,527
IMPAIRMENT	
At 1 January 2019 and 31 December 2019	–
Impairment provided for the year	156,527
At 31 December 2020	**156,527**
CARRYING VALUES	
At 31 December 2020	**–**
At 31 December 2019	156,527

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

For the purpose of impairment testing, goodwill and intangible assets with finite useful lives arising from business combinations set out in notes 17 and 16 have been allocated to the following CGUs:

	Goodwill		Customer relationship	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
— Jiang Mei Limited ("Jiang Mei")	**–**	41,773	**14,543**	60,500
— Rosy Elite Limited ("Rosy Elite")	**–**	114,754	**–**	65,909
	–	156,527	**14,543**	126,409

In addition to goodwill and intangible assets above, certain right-of-use assets and property, plant and equipment with carrying amounts of RMB11,000,000 and RMB50,080,000 respectively that generate cash flows together with the related goodwill and intangible assets are also included in the respective CGUs for the purpose of impairment assessment.

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

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES (CONTINUED)

Jiang Mei

At 31 December 2020 and 31 December 2019, the directors of the Company conducted a review of the carrying value of goodwill and intangible assets with finite useful lives from Jiang Mei with reference to an independent valuation report. 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 (2019: 5 years) and a pre-tax discount rate of 21.2% (2019: 21.0%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% (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. The cash flow projections, growth rate and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

During the year ended 31 December 2020, the management of the Group determined that there was an impairment of RMB41,773,000 of goodwill and RMB33,859,000 of intangible assets relating to the CGU of Jiang Mei (2019: nil). The impairment losses have been included in profit or loss in the impairment loss of goodwill and impairment loss of intangible assets line item separately. Goodwill related to Jiang Mei has been fully impaired and impairment amounting to RMB33,859,000 has been allocated to intangible assets. No impairment had been allocated to right-to-use assets and property, plant and equipment since the amount involved is insignificant. The COVID-19 Pandemic has adversely affected the global economic growth forecast and this CGU's performance in the current year. The actual CGU's performance for the year ended 31 December 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 Jiang Mei the cash flow projections and valuation assumptions were adjusted to reflect a softer outlook of the CGU. Hence the recoverable amount was determined to be lower than the carrying amounts of the assets allocated to this CGU.

For the year ended 31 December 2020, if the discount rate was increased by 0.5%, while other parameters remain constant, the recoverable amount of Jiang Mei would decrease by RMB12,600,000 and a further impairment of intangible assets would be recognised.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES (CONTINUED)

Rosy Elite

At 31 December 2020 and 31 December 2019, the directors of the Company conducted a review of the carrying value of goodwill and intangible assets with finite useful lives from Rosy Elite with reference to an independent valuation report. 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 (2019: 5 years) and a pre-tax discount rate of 22.0% (2019: 20.3%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 2% (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. The cash flow projections, growth rate and discount rate have been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

During the year ended 31 December 2020, the management of the Group determined that there was an impairment of RMB114,754,000 of goodwill and RMB58,507,000 of intangible assets relating to the CGU of Rosy Elite (2019: nil). The impairment losses have been included in profit or loss in the impairment loss of goodwill and impairment loss of intangible assets line item separately. Goodwill related to Rosy Elite has been fully impaired and impairment amounting to RMB58,507,000 has been allocated to intangible assets. No impairment had been allocated to property, plant and equipment since the amount involved is insignificant. The COVID-19 Pandemic has adversely affected the global economic growth forecast and this CGU's performance in the current year. The actual CGU's performance for the year ended 31 December 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 a softer outlook of the CGU. Hence the recoverable amount was determined to be lower than the carrying amounts of the assets allocated to this CGU.

For the year ended 31 December 2020, if the discount rate was increased by 0.5%, while other parameters remain constant, the recoverable amount of Rosy Elite would decrease by RMB3,100,000 and a further impairment of property, plant and equipment would be recognised.

In addition, there is no further impairment recognised for the group of CGUs that includes the carrying amount of corporate assets.

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted equity investments		
Name of investee 江蘇俊知智慧網絡工業有限公司 Jiangsu Trigiant Intelligent Network Co., Ltd, ("Trigiant Intelligent")	**950**	950

At 31 December 2020, the above unlisted equity investments represent 19% (2019: 19%) equity interests in Trigiant Intelligent, which is a private entity established in the PRC. Trigiant Intelligent is principally engaged in the manufacture and sales of automated system and others.

20. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**49,870**	35,831
Work in progress	**24,950**	23,008
Finished goods	**85,587**	66,269
	160,407	125,108

21. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables, net	**3,983,152**	3,929,044
Interest receivables	**4,646**	5,125
Other receivables *(note)*	**2,669**	36,841
Tender deposits	**4,169**	1,770
Prepaid expenses	**2,402**	2,745
Staff advances	**1,639**	2,410
	3,998,677	3,977,935

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

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivables at 31 December 2020 are bills received by the Group of RMB34,445,000 (2019: RMB23,118,000).

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

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

	2020 RMB'000	2019 RMB'000
Age		
0–90 days	**839,438**	629,779
91–180 days	**648,512**	781,738
181–365 days	**647,955**	1,495,108
Over 365 days	**1,847,247**	1,022,419
	3,983,152	3,929,044

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,470,694,000 (2019: RMB1,808,875,000) which are past due as at the reporting date and balance of RMB1,847,247,000 (2019: RMB1,022,419,000) which are past due 90 days or more. Other than the bills received, the Group does not hold any collateral over these balances.

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the long term relationship and continuous business with the Group.

Details of impairment assessment are set out in note 32.

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

	2020 RMB'000	2019 RMB'000
United States dollars ("USD")	**12,789**	14,064

22. OTHER FINANCIAL ASSETS

At 31 December 2020, the Group's other financial assets represent financial products issued by banks, with maturity of 12 months (2019: 6 to 12 months) and expected returns at 3.71% (2019: ranging from 3.65% to 4.45%) per annum. The investments in financial products are classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 31 December 2020 and 2019 because of their short maturities.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2020, the pledged bank deposits carry interest at the prevailing market rate ranging from approximately 1.50% to 3.85% (2019: 1.35% to 3.95%) per annum.

The Group's pledged bank deposits amounting to RMB96,327,000 (2019: RMB213,225,000) have been pledged to secure bills payables and letters of credit issued by the Group and except for the amount of RMB57,222,000 (2019: nil) are classified as non-current assets as the period pledged is longer than one year, the remaining balances are classified as current assets.

At 31 December 2020, bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.01% to 0.35% (2019: 0.01% to 0.35%) per annum.

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

	2020 **RMB'000**	2019 RMB'000
Hong Kong Dollars ("HKD")	**2,277**	2,992
USD	**18,880**	2,210

Details of impairment assessment are set out in note 32.

24. TRADE AND OTHER PAYABLES

	2020 **RMB'000**	2019 RMB'000
Trade payables	**417,256**	450,330
Accrued expenses	**11,710**	13,586
Deposits from suppliers	**14,170**	13,623
Other payables	**8,474**	8,465
Other tax payables	**9,296**	2,469
Payable for acquisition of property, plant and equipment	**1,039**	1,000
Payroll and welfare payables	**16,130**	14,191
	478,075	503,664

Included in the Group's trade payables at 31 December 2020 are bills presented by the Group to relevant creditors of RMB306,981,000 (2019: RMB351,538,000). All bills presented by the Group are aged within 365 days and not yet due at the end of the reporting period.

The consideration payable at 31 December 2018 amounted to RMB80,000,000 had been settled in full during the year ended 31 December 2019.

24. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Age		
0–90 days	**204,509**	88,760
91–180 days	**91,923**	347,303
181–365 days	**120,813**	14,211
Over 365 days	**11**	56
	417,256	450,330

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

	2020 RMB'000	2019 RMB'000
HKD	**285**	328

25. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Unsecured	**1,425,000**	1,297,000
The bank borrowings comprise:		
Variable rate borrowings	**440,000**	992,000
Fixed rate borrowings	**985,000**	305,000

At 31 December 2020, fixed rate bank borrowings carry interests ranging from 3.95% to 4.25% (2019: 4.13% to 4.35%) per annum.

At 31 December 2020, variable-rate RMB denominated bank borrowings carry interests at 100% of the People's Bank of China ("PBOC") rate (2019: 100% of PBOC rate) per annum.

26. LEASE LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities payable		
Within one year	**516**	550
Within a period of more than one year but not more than two years	**93**	603
	609	1,153
Less: Amount due for settlement within 12 months shown under current liabilities	**(516)**	(550)
Amount due for settlement after 12 months shown under non-current liabilities	**93**	603

The weighted average incremental borrowing rates applied to lease liabilities was 4.35% (2019: 4.35%).

27. GOVERNMENT GRANTS

	2020 **RMB'000**	2019 RMB'000
At beginning of the year	**2,382**	2,835
Release to profit or loss for the year	**(397)**	(453)
At the end of the year	**1,985**	2,382

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

28. DEFERRED TAXATION

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

	Fair value adjustment on intangible assets RMB'000	Fair value adjustment on property, plant and equipment RMB'000	Tax on undistributed earnings RMB'000	Allowance for impairment loss of trade receivables RMB'000	Total RMB'000
At 1 January 2019	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	31,470	7,622	17,111	(62,738)	(6,535)
(Credited) charged to profit or loss for the year	(27,968)	(178)	3,245	(27,730)	(52,631)
At 31 December 2020	**3,502**	**7,444**	**20,356**	**(90,468)**	**(59,166)**

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

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**79,522**	62,738
Deferred tax liabilities	**(20,356)**	(56,203)
	59,166	6,535

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the Enterprise Income Tax Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the year have been accrued at the tax rate of 10% (2019: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

At 31 December 2020, no deferred tax liability has been recognised in respect of the undistributed profits amounting to RMB3,151,919,000 (2019: RMB3,014,375,000) as management is of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. 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 31 December 2020	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 31 December 2020	1,791,500,000	17,915,000	14,638

30. 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.

30. SHARE OPTIONS (CONTINUED)

Share option scheme of the Company (CONTINUED)

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

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

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 8,920,000 shares options remained outstanding as at 31 December 2020. The Group recognised a share-based payment expense of approximately RMB670,000 during the year ended 31 December 2019 (2020: nil). In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche vested on 4 July 2015 and 20% of the share options vested on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

For both years ended 31 December 2020 and 2019, no share options were granted, exercised or cancelled under the Scheme.

At 31 December 2020, 8,920,000 shares were issuable under the Scheme (2019: 20,240,000).

30. 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 year 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 year	Balance at 31 December 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	(400,000)	320,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	1,680,000	(720,000)	480,000	1,440,000	(1,120,000)	320,000		
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	(9,400,000)	–	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	10,840,000	(1,200,000)	(240,000)	9,400,000	(800,000)	8,600,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	32,520,000	(13,240,000)	(480,000)	18,800,000	(10,200,000)	8,600,000		
Total	34,200,000	(13,960,000)	–	20,240,000	(11,320,000)	8,920,000		
Weighted average exercise price (in HK$)	3.15	3.15	3.15	3.15	3.15	3.15		

Note: An employee became a director during the prior year.

The options outstanding at the end of the year have a weighted average remaining contractual life of less than one year (2019: less than one year).

31. CAPITAL RISK MANAGEMENT

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

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

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

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at amortised cost	**4,777,905**	4,546,091
Other financial assets	**50,000**	105,000
Equity instruments at FVTOCI	**950**	950
Financial liabilities		
Amortised cost	**1,882,069**	1,784,609

Financial risk management objectives and policies

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Market risk

Interest rate risk

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

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

If interest rates on pledged bank deposits and bank balances had been 5 basis points (2019: 5 basis points) lower and bank borrowings had been 25 basis points (2019: 25 basis points) lower and all other variables were held constant, the Group's post tax loss for the year would have decreased by RMB531,000 (2019: profit for the year increased by RMB1,532,000).

There would be an equal and opposite impact on the post tax loss for the year ended 31 December 2020 where there had been 5 basis points (post tax profit for the year ended 31 December 2019: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (post tax profit for the year ended 31 December 2019: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Currency risk

Substantially all sales are denominated in functional currency of respective group entities.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Market risk (CONTINUED)

Currency risk (CONTINUED)

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

	2020		2019	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
HKD	**2,277**	**285**	2,992	328
USD	**31,669**	**–**	16,274	–

The Group are mainly exposed to currency risk of USD and HKD, relative to the RMB, the functional currency of the relevant group entities. The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, trade and other receivables and trade and other payables.

If the RMB strengthens 5% against the relevant currencies, the post tax loss for the year would have increased (2019: profit for the year decreased) as follows:

	2020 RMB'000	2019 RMB'000
HKD	**75**	100
USD	**1,188**	610

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Market risk (CONTINUED)

Other price risk

At 31 December 2020 and 2019, the Group was exposed to equity price risk in relation to its equity instruments at FVTOCI which are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The Group's equity price risk was mainly concentrated on its equity investment in a PRC local enterprise (details are disclosed in note 19).

At 31 December 2020 and 2019, the Group was exposed to price risk through its investments from other financial assets measured at FVTPL. No sensitivity analysis was presented as the directors of the Company consider that the exposure is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bills receivables is mitigated because settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Credit risk and impairment assessment (CONTINUED)

The Group performed impairment assessment for financial assets. The table below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortised cost			
Other receivables	N/A	**11,484**	43,736
Pledged bank deposits	A	**96,327**	213,225
Bank balances	Baa to Aaa	**686,942**	360,086
Trade receivables backed by bills	N/A	**34,445**	23,118
Trade receivables	N/A	**4,551,836**	4,319,810

Other receivables

For receivables relating to resale of copper materials at 31 December 2019 amounted to RMB34,943,000 (2020: nil), the Group performed impairment assessment under 12m ECL individually. No loss allowance was recognised since they are of good credit quality with reference to respective settlement history. For all other receivables, management of the Group make periodic individual assessment under 12m ECL on the recoverability of other receivables based on historical settlement records and past history. The management of the Group believes that there is no significant increase in credit risk in the Group's outstanding balance of other receivables.

Bank balances and pledged bank deposits

Credit risk on bank balances and deposits is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances and deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Majority of the bank balances and pledged bank deposits are placed in bank with credit ratings ranged from Baa to A. Based on the average loss rates, the 12m ECL on bank balances and deposits is considered to be insignificant.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Credit risk and impairment assessment (CONTINUED)

Trade receivables arising from contracts with customers

The Group's receivables from top three customers which are each a group of subsidiaries known to a reporting entity to be under common control, amounting to RMB3,882,312,000 (2019: RMB3,808,814,000) representing approximately 97.5% (2019: 96.9%) of the total net trade receivables at 31 December 2020. The largest customer, which is a group of subsidiaries known to a reporting entity to be under common control, by itself accounted for approximately 46.6% (2019: 49.7%) of the total net trade receivables at 31 December 2020. For the purpose of ECL assessment, debtors under common control are assessed separately at legal entity level, based on the Group's right to recover the relevant receivables. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the credit history, including default or delay in payments, settlement history and ageing analysis of trade receivables. In addition, the Group performed impairment assessment under ECL model of HKFRS 9. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible as the trade receivables are backed by bank bills issued by banks with high credit rating ranged from Baa to Aaa and accordingly, no loss allowance made in the consolidated financial statements.

For trade receivables not backed by bank bills, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL of trade receivables using a provision matrix based on debtors' ageing.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because these customers consist of various customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. At the end of reporting period, among the total gross amount of trade receivables not backed by bank bills of RMB4,551,836,000 (2019: RMB4,319,810,000), out of RMB116,499,000 (2019: RMB62,687,000) is credit-impaired. The following table provides information about the exposure to credit risk for these trade receivables not backed by bank bills which are assessed based on provision matrix at 31 December 2020 under lifetime ECL.

	2020		2019	
	Weighted average loss rate RMB'000	**Gross carrying amount**	Weighted average loss rate	Gross carrying amount RMB'000
Age				
Within 2 years	**10.2%**	**4,113,319**	6.4%	3,941,208
Over 2 years	**41.5%**	**438,517**	42.4%	378,602
		4,551,836		4,319,810

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without undue cost or effort.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Credit risk and impairment assessment (CONTINUED)

The following table shows the movement in ECL that has been recognised for trade receivables under the simplified approach.

	Trade receivables under lifetime ECL RMB'000
At 1 January 2019	360,865
Impairment losses, net of reversal	53,019
At 31 December 2019	413,884
Impairment losses, net of reversal	189,245
At 31 December 2020	603,129

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

	Past due RMB'000	**Not past due/no fixed repayment terms** RMB'000	**Total** RMB000
2020			
Other receivables	–	11,484	11,484
2019			
Other receivables	–	43,736	43,736

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (CONTINUED)

Liquidity risk

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

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

	Weighted average effective interest rate	Repayable on demand or less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020						
Trade and other payables	–	212,069	245,000	–	457,069	457,069
Bank borrowings						
— variable rate	4.51	49,460	405,475	–	454,935	440,000
— fixed rate	4.37	479,539	532,715	–	1,012,254	985,000
Lease liabilities	4.35	344	344	172	860	609
		741,412	1,183,534	172	1,925,118	1,882,678

	Weighted average effective interest rate	Repayable on demand or less than 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019						
Trade and other payables	–	247,609	240,000	–	487,609	487,609
Bank borrowings						
— variable rate	4.44	179,839	821,033	–	1,000,872	992,000
— fixed rate	4.24	244,459	66,178	–	310,637	305,000
Lease liabilities	4.35	344	344	858	1,546	1,153
		672,251	1,127,555	858	1,800,664	1,785,762

32. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments

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

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

Financial assets	**31 December 2020 RMB'000**	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at 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 FVTPL	**Other financial assets: 50,000**	Other financial assets: 105,000	Level 3	Discounted cash flow

There were no transfers between Level 1, 2 and 3 in both years.

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

	Financial assets at FVTPL RMB'000
At 1 January 2019	175,000
Investment income	8,022
Purchase during the year	100,000
Total proceed on redemption	(178,022)
At 31 December 2019	105,000
Investment income	7,572
Purchase during the year	50,000
Total proceed on redemption	(112,572)
At 31 December 2020	**50,000**

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000 *(note 25)*	Interest payable RMB'000	Lease liabilities RMB'000 *(note 26)*	Dividend payable RMB'000 *(note 13)*	Total RMB'000
At 1 January 2019	1,725,206	5,611	–	–	1,730,817
New lease entered	–	–	1,467	–	1,467
Financing cash flows	(428,206)	(60,473)	(409)	(36,577)	(525,665)
Foreign exchange translation	–	–	30	–	30
Interest expense	–	64,727	65	–	64,792
Dividends declared	–	–	–	36,577	36,577
At 31 December 2019	1,297,000	9,865	1,153	–	1,308,018
Financing cash flows	128,000	(66,654)	(533)	–	60,813
Foreign exchange translation	–	–	(60)	–	(60)
Interest expense	–	66,717	49	–	66,766
At 31 December 2020	**1,425,000**	**9,928**	**609**	**–**	**1,435,537**

34. RELATED PARTY TRANSACTIONS

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

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

35. RETIREMENT BENEFIT SCHEMES

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

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

The total expense recognised in profit or loss of RMB2,264,000 (2019: RMB6,592,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The decrease in retirement benefit schemes contributions is mainly due to decrease in social insurance contribution in the PRC following the local government social insurance concession policy due to COVID-19.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 **RMB'000**	2019 RMB'000
Non-current assets		
Investment in a subsidiary	**785,160**	785,160
Loan to a subsidiary	**81,058**	86,324
	866,218	871,484
Current assets		
Other receivables	**189**	210
Amount due from a subsidiary	**795,862**	812,519
Bank balances	**3,801**	2,543
	799,852	815,272
Current liabilities		
Other payables	**1,663**	1,705
Loan from a subsidiary	**100,233**	99,737
	101,896	101,442
Net current assets	**697,956**	713,830
Net assets	**1,564,174**	1,585,314
Capital and reserves		
Share capital	**14,638**	14,638
Reserves *(note 37)*	**1,549,536**	1,570,676
Total equity	**1,564,174**	1,585,314

37. RESERVES OF THE COMPANY

	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2019	1,509,764	101	18,336	58,010	1,586,211
Profit and total comprehensive income for the year	–	–	–	20,372	20,372
Recognition of equity-settled share-based payment *(note 30)*	–	–	670	–	670
Lapse of share options	–	–	(10,920)	10,920	–
Dividends recognised as distribution *(note 13)*	–	–	–	(36,577)	(36,577)
At 31 December 2019	1,509,764	101	8,086	52,725	1,570,676
Loss and total comprehensive expense for the year	–	–	–	(21,140)	(21,140)
Lapse of share options	–	–	(4,870)	4,870	–
At 31 December 2020	**1,509,764**	**101**	**3,216**	**36,455**	**1,549,536**

38. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/registered capital		Attributable effective equity interest of the Company		Principal activities
		2020	2019	**2020**	2019	
Board Vision Investments Limited	British Virgin Islands ("BVI")	**US$1**	US$1	**100%**	100%	Inactive
China Information Communication Group Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Jiang Mei	BVI	**US$280**	US$280	**100%**	100%	Investment holding
Trigiant Technology*	PRC	**US$80,000,000**	US$80,000,000	**100%**	100%	Manufacture and sales of feeder cable series and related products for mobile communications and telecommunication equipment
Trigiant (HK) Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding and trading
Trigiant Holdings Limited	BVI	**US$1,000**	US$1,000	**100%**	100%	Investment holding
Trigiant Optic-Electric#	PRC	**RMB200,000,000**	RMB200,000,000	**100%**	100%	Research and development, manufacturing and sale of optical fibre, optical cables, special cable services, electronics components and communication equipment

38. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/registered capital		Attributable effective equity interest of the Company		Principal activities
		2020	2019	**2020**	2019	
Trigiant Sensing#	PRC	**RMB5,100,000**	RMB5,100,000	**100%**	100%	Research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronics devices, sensor, micro smart label products and chips
China Sensing Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Rosy Elite	BVI	**US$1**	US$1	**100%**	100%	Investment holding

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

\# Trigiant Optic-Electric and Trigiant Sensing are limited liabilities company established in the PRC.

The voting rights held by the Company over the subsidiaries are same as the respective shareholding in subsidiaries held by the Company.

None of the subsidiaries had issued any debt securities at the end of both years.

FINANCIAL SUMMARY

Results	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Revenue	2,920,995	3,200,807	3,469,247	3,542,107	**2,873,078**
Cost of goods sold	(2,308,791)	(2,573,186)	(2,796,866)	(2,866,411)	**(2,361,706)**
Gross profit	612,204	627,621	672,381	675,696	**511,372**
Other income	28,659	26,630	38,030	25,938	**21,289**
Impairment losses under expected credit loss model, net of reversal	(135,272)	(89,135)	(59,939)	(53,019)	**(189,245)**
Impairment loss of goodwill	–	–	–	–	**(156,527)**
Impairment loss of intangible assets	–	–	–	–	**(92,366)**
Other gains and losses	(13,577)	5,996	(4,589)	(1,873)	**(5,746)**
Selling and distribution costs	(60,663)	(54,698)	(55,126)	(60,945)	**(60,750)**
Administrative expenses	(56,568)	(52,748)	(47,250)	(42,662)	**(43,906)**
Research and development costs	(51,448)	(55,839)	(58,338)	(61,939)	**(60,424)**
Fair value change of warrants	7,604	–	–	–	**–**
Finance costs	(59,804)	(56,543)	(73,580)	(64,792)	**(66,766)**
Profit (loss) before taxation	271,135	351,284	411,589	416,404	**(143,069)**
Taxation (charge) credit	(49,191)	(59,271)	(66,129)	(57,435)	**3,705**
Profit (loss) for the year	221,944	292,013	345,460	358,969	**(139,364)**
Profit (loss) attributable to:					
Owners of the Company	192,608	277,143	345,460	358,969	**(139,364)**
Non-controlling interests	29,336	14,870	–	–	**–**
	221,944	292,013	345,460	358,969	**(139,364)**

Assets and liabilities	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Non-current assets	550,712	519,155	674,670	644,618	**427,303**
Current assets	4,141,129	4,309,005	4,747,607	4,781,387	**4,935,177**
Total assets	4,691,841	4,828,160	5,422,277	5,426,005	**5,362,480**
Current liabilities	1,825,391	1,852,948	2,148,926	1,833,490	**1,946,083**
Non-current liabilities	50,889	52,544	63,086	59,188	**22,434**
Total liabilities	1,876,280	1,905,492	2,212,012	1,892,678	**1,968,517**
Net assets	2,815,561	2,922,668	3,210,265	3,533,327	**3,393,963**