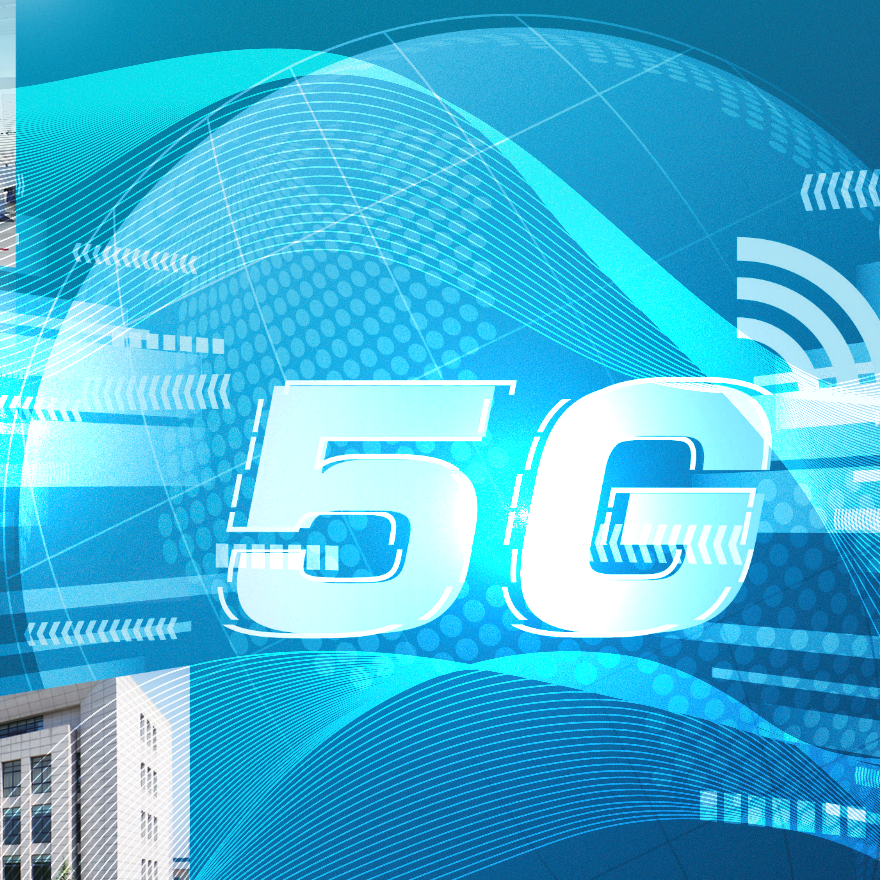
TRIGIANT GROUP LIMITED
俊知集團有限公司*

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



2021
Interim Report

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Xia Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Jin Xiaofeng
Chan Fan Shing
Chen Gang

ALTERNATE DIRECTOR

Qian Liqian *(alternate director to Qian Lirong)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Lee Yiu Wai William

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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Hutchins Drive
P. O. Box 2681
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Cayman Islands

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Hong Kong

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

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Yixing City
Jiangsu Province
PRC

COMPANY WEBSITE

www.trigiant.com.hk

HKEX STOCK CODE

1300

CORPORATE INFORMATION

INVESTOR RELATIONS

Trigiant Group Limited
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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 ADVISERS

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communication
China Citic Bank
Bank of JiangSu
HSBC
OCBC Bank
Postal Savings Bank of China
Standard Chartered Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HIGHLIGHTS

In the first half of 2021, Mainland China has resumed its production following the weakened COVID-19 pandemic. In addition, for the six months ended 30 June 2021 ("2021H1" or "Period"), the Company recorded a significant decrease in impairment losses on trade receivables, net of reversal and there was no impairment loss on goodwill as compared to the six months ended 30 June 2020 ("2020H1").

Interim results for the six months ended 30 June 2021 compared with 2020H1:

- Turnover increased by approximately RMB165.9 million, or approximately 14.3%, to approximately RMB1,324.4 million;
- Gross profit margin decreased by approximately 2.3 percentage points, to approximately 15.6%;
- The Group recorded profit for the Period of approximately RMB52.9 million, as compared to loss for the period in 2020H1 of approximately RMB125.6 million;
- Net profit margin was approximately 4.0% as compared to net loss margin in 2020H1 of approximately 10.8%;
- The Group recorded earnings per share of RMB2.95 cents as compared to loss per share in 2020H1 of RMB7.01 cents; and
- The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2021 (2020H1: Nil).

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below.

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 25, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	NOTES	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,324,369**	1,158,509
Cost of goods sold		**(1,117,645)**	(950,672)
Gross profit		**206,724**	207,837
Other income	*4*	**8,446**	10,514
Impairment losses under expected credit loss ("ECL") model, net of reversal	*5*	**(33,648)**	(136,419)
Impairment loss of goodwill		**–**	(94,307)
Other loss	*5*	**(1,399)**	(3,457)
Selling and distribution costs		**(32,447)**	(29,831)
Administrative expenses		**(21,146)**	(22,126)
Research and development costs		**(30,744)**	(28,764)
Finance costs		**(32,420)**	(33,317)
Profit (loss) before taxation	*6*	**63,366**	(129,870)
Taxation (charge) credit	*7*	**(10,467)**	4,246
Profit (loss) and total comprehensive income (expense) for the period		**52,899**	(125,624)
Earnings (loss) per share	*9*		
— basic		**2.95 cents**	(7.01) cents
— diluted		**2.95 cents**	(7.01) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**198,407**	207,187
Right-of-use assets	*10*	**66,560**	67,879
Intangible assets		**7,271**	14,543
Equity instruments at fair value through other comprehensive income		**950**	950
Pledged bank deposits		**57,400**	57,222
Deferred tax assets	*14*	**86,479**	79,522
		417,067	427,303
Current assets			
Inventories		**189,146**	160,407
Trade and other receivables	*11*	**4,200,054**	3,998,677
Other financial assets		**50,000**	50,000
Pledged bank deposits		**50,369**	39,105
Bank balances and cash		**510,270**	686,988
		4,999,839	4,935,177
Current liabilities			
Trade and other payables	*12*	**466,079**	478,075
Bank borrowings	*13*	**1,445,000**	1,425,000
Lease liabilities		**358**	516
Taxation payable		**35,538**	42,492
		1,946,975	1,946,083
Net current assets		**3,052,864**	2,989,094
Total assets less current liabilities		**3,469,931**	3,416,397
Non-current liabilities			
Lease liabilities		**–**	93
Government grants		**1,786**	1,985
Deferred tax liabilities	*14*	**21,283**	20,356
		23,069	22,434
Net assets		**3,446,862**	3,393,963
Capital and reserves			
Share capital	*15*	**14,638**	14,638
Reserves		**3,432,224**	3,379,325
Total equity		**3,446,862**	3,393,963

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (audited)	**14,638**	**1,509,764**	**101**	**502,038**	**62,947**	**(312,834)**	**3,216**	**1,614,093**	**3,393,963**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,899**	**52,899**
Transfer	**–**	**–**	**–**	**8,897**	**–**	**–**	**–**	**(8,897)**	**–**
At 30 June 2021 (unaudited)	**14,638**	**1,509,764**	**101**	**510,935**	**62,947**	**(312,834)**	**3,216**	**1,658,095**	**3,446,862**
At 1 January 2020 (audited)	14,638	1,509,764	101	475,098	62,947	(312,834)	8,086	1,775,527	3,533,327
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(125,624)	(125,624)
Lapse of share options	–	–	–	–	–	–	(466)	466	–
Transfer	–	–	–	949	–	–	–	(949)	–
At 30 June 2020 (unaudited)	14,638	1,509,764	101	476,047	62,947	(312,834)	7,620	1,649,420	3,407,703

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(155,598)**	(183,011)
Investing activities		
Release of pledged bank deposits	**1,897,668**	623,698
Redemption of other financial assets	**50,000**	55,000
Interest received	**4,287**	4,776
New pledged bank deposits placed	**(1,909,110)**	(526,815)
Investment income received	**920**	2,909
Purchase of other financial assets	**(50,000)**	–
Purchase of property, plant and equipment	**(2,356)**	(1,910)
Net cash (used in) from investing activities	**(8,591)**	157,658
Financing activities		
New bank borrowings raised	**700,000**	919,000
Repayment of bank borrowings	**(680,000)**	(681,000)
Interest paid	**(32,252)**	(33,998)
Interest for lease liabilities	**(13)**	(25)
Repayment of lease liabilities	**(264)**	(278)
Net cash (used in) from financing activities	**(12,529)**	203,699
Net (decrease) increase in cash and cash equivalents	**(176,718)**	178,346
Cash and cash equivalents at beginning of the period	**686,988**	360,119
Cash and cash equivalents at end of the period, represented by bank balances and cash	**510,270**	538,465

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

APPLICATION OF AMENDMENTS TO HKFRSS

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and others for mobile communication and telecommunication equipment. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's 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 "Revenue from Contracts with Customers", 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:

- Flame-retardant flexible cable series
- Feeder cable series
- Optical fibre cable series and related products
- 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 expected credit loss ("ECL") model, net of reversal, impairment loss of goodwill, other loss, selling and distribution costs, administrative expenses, research and development costs, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2021

	Flame-retardant flexible cable series RMB'000	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	593,653	442,157	228,313	58,323	1,923	–	1,324,369
— Inter-segment sales*	–	–	100,182	8,649	–	(108,831)	–
	593,653	442,157	328,495	66,972	1,923	(108,831)	1,324,369
Cost of goods sold	(510,435)	(367,145)	(290,107)	(57,261)	(1,528)	108,831	(1,117,645)
SEGMENT RESULT	83,218	75,012	38,388	9,711	395	–	206,724
Unallocated income and expenses:							
Other income							8,446
Impairment losses under ECL model, net of reversal							(33,648)
Other loss							(1,399)
Selling and distribution costs							(32,447)
Administrative expenses							(21,146)
Research and development costs							(30,744)
Finance costs							(32,420)
Profit before taxation							63,366
Taxation							(10,467)
Profit for the period							52,899

3. TURNOVER AND SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020

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

* 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.

3. TURNOVER AND SEGMENT INFORMATION (continued)

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 People's Republic of China ("PRC" or "China") and substantially all of its non-current assets are also located in the PRC (the place of domicile).

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants *(note)*	**2,216**	2,928
Interest income	**5,103**	4,446
Investment income from other financial assets	**920**	2,909
Others	**207**	231
	8,446	10,514

Note: Included in government grants is RMB2,017,000 (six months ended 30 June 2020: RMB2,730,000) 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 RMB199,000 (six months ended 30 June 2020: RMB198,000), it represents release of government subsidies received for the acquisition of property, plant and equipment.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Impairment losses under ECL model, net of reversal includes the following:		
Impairment losses on trade receivables	**(33,648)**	(136,419)
Other loss includes the following:		
Exchange loss	**(1,399)**	(3,457)

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of intangible assets (including in selling and distribution costs)	**7,272**	8,907
Cost of inventories recognised as expenses	**1,113,148**	946,108
Loss on disposal of property, plant and equipment	**2**	11
Depreciation of right-of-use assets	**1,316**	1,337
Short-term lease payments	**526**	406
Depreciation of property, plant and equipment	**11,102**	12,188
Less: capitalised in cost of inventories manufactured	**(7,569)**	(8,377)
	3,533	3,811

7. TAXATION (CHARGE) CREDIT

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
The (charge) credit comprises:		
PRC Enterprise Income Tax	**(16,497)**	(17,706)
Deferred taxation credit *(note 14)*	**6,030**	21,952
Taxation (charge) credit for the period	**(10,467)**	4,246

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

The following subsidiaries of the Company in the PRC, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology"), 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.*) ("Trigiant Optic-Electric") and 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.*) ("Trigiant Sensing"), were endorsed as High and New Technology Enterprises by relevant authorities in the PRC with last renewal in 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 October 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. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

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

8. DIVIDENDS

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

During the current interim period, the Company did not declare any final dividend in respect of the year ended 31 December 2020 (six months ended 30 June 2020: no final dividend declared in respect of the year ended 31 December 2019).

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Earnings (loss):		
Profit (loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	**52,899**	(125,624)
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**1,791,500,000**	1,791,500,000

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

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

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

During the current interim period, the Group acquired property, plant and equipment of RMB2,324,000 (six months ended 30 June 2020: RMB1,208,000).

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

The Group regularly entered into short-term leases for staff quarters and warehouse. As at 30 June 2021, the portfolio of short-term leases is similar to the portfolio of short term leases as compared to 31 December 2020.

11. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables, net, aged		
0–90 days	**700,893**	839,438
91–180 days	**541,016**	648,512
181–365 days	**1,262,869**	647,955
Over 365 days	**1,675,331**	1,847,247
	4,180,109	3,983,152
Interest receivables	**5,462**	4,646
Other receivables	**1,224**	2,669
Deposits paid to suppliers	**4,614**	4,169
Prepaid expenses	**5,860**	2,402
Staff advances	**2,785**	1,639
	4,200,054	3,998,677

Included in the Group's trade receivables at 30 June 2021 are bills receivables of RMB24,805,000 (31 December 2020: RMB34,445,000).

The Group normally allows a credit period ranging from 180 to 360 days to its customers. An impairment loss under ECL model, net of reversal of RMB33,648,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB136,419,000) has been recognised during the period. As at 30 June 2021, allowance for impairment losses of trade receivables is RMB636,777,000 (31 December 2020: RMB603,129,000).

11. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for expected credit losses:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Balance at the beginning of the period/year	**603,129**	413,884
Impairment losses, net of reversal	**33,648**	189,245
Balance at the end of the period/year	**636,777**	603,129

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,213,103,000 (31 December 2020: RMB2,470,694,000) which are past due as at the reporting date and balance of RMB1,927,905,000 (31 December 2020: RMB1,847,247,000) 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.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables, aged		
0–90 days	**270,517**	204,509
91–180 days	**95,326**	91,923
181–365 days	**50,011**	120,813
Over 365 days	**–**	11
	415,854	417,256
Accrued expenses	**10,079**	11,710
Deposits from suppliers	**13,706**	14,170
Other payables	**10,659**	8,474
Other tax payables	**3,712**	9,296
Payable for acquisition of property, plant and equipment	**1,007**	1,039
Payroll and welfare payables	**11,062**	16,130
	466,079	478,075

Included in the Group's trade payables at 30 June 2021 are bills payables of RMB321,463,000 (31 December 2020: RMB306,981,000) issued by the banks through the Group's credit facilities.

13. BANK BORROWINGS

The bank borrowings are unsecured. During the current interim period, the Group obtained new short-term bank borrowings amounting to RMB700,000,000 (six months ended 30 June 2020: RMB919,000,000) and repaid bank borrowings amounting to RMB680,000,000 (six months ended 30 June 2020: RMB681,000,000). The proceeds were used for daily operation of the Group.

14. DEFERRED TAXATION

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

	Fair value adjustment on intangible assets RMB'000	Fair value adjustment on property, plant and equipment RMB'000	Tax on undistributed earnings RMB'000	Allowance for impairment losses on trade receivables RMB'000	Total RMB'000
At 1 January 2020 (audited)	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 (audited)	3,502	7,444	20,356	(90,468)	(59,166)
(Credited) charged to profit or loss for the period	(1,818)	(90)	927	(5,049)	(6,030)
At 30 June 2021 (unaudited)	1,684	7,354	21,283	(95,517)	(65,196)

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deferred tax assets	**86,479**	79,522
Deferred tax liabilities	**(21,283)**	(20,356)
	65,196	59,166

15. 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 2020, 31 December 2020 and 30 June 2021	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and 30 June 2021	1,791,500,000	17,915,000	14,638

16. SHARE OPTIONS

SHARE OPTION SCHEME OF THE COMPANY

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

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

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

16. SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF THE COMPANY (continued)

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

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 8,920,000 share options remained outstanding as at 30 June 2021. The Group did not recognise any share-based payment expense during the six months ended 30 June 2021 (six months ended 30 June 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 (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

During the current period, no share options were granted, exercised or cancelled under the Scheme (six months ended 30 June 2020: nil).

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

Date of grant	Balance at 1 January 2020	Lapsed during the year	Balance at 31 December 2020 and 30 June 2021	Exercise price	Exercisable period
Granted to directors on					
20 June 2014	720,000	(720,000)	–	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	(400,000)	320,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	1,440,000	(1,120,000)	320,000		
Granted to employees on					
20 June 2014	9,400,000	(9,400,000)	–	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	9,400,000	(800,000)	8,600,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	18,800,000	(10,200,000)	8,600,000		
Total	20,240,000	(11,320,000)	8,920,000		

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	30 June 2021 RMB'000	31 December 2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through other comprehensive income	**Unlisted equity investments: 950**	Unlisted equity investments: 950	Level 3	Share of the net asset values of the financial assets, determined with reference to the fair values of underlying assets and liabilities and adjustments of related expenses, if any.
Financial assets at fair value through profit or loss ("FVTPL")	**Other financial assets: 50,000**	Other financial assets: 50,000	Level 3	Discounted cash flow

There were no transfers between Level 1, 2 and 3 in the current and prior periods.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AT FVTPL

	Financial asset at FVTPL RMB'000
At 1 January 2021 (audited)	**50,000**
Investment income	**920**
Purchase during the period	**50,000**
Total proceeds on redemption	**(50,920)**
At 30 June 2021 (unaudited)	**50,000**
At 1 January 2020 (audited)	105,000
Investment income	2,909
Total proceeds on redemption	(57,909)
At 30 June 2020 (unaudited)	50,000

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

18. PLEDGE OF ASSETS

As at 30 June 2021, the pledged bank deposits of RMB99,000,000 (31 December 2020: RMB86,121,000) have been pledged to secure the bills payables and letters of credit issued by the Group.

In addition, as at 30 June 2021, performance bonds of an aggregate balance of RMB8,769,000 (31 December 2020: RMB10,206,000) were given by banks in favour of the Group's customers as security for the performance and observance of the Group's obligations under the sales contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to the customers to whom the performance guarantees have been given, such customers may demand the bank to pay to them the sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the sales contract. The performance guarantees were granted under letters of guarantees of the Group and were secured by the Group's pledged bank deposits of RMB8,769,000 (31 December 2020: RMB10,206,000). The directors of the Company do not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

19. RELATED PARTY TRANSACTIONS

The Group had no significant transactions and balances with related parties during the period. The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2021, directors' emoluments of RMB684,000 (six months ended 30 June 2020: RMB611,000) were paid or payable to the directors of the Company.

MARKET REVIEW

Looking back at the first half of 2021, with the effective control of the COVID-19 pandemic in China, production activities in the PRC resumed to an orderly and normal track. On the other hand, the COVID-19 pandemic have driven demand to online utilisation, which effectively promoted the cultivation of user habits, and accelerated the traffic growth. As a result, there is an urgent demand for bandwidth enhancement, and capital expenditure of both domestic and foreign cloud manufacturers is on an upward path, driving the demand for traffic network construction. The Group is one of the leading manufacturers in the PRC engaged in research, development, production 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. Revenue for the Period increased by 14.3% year-on-year, the Group recorded earnings for the period as compared to loss for the comparative period benefiting from the overall recovery of the industry. Although the Group's revenue has not yet fully recovered to the pre-pandemic level (first half of 2019: RMB2,104 million) due to the significant increase in raw material prices during the Period, the Group has been actively transferring the increase in raw material prices to its customers through its cost pricing model and believes that with the effective extension of the price transmission mechanism, the Group shall achieve a strong recovery in gross profit in the future.

The "14th Five-Year Plan" is a critical period for the large-scale application of 5G in the PRC. According to the "Economic Performance of the Telecommunications Industry in the First Half of 2021" published by the Ministry of Industry and Information Technology of the PRC, the total number of mobile communication base stations reached 9.48 million by the end of June 2021, representing a net increase of 170,000 over the end of the previous year. Among them, the total number of 4G base stations was 5.84 million, accounting for 61.6%; and the total number of 5G base stations was 961,000, of which 190,000 were newly built in the first half of 2021. 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 a supplier of core products for the construction of 4G and 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 4G and 5G base station construction.

The characteristics of 5G with high speed, large connection and low latency will make most of the 5G services take place indoors. With the accelerated construction of 5G indoor and outdoor base stations by operators, it is predicted that more than 80% of 5G traffic will occur indoors. Miniature base stations can complement the weak coverage areas and blind spots of macro base stations in a targeted manner to ensure signal quality, as they can be flexibly deployed in crowded and building-intensive areas. In hotspot areas, miniature base stations, due to their low power, can be reused at frequencies in a smaller range, thus increasing system capacity and reducing the traffic burden of macro base stations. According to Dell'Oro's projections, with the acceleration of 5G construction, the scale of global micro base station market is expected to reach US$25 billion in 2024, and the total revenue of global micro base station equipment providers will be 1 to 1.5 times higher than that 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. In addition, 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. 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.

In addition to the construction of miniature and micro base stations and indoor distribution systems, the development of millimeter-wave products is also an integral part of the 5G industry chain. The full popularity of 5G comes to an era when the industry is moving towards a complete 5G development of sub-6GHz+ millimeter-wave. According to the GSM Association (GSMA), the economic benefits of using the 5G millimeter-wave band in the PRC is expected to reach approximately US$104 billion by 2034. The Group actively develops millimeter-wave related products and has launched a number of products such as 18–50GHz millimeter-wave up and down conversion equipment and K-band Doppler radar seeker, which are well received by the market. The Company has fully completed the development of production capacity for millimeter-wave related products. In the future, in addition to our own product development and production, we will also explore the capability and possibility of providing OEM production of micro-assemblies for millimeter-wave products. With its first-mover advantage in the development of millimeter-wave products, the Company is expected to improve its product mix and achieve a stable increase in overall gross margin as it further expands its business portfolio.

During the Period, by actively participating in bidding projects, the Group has successively secured the successful bids for the centralised procurement projects of connectors, optical fibre cables and optical and electrical hybrid cables, which indicated a positive and promising future performance for the Group.

RESULTS ANALYSIS

In the first half of 2021, Mainland China has resumed its production following the weakened COVID-19 pandemic. In addition, for 2021H1, the Company recorded a significant decrease in impairment losses on trade receivables, net of reversal and there was no impairment losses on goodwill as compared to 2020H1.

The Group recorded profit for the Period of approximately RMB52.9 million as compared to loss of approximately RMB125.6 million for 2020H1. The Group recorded earnings per share of RMB2.95 cents for the Period as compared to loss per share of approximately RMB7.01 cents for 2020H1.

BREAKDOWN OF TURNOVER BY PRODUCTS

	Six months ended 30 June			
	2021	2020	**Change**	**Change**
	RMB'000	RMB'000	RMB'000	%
Flame-retardant flexible cable series	**593,653**	343,057	250,596	+73.0%
Feeder cable series	**442,157**	527,312	(85,155)	–16.1%
Optical fibre cable series	**228,313**	226,913	1,400	+0.6%
New-type electronic components	**58,323**	61,198	(2,875)	–4.7%
Other accessories	**1,923**	29	1,894	+6,531.0%
Total	**1,324,369**	1,158,509	165,860	+14.3%

Flame-retardant Flexible Cable Series — Approximately 44.8% of the Total Turnover

Flame-retardant flexible cable series, a major product of the Group, are mainly used as an internal connection cable for power systems or mobile cable transmission and distribution systems. Due to the impact of the weakened COVID-19 pandemic that improved the development progress of mobile communication infrastructure, the turnover increased by approximately 73.0% to approximately RMB593.7 million for the period as compared to the corresponding period in last year. As a result of the significant and rapid increase in copper price during the Period, the gross profit margin decreased by 1.7 percentage point to approximately 14.0% as compared to the corresponding period in last year.

Feeder Cable Series — Approximately 33.4% of the Total Turnover

As China Mobile's 5G 700MHz and other passive antenna base station master equipment bidding has not yet finished in the 2021H1 (the bidding result has released in July 2021), the feeder cables sales progress was affected, the turnover of feeder cable series decreased by approximately 16.1% to approximately RMB442.2 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products decreased by approximately 12,400 kilometres to approximately 47,800 kilometres as compared to the corresponding period in last year. As a result of the significant and rapid increase in copper price during the Period, the gross profit margin decreased by approximately 1.9 percentage point to approximately 17.0% as compared to the corresponding period in last year.

Optical Fibre Cable Series — Approximately 17.2% of the Total Turnover

Due to the combined effects of the weakened COVID-19 pandemic that improved the development progress of mobile communication infrastructure and the impact of the reduction in optical fibre price, the turnover of optical fibre cable series products (in term of monetary value) remain relatively stable, it increased by approximately 0.6% to approximately RMB228.3 million as compared to the corresponding period in last year. Sales volume increased by approximately 1,146,000 fibre kilometres to approximately 4,793,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin decreased by approximately 2.1 percentage point to approximately 16.8% as a result of the change in sales mix.

MAJOR CUSTOMERS AND SALES NETWORK

The Group has long been a major supplier to 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*（中國聯合網絡通信股份有限公司）("China Unicom") and China Telecommunications Corporation*（中國電信集團公司）("China Telecom"), and also telecommunications equipment manufacturers such as Huawei, ZTE in the PRC and maintained a good relationship with them leveraging on its reputation in the industry for its diverse products portfolio, excellent product quality, comprehensive and efficient aftersales services, and regional network extensive coverage. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 43.6%, 30.8% and 18.8%, respectively, of the total turnover of the Group. In addition to close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a sound business relationship with China Tower. As at 30 June 2021, the Group was a supplier to 25 out of the 31 provincial subsidiaries of China Tower.

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, overall around 90% of its annual sales have been made to the three major telecommunications operators in China and (the subsequently established) China Tower Corporation Limited*（中國鐵塔股份有限公司）("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, so as to gain market share and maintain a long-term sound cooperative relationship with the customers, there had been long repayment period from 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. 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 Group's relatively longer period of turnover days of accounts receivables. In recent years, the turnover days for trade and bills receivables is more than one year. Meanwhile, the proportion of trade receivables in the total assets of the Group is relatively high 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 30 June 2021, the Group has obtained 173 patents and developed 66 new products in the PRC. The Group received various awards and honours which included the following:

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

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

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

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

PROSPECTS AND FUTURE PLANS

In the first half of 2021, the global economy has shown an obvious recovery trend, as the lives of people in major countries gradually returned to normal with the acceleration of level of vaccination and the control of the COVID-19 pandemic. Driven by the rebounding demand in the international market and the continuous improvement in the domestic market, the communications industry is expected to usher in an upward trend. In addition, 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 become one of the first enterprises benefiting from the 5G construction as its products are used in 5G base stations and other core processes. Under the 5G wave, the Group will seize 5G infrastructure opportunities and achieve outstanding performance.

Investment in the research and development of millimeter-wave related products by seizing 5G infrastructure opportunities

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. With a slight increase in capital expenditure by operators in the PRC in 2021, coupled with the launch of a new round of 5G tenders in the second quarter, the communications industry is expected to recover in the second half of the year. 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". Furthermore, in response to market demand, in addition to continuously improving its processes and the use of frequency bands, the Group will carry out the Sub-6G product development plan, research and develop related products applicable to Sub-6G application scenarios, to further enhance its competitive advantage and establish its solid leading position in the industry.

As an integral part of the 5G industry chain, millimeter-wave spectrum is the next evolution direction for important 5G technology with characteristics of large bandwidth, high speed and low latency. As millimeter-wave application is one of the research and development priorities, the Group has established a millimeter-wave technical team equipped with a full set of millimeter-wave product testing and assembly equipment, and has built up its own design, research and development and production capacities of millimeter-wave products, demonstrated by the launch of "Ka-band orthogonal waveguide-coaxial converter", "18–50GHz millimeter-wave up and down conversion equipment" and other products, which are well received by the market. 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 research institutes and universities to secure its position as a millimeter-wave forerunner. In the future, in addition to our own product development and production, we will also explore the capability and possibility of providing OEM production of micro-assemblies for millimeter-wave products. In addition, the Group will also establish a comprehensive sales agency system to transition from developing product markets to active sales.

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

On 4 July 2021, according to the official Wechat public account of 中移芯片 OneChip, Xinsheng Technology Co., Ltd.* (芯昇科技有限公司), a wholly-owned subsidiary of China Mobile M2M Company Limited ("CM M2M") under China Mobile, officially operated independently in July 2021, marking China Mobile's official entry into the IoT chip manufacturing industry. 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, demonstrating a promising future of IoT. 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), is currently in an orderly progress and will 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 in Mainland China 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. China Broadcasting announced that on 25 June 2021, China Broadcasting and China Mobile have agreed to launch a centralised procurement process for 700MHz wireless equipment and multi-channel antenna products, and have planned to build 480,000 5G base stations in the 700MHz frequency band, starting with 400,000 stations in phase I of the project in 2021. 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

In the second half of 2021, with the gradual reopening of the borders in various countries around the world, export is expected to improve from the second half of the year. The Group maintains close communication with its existing customers, it is expected that after the weakening of COVID-19 pandemic, there will be strong demand with massive order from these customers. For customers with stable demand in Russia, South Korea and Thailand, the Group will visit them as soon as possible as allowed, to understand the construction needs of the local market and seize the business opportunities during the recovery period. In addition, the Group will continuously and actively promote new products with high added-value to overseas markets, such as millimeter-wave up and down converters, optical and electrical hybrid cable, etc., to enhance the overall gross profit margin. In addition, some of the specialised communications trade exhibitions that the Group had originally planned to attend in various regions, such as India, Spain, Russia, and Singapore have been postponed to 2022. On top of maintaining existing customers, the Group will focus on market expansion and development in the Southeast Asia, the Middle East and Russia to expand its business footprint. 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 REVIEW

Turnover

Benefiting from the impact of the weakened COVID-19 pandemic and the improved development progress of mobile communication infrastructure, turnover increased by approximately RMB165.9 million, or 14.3%, from approximately RMB1,158.5 million for 2020H1 to approximately RMB1,324.4 million for the first half of 2021. The increase in turnover was mainly contributed by the increase in turnover of flame-retardant flexible cable series and optical fibre cable series of approximately RMB250.6 million and RMB1.4 million respectively but offset by the decrease in turnover of feeder cable series and new-type electronic components, of approximately RMB85.2 million and RMB2.9 million respectively.

Cost of goods sold

For both periods, cost of materials consumed remained the major components of the cost of goods sold. Cost of goods sold increased generally in line with the increase in turnover by approximately RMB167.0 million, or 17.6%, from approximately RMB950.7 million for 2020H1 to approximately RMB1,117.6 million for the first half of 2021.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series and flame-retardant flexible cable series increased by 49.2% as compared to 2020H1 and the average selling price increased generally in line with the copper price. The Group adopted the cost-plus-pricing-model for its feeder cable series products to control the price risk of raw materials and maintained good relationship with its customers and suppliers.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB1.1 million, or 0.5%, from approximately RMB207.8 million for 2020H1 to approximately RMB206.7 million for the first half of 2021, which was around the same level as the gross profit for 2020H1. Overall gross profit margin decreased from approximately 17.9% for 2020H1 to approximately 15.6% for the first half of 2021. The decrease in overall gross profit margin is mainly a result of the impact from significant and rapid increase in copper price during the Period.

Other income

Other income decreased by approximately RMB2.1 million, or 19.7%, from approximately RMB10.5 million for 2020H1 to approximately RMB8.4 million for the first half of 2021 primarily due to the decrease in interest income and investment income from other financial assets.

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, decreased by approximately RMB102.8 million, or approximately 75.3% from a loss of approximately RMB136.4 million for 2020H1 to a loss of approximately RMB33.6 million for the first half of 2021, mainly due to decrease in the average collection period of trade receivable as compared with that in 2020H1.

No provision for impairment of goodwill has been made for 2021H1, as compared with the provision for goodwill of approximately RMB94.3 million made for 2020H1.

Other loss

Other loss decreased by approximately RMB2.1 million, or 59.5% from approximately RMB3.5 million for 2020H1 to approximately RMB1.4 million 2021H1, mainly attributable to the decrease in exchange loss.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB2.6 million, or 8.8%, from approximately RMB29.8 million for 2020H1 to approximately RMB32.4 million for 2021H1 mainly due to the increase in entertainment and travelling expense of selling staff.

Administrative expenses

Administrative expenses decreased by approximately RMB1.0 million, or 4.4%, from approximately RMB22.1 million for 2020H1 to approximately RMB21.1 million for 2021H1 mainly due to the decrease in entertainment and travelling expense of administrative staff.

Research and development costs

Research and development costs increased by approximately RMB2.0 million, or 6.9%, from approximately RMB28.8 million for 2020H1 to approximately RMB30.7 million for 2021H1 primarily due to the increase in research material cost.

Finance costs

Finance costs decreased by approximately RMB0.9 million, or 2.7%, from approximately RMB33.3 million for 2020H1 to approximately RMB32.4 million for 2021H1 primarily due to the decrease in the average interest rate of bank borrowings.

Taxation

The Group recorded a taxation charge of approximately RMB10.5 million for the first half of 2021, as compared to taxation credit of RMB4.2 million for 2020H1. For 2020H1, the deferred tax impact on allowance for impairment losses on trade receivable was larger than the PRC Enterprise Income Tax ("EIT") for that period, therefore the Group recorded a deferred tax credit for that period. The Group's EIT arises from its principal subsidiaries in the PRC, which enjoy a reduced EIT rate of 15% as they are qualified as High and New Technology Enterprises. The increase in taxation charge for the first half of 2021 is primarily attributable to the decreased in deferred tax impact from the impairment losses of goodwill and impairment losses on trade receivables.

Profit (loss) for the period

As a combined result of the foregoing, the Group recorded a profit for the Period of approximately RMB52.9 million, as compared to a loss for the period of approximately RMB125.6 million for 2020H1, and a corresponding net profit margin for the first half of 2021 of approximately 4.0%, as compared to net loss margin for 2020H1 of approximately 10.8%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Net cash used in operating activities	**(155,598)**	(180,127)
Net cash (used in) from investing activities	**(8,591)**	154,749
Net cash (used in) from financing activities	**(12,529)**	203,724

As at 30 June 2021, the Group had bank balances and cash and pledged bank deposits of approximately RMB618.0 million, the majority of which were denominated in Renminbi. As at 30 June 2021, the Group had total bank borrowings of approximately RMB1,445.0 million which are repayable within one year. As at 30 June 2021, RMB955.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB490.0 million were variable rate borrowings. As at 30 June 2021, bank borrowings of approximately RMB1,445.0 million were denominated in Renminbi.

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

GEARING RATIO

Gearing ratio increased from approximately 18.9% as at 31 December 2020 to approximately 24.0% as at 30 June 2021. Such increase was primarily resulted from the reduction of the sum of bank balances and cash plus pledged bank deposits. Gearing ratio is calculated by dividing total bank borrowings net of pledged bank deposits and bank balances and cash over total equity.

PLEDGE OF ASSETS

As at 30 June 2021, the Group pledged certain bank deposits with carrying value of approximately RMB107.8 million (31 December 2020: approximately RMB96.3 million) to certain banks to secure credit facilities granted to the Group and performance bond.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021.

EMPLOYEE INFORMATION

As at 30 June 2021, the Group had approximately 931 (31 December 2020: 997) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, its directors and employees in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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

INTERIM DIVIDEND

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2021 (2020H1: Nil).

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") ("Corporate Governance Code") as its own code of corporate governance. The Directors consider that save for the deviation from code provision A.2.1 of the Corporate Governance Code which requires the segregation of the roles of the chairman of the board and chief executive officer, both of which are currently taken up by Mr. Qian Lirong, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2021 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2021.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2021. In addition, the Group had no significant investments held during the six months ended 30 June 2021.

SHARE OPTION SCHEME

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

Further details of the Scheme and the share options granted are disclosed in Note 16 of the Notes to the condensed consolidated financial statements.

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Future Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) of the Company as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

LONG POSITIONS

Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest *(Note c)*
Mr. Qian Lirong	Interest in controlled corporation	523,521,750 *(Note a)*	–	523,521,750	29.22%
Mr. Qian Chenhui	Beneficial owner	–	240,000 *(Note b)*	240,000	0.01%
Professor Jin Xiaofeng	Beneficial owner	–	80,000 *(Note b)*	80,000	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) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2021 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company:

LONG POSITIONS

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest *(Note g)*
Trigiant Investments	Beneficial owner	523,521,750	29.22%
Abraholme	Interest in controlled corporation	523,521,750 *(Note a)*	29.22%
Madam Qian Jindi	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 Investment Holding Limited ("Shenzhen Holding")* 深圳市投資控股有限公司	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal* 深圳市人民政府國有資產監督管理委員會	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
People's Bank of China	Interest in controlled corporation	261,000,000 *(Note d)*	14.57%
中國進出口銀行深圳分行	Person having a security interest in shares	261,000,000 *(Note e)*	14.57%
Easy Beauty Limited	Beneficial owner	428,000,000 *(Note f)*	23.89%
Artemis Delight Limited	Interest in controlled corporation	428,000,000 *(Note f)*	23.89%
Mr. Dai Xiaolin	Interest in controlled corporation	428,000,000 *(Note f)*	23.89%

Notes:

(a) These shares are registered in the name of Trigiant Investments, a company 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 Jindi 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) Pursuant to notice of disclosure of interest of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal filed on 14 May 2021, the controlled corporation of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (namely Shenzhen Holding) increased its interests in Eternal Asia (a corporation, indirectly holding 292,876,000 shares in the listed corporation) to 18.30% after completion of share transfers on 22 August 2018 and 18 October 2018 respectively. On 24 December 2018, Eternal Asia became a controlled corporation of Shenzhen Holding as Eternal Asia and its directors were accustomed to act in accordance with Shenzhen Holding's directions. Eternal Asia (HK) Limited is wholly owned by Eternal Asia and, Shenzhen Holding is wholly owned by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal.

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

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

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

(g) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2021 has been used for the calculation of the approximate percentage.

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

Changes in information of the Directors since the date of the 2020 annual report of the Company are set out below:

Mr. Chen Gang, an independent non-executive Director, resigned as a director of Wuxi Longda Metal Material Co., Ltd* (無錫隆達金屬材料有限公司) effective in May 2021.

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

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control and risk management systems of the Group. As at the date of this report, the Audit Committee comprises all independent non-executive Directors, namely Mr. Chan Fan Shing, Professor Jin Xiaofeng and Mr. Chen Gang. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2021 have been reviewed by the Audit Committee.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the first half of 2021 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 30 August 2021