TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

2021
ANNUAL REPORT

* For identification purposes only

TRIGIANT GROUP LIMITED
ANNUAL REPORT 2021

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801, 18/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

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

No. 1 Junzhi Road
Industrial Park for Environmental Protection
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

CORPORATE INFORMATION

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

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

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communication
China Citic Bank
Bank of JiangSu
HSBC
OCBC Bank
Postal Savings Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN 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

* *For identification purpose only*

CORPORATE PROFILE

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

The Group is established based on the solid foundation of its expertise in manufacturing and sales of feeder cable series. Since 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 TRIGIANT 俊知技术" 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.

CORPORATE PROFILE

SUMMARY OF MAJOR PRODUCTS

FEEDER CABLE SERIES

(a) Feeder cables

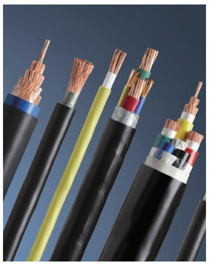
Feeder cables are mainly for transmitting and receiving radio signals and are also essential components for telecommunications transmission equipment.

(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)

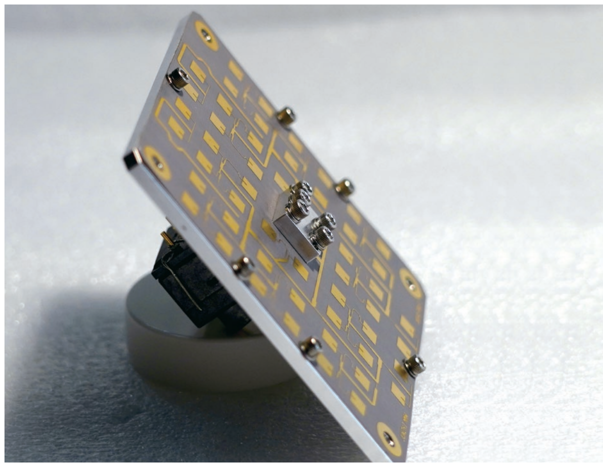
Dear valued shareholders,

On behalf of the board ("Board") of directors ("Directors") of Trigiant Group Limited and its subsidiaries (collectively, the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2021 ("Year").

Due to the outbreak of the novel coronavirus pandemic ("COVID-19 Pandemic") across the world and its continuity in the third year, remote communication has become a new, long-lasting trend in the sectors of education, industry and healthcare, which has brought infinite possibility to the development of 5G. As of December 2021, 300 million families were covered by Gigabit Optical Network ("GPON") in China, 1.425 million 5G base stations in total were constructed and put into use, and 512,000 administrative villages in China achieved "Full Coverage of Broadband in Villages". 5G application has been applied to sectors among the primary industry, secondary industry and tertiary industry with potential constantly released to empower the digital transformation of the economy and society by 5G. Almost half of the 5G applications have been implemented to business and stepped into new stage of innovation application from network construction. In 2022, 5G development will strive to satisfy the actual needs arising from the digital transformation of the economy and society, and China will systematically plan the new infrastructure construction and stably promote 5G and GPON construction. The Company will seize the opportunities from development of 5G's industry and actively follow up relevant tender projects.

CHAIRMAN'S STATEMENT

18–50GHz millimeter-wave up and down conversion equipment



K-band Doppler radar seeker

MATURE LAYOUT FOR 5G MILLIMETER-WAVE PRODUCT

The release of millimeter-wave spectrum is an important node on the road to 5G development. 5G millimeter-wave has a number of outstanding advantages such as wide frequency, high capacity, suitable for integration with the Sub-6GHZ band, and ultra-low latency, which is conducive to the development of industrial networks, AR/VR, cloud gaming, and real-time computing. At the same time, millimeter-wave can support dense area deployment for high precision positioning, which is beneficial to facilitate the miniaturisation of base stations and terminals. The commercial deployment of 5G millimeter-wave is progressing steadily around the world, with millimeter-wave already commercially available in the US and Japan, and commercial 5G millimeter-wave networks already deployed in Australia, Southeast Asia and Europe. At present, China is actively organising 5G millimeter-wave end-to-end tests to accelerate technology and product maturity. ZTE was the first to complete all functional and field performance tests of 5G millimeter-wave base stations in 2021, and the 5G millimeter-wave industry in China is in an upward development stage. The Group has completed the launch of several series of more than ten products in the millimeter-wave 5G band, such as 18–50GHz millimeter-wave up and down conversion equipment and K-band Doppler radar seeker and Q-band orthogonal waveguide-coaxial converters, and some orders have been successfully delivered.

THE WIDE RANGE OF DEMAND FOR OPTICAL AND ELECTRICAL HYBRID CABLES

With the gradual maturity of 5G, the era of gigabit network is getting closer and closer while the convergence of applications and research around the new generation of information technology has been fully launched. The double gigabit era of "5G+ Optical Fixed Network" is approaching, and in the "Double Gigabit" era, the network requires speed to be faster and faster, and therefore, it is inevitable to construct high-density small base station for 5G indoor scenes. The optical and electrical hybrid cable developed by the Group using new antenna technology with 5G and networking technology is one of the mainstream solutions to solve the coverage problems of 5G small base stations, which is also used in the optical fibre and antenna and of which the Group has supplied bulk quantities to industry-leading customers with good results. The Group has also continued to refine the iteration of its product technology and launched a number of new products for 5G communications, such as "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 cable for indoor 5G signal coverage" to meet market demand and maintain its competitive edge.

CHAIRMAN'S STATEMENT

CONTINUING TO DEEPEN THE INTERNET OF THINGS BUSINESS

At present, the Internet of Things has been maturely applied to security monitoring, intelligent transportation, intelligent power grid, intelligent logistics and other fields. In recent years, under the vigorous promotion and support of local governments, the Internet of Things industry has gradually grown. According to the data from the Foresight Industry Research Institute (前瞻產業研究院), the market scale of the Internet of Things in China will reach approximately RMB2.14 trillion in 2020 and is expected to maintain a growth rate of over 18% in the next three years. 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) established by Jiangsu Trigiant Technology Co., Ltd. (江蘇俊知技術有限公司), a subsidiary of the Group, in cooperation with the Institute of Resource Information of China Academy of Forestry Sciences (中國林業科學研究院資源信息研究所) and Wuxi Branch of China Telecom (中國電信無錫分公司), is being implemented in an orderly manner.

OUTLOOK

As various regions begin to recover from the ravages of the COVID-19 Pandemic, the continued increase in 5G penetration will become a key growth driver for the global economy. According to the forecast of Global System for Mobile Communication Association ("GSMA"), capital expenditure of operators around the world will reach US$900 billion between 2021 and 2025, of which 80% will be used in 5G business, and by the end of 2025, China will have more than 830 million 5G subscribers, the highest number in the world, and more than 800 million 5G connections, with 90% of the US$210 billion in capital expenditure of operators being spent on 5G. According to the prospectus of China Mobile's A-share listing, half of the proceeds, i.e. $28 billion, will be invested in 5G boutique network construction projects. The Group will continue to deepen its partnership with the three major operators and actively participate in tenders from China Radio and Television, China Tower and major equipment vendors to secure a significant share of the 5G construction boom.

At the end of 2021, the Ministry of Industry and Information Technology ("MIIT") "14th Five-Year Information and Communication Industry Development Plan" was officially published, which will comprehensively deploy new digital infrastructure, including 5G, GPON, IPv6, mobile Internet of Things network, satellite communication network and other new generation communication network infrastructure. In the "14th Five-Year Plan" period, China will strive to build the world's largest 5G independent network, and strive to have 26 5G base stations per 10,000 people by 2025, to achieve full coverage in cities and towns, basic coverage in administrative villages with expected 80% coverage of 5G , and deep coverage in key application scenes. "GPON" was included in the government work report for the first time in 2021. The "14th Five-Year Plan" continued to expand the coverage of GPON, promote the scale of 10G-PON equipment in cities and key towns, and strive to reach 12 million ports of 10G-PON and above. All in all, the construction of "Double Gigabit" communication networks represented by 5G and GPON continues to accelerate, and the demand for optical fibre cables, as the basic components of the physical layer of optical networks, is further enhanced by operators, which is beneficial to the Group's product mix. The demand for the optical and electrical hybrid cables is expected to be further released.

CHAIRMAN'S STATEMENT

The GSMA believes that millimeter-wave will be an important part of 5G technology development. Compared with the use of sub-6GHZ network alone, the use of sub-6GHZ combined with millimeter-wave network is expected to save 35% of the cost. Currently, there are more than 140 kinds of commercial and proposed commercial equipment to support 5G millimeter-wave. In January 2022, the GSMA intends to accelerate the development of millimeter-wave technology, which is expected to become the key technology for 5G in 2022. The Group has been actively deploying millimeter-wave related products, working closely with a number of universities and research institutes to develop and design millimeter-wave products, and has successfully launched a number of millimeter-wave 5G band products and received a number of customer orders. In the future, the Group will build its own technical sales system for millimeter-wave products, actively promote the design, development and marketing of new millimeter-wave products, solidify its millimeter-wave technology capability, open up marketing channels and maintain its first-mover advantage in this field.

The Internet of Things is developing rapidly and its application in various industries is deepening, which will give rise to a large number of new technologies, new products, new applications and new models. The Group will continue to develop Internet of Things application solutions to seize the development opportunities in the industry. In addition, due to the continued spread of the global pandemic, The professional communications exhibitions which the Group intended to participate in India and Singapore has been postponed to 2022 and will be held if circumstances permit. Major overseas sales regions such as Thailand and other markets are gradually recovering, and the demand will increase significantly compared to the past. In 2022, we will focus on promoting and developing cable procurement tenders for operators in Southeast Asia on the basis of maintaining our existing customers. Meanwhile, we will continue to follow up on our overseas customer cooperation and deepen our cooperative relationship with them.

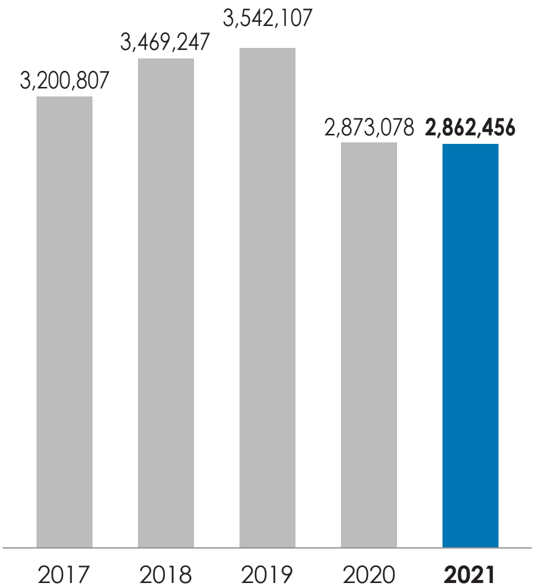
On behalf of the Board, I would like to express my sincere gratitude to our partners, customers and shareholders for their support, and in particular to the management team and all staff for their contribution, efforts and support. The Group will endeavour to promote its business development, to live up to your trust and support, and to reward our shareholders and the society with even higher performance.

Qian Lirong
Chairman

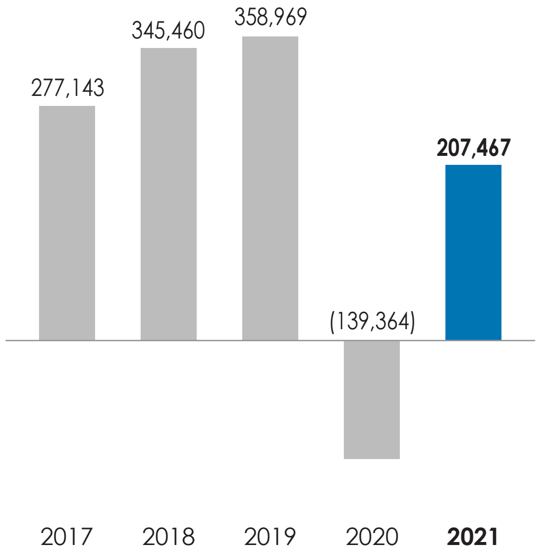
Hong Kong, 28 March 2022

FINANCIAL HIGHLIGHTS

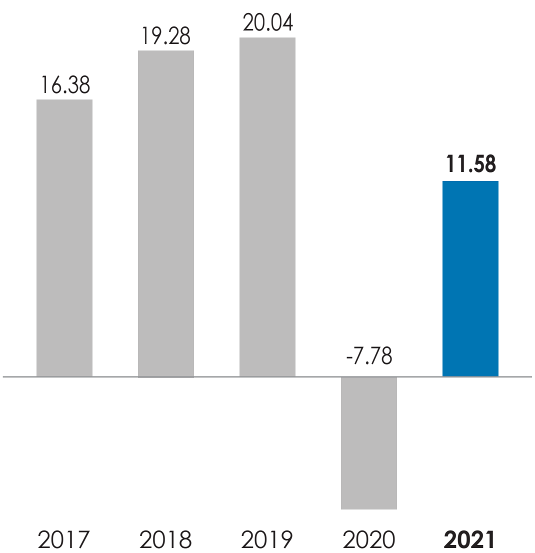
TURNOVER
(RMB'000)



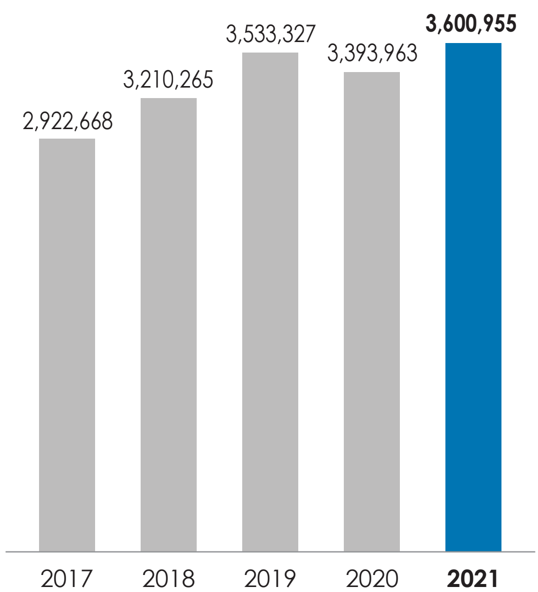
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS/(LOSS) PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



FINANCIAL HIGHLIGHTS

Results performance for the year ended 31 December	2021	2020
Total revenue *(RMB'000)*	**2,862,456**	2,873,078
Revenue of feeder cable series *(RMB'000)*	**968,171**	1,199,217
Revenue of optical fibre cable series and related products *(RMB'000)*	**539,245**	588,867
Revenue of flame-retardant flexible cable series *(RMB'000)*	**1,210,159**	948,050
Gross profit *(RMB'000)*	**423,919**	511,372
Gross profit margin	**14.8%**	17.8%
Profit (loss) for the year *(RMB'000)*	**207,467**	(139,364)
Net profit (loss) margin	**7.2%**	(4.9%)
Basic earnings (loss) per share	**RMB11.58 cents**	RMB(7.78) cents
Diluted earnings (loss) per share	**N/A**	RMB(7.78) cents

Liquidity and gearing ratios	2021	2020
Inventories turnover day *(Note 1)*	**30 days**	22 days
Trade and bills receivables turnover day *(Note 2)*	**535 days**	502 days
Trade and bills payables turnover day *(Note 3)*	**59 days**	59 days
Current ratio	**2.5**	2.5
Gearing ratio *(Note 4)*	**16.5%**	18.9%

Operating cash flow and capital expenditure for the year ended 31 December	2021	2020
Net cash from operating activities *(RMB'000)*	**47,769**	82,514
Capital expenditure *(RMB'000)*	**4,551**	3,429

Notes:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Looking back to 2021, large scale of vaccination against the COVID-19 has been achieved over the world and governments of various nations have actively taken control and prevention measures. Economic activities have basically recovered to pre-pandemic levels in China due to its normalised comprehensive anti-pandemic control and prevention. As the year of 2021 represents a beginning of the "14th Five-Year Plan", the 5G industry in China has become prosperous driven by the favorable factors from peripheral economy recovery. According to the MIIT, the number of newly-added 5G base stations in 2021 reached over 650,000, with 1,425,000 operating in total representing over 70% of that over the world, and the very number of 5G end users in China reached 450 million. China strived to promote new infrastructure projects based on 5G technology in order to form an independent 5G network implementation which is the largest in scale and the most advanced in technology across the world. It also encouraged companies to carry out digital transformation and upgrade so as to facilitate a wide application of 5G technology. According to the Information and Communication Industry Development Plan in "14th Five-Year Plan" by MIIT, it is committed to achieving 26 5G base stations per 10,000 people by 2025, and to increasing the penetration rate of 5G users from 15% in 2020 to 56% in 2025. With the vertical development of 5G construction, major telecommunications operators in China, including three major telecommunications operators which contribute 90% of sales of the Group and China Tower, have successively published tender projects related to 5G network infrastructure in 2021. Over the past year, benefitting from the rapid growth of telecommunications industry related to network construction in China and favourable national policies, related product sales of the Group were driven by the popularity of procurement of 5G base stations construction. In addition, as Metaverse appeared on global sight in 2021, the relevant concept required more capable and competent communications systems and network speed. As for 5G network, it takes the edge of high speed and outdoor coverage, thereby facilitating the development of Metaverse. With the emergence of Metaverse, the market will require more 5G base stations. The communications industry in which the Group is participating is also driven by it.

As 5G outdoor system coverage became more complete, operators were focusing on more refined sub-scene coverage and construction. By building 5G small base stations, they could complement the network coverage capability of 5G technology indoors, thus satisfying the demand for indoor scenes for 5G services and improving the coverage of 5G networks. Dell'Oro Group, a market research firm, forecasted that the global market for small base stations will reach US$25 billion in the next five years. Recognising the huge market demand for small base stations, the Group has been actively deploying optical and electrical hybrid cables and indoor distribution systems for small base stations. At present, the Group has launched projects of optical and electrical hybrid cable components and delivered them to main equipment suppliers. The production line of components is also ready for future business development.

Millimeter-wave can further enrich the application scenario of 5G, and with the great popularity of 5G technology, the development prospect of millimeter-wave industry is bright. According to the GSMA, 5G millimeter-wave will bring over RMB630 billion in economic benefits to China by 2034. In addition to increasing the deployment of millimeter-wave, the Group has also been actively developing other new products, including broadband millimeter-wave up and down conversion module series for 5G communications, insulated dielectric filled circular waveguide transmission lines for millimeter-wave, and leaky circular waveguide components for MIMO technology for rail traffic. We maintained a stable market share by continuously improving our research and development base.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group participated in a number of successful tender projects in 2021, including the centralised procurement project of China Telecom's feeder cables and accessories products (2021), the centralised procurement project of China Mobile's feeder cables from 2021 to 2023, the centralised procurement project of China Tower's power cables (copper cables) products in 2021 and the centralised procurement project of China Mobile's feeder accessories products from 2022 to 2023: (a) feeder jumper section and (b) feeder arrester section. The above procurement projects will contribute to the large-scale deployment of new 5G infrastructure and create sustainable development value for the Group.

Results analysis

The Group has benefited from the national pandemic control policy, the easing of the COVID-19 pandemic, and the resumption of production in China. Compared with the previous year, the Group had no provision for impairment losses of goodwill and intangible assets for the Year. At the same time, the impairment loss on trade receivables under expected credit loss model for the Year decreased mainly due to the reduction of the relevant risk factor due to the easing of the pandemic in China. Due to these factors, the Group recorded a turnaround from loss into profit for the Year.

Overall, the turnover slightly decreased by approximately RMB10.6 million to RMB2,862.5 million. The turnover of feeder cable series products and optical fibre cable series and related products decreased by approximately RMB231.0 million and RMB49.6 million respectively, and such turnover decrease was partially offset by an increase in turnover of flame-retardant flexible cable series products of approximately RMB262.1 million. Mainly due to change in sales mix and rapid increase in copper price during the Year, the Group's overall gross profit decreased by approximately 17.1% from approximately RMB511.4 million in 2020 to RMB423.9 million in 2021. The overall gross profit margin was approximately 14.8% in 2021, representing a decrease of approximately 3.0 percentage points as compared with 2020.

During the Year, the average price of copper, being the main raw materials for the flame-retardant flexible cable series and feeder cable series, surged by approximately 40.6%. However, as the Group adopted the cost plus pricing model for the pricing of its main products, it can still operate steadily even under the sharp fluctuation of commodity prices.

No provision is required for impairment of goodwill and intangible assets for the Group in 2021, as compared with the provision for goodwill and intangible assets of approximately RMB156.5 million and RMB92.4 million made in 2020. In addition, the Group's impairment losses on trade receivables significantly decreased from approximately RMB189.2 million in 2020 to a record of reversal of impairment losses of approximately RMB24.2 million in 2021. As such, the Group recorded a profit for the year of approximately RMB207.5 million as compared to a loss for the year of approximately RMB139.4 million for 2020. The Group recorded earnings per share of RMB11.58 cents as compared to loss per share in 2020 of RMB7.78 cents.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of turnover by products

Year ended 31 December	**2021** *RMB'000*	2020 *RMB'000*	Change *RMB'000*	Change *Percentage*
Flame-retardant flexible cable series	**1,210,159**	948,050	262,109	+27.6%
Feeder cable series	**968,171**	1,199,217	(231,046)	-19.3%
Optical fibre cable series and related products	**539,245**	588,867	(49,622)	-8.4%
New-type electronic components	**142,342**	135,653	6,689	+4.9%
Others	**2,539**	1,291	1,248	+96.7%
Total	**2,862,456**	2,873,078	(10,622)	-0.4%

Flame-retardant flexible cable series — approximately 42.3% 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 of flame-retardant flexible cable series increased by approximately 27.6% year on year to approximately RMB1,210.2 million for the Year. As a result of the significant and rapid increase in copper price during the Year, the gross profit margin decreased by approximately 2.1 percentage points to approximately 13.8% as compared to that of last year.

Feeder cable series — approximately 33.8% of the total turnover

As China Mobile's 5G 700MHz and other passive antenna base station master equipment bidding was not released until July 2021, the progress of feeder cables sales was affected, the turnover of feeder cable series decreased by approximately 19.3% year on year to approximately RMB968.2 million for the Year. The sales volume of the Group's feeder cable series products decreased by approximately 38,000 kilometres to approximately 96,800 kilometres year on year. As a result of the significant and rapid increase in copper price during the Year, the gross profit margin decreased by approximately 2.2 percentage points to approximately 16.2% as compared to that of last year.

Optical fibre cable series and related products — approximately 18.8% 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 reduction in optical fibre price, the turnover of optical fibre cable series products decreased by approximately 8.4% year on year to approximately RMB539.2 million. Sales volume increased by approximately 2,239,000 fibre kilometres year on year to approximately 11,567,000 fibre kilometres. The gross profit margin decreased by approximately 3.2 percentage points to approximately 15.8% as a result of the pressured market price.

Major customers 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 variation order projects on top of its existing market share, fully proving the strength and market leadership of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, 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 45.6%, 31.6%, and 16.0% 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, 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 above 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 31 December 2021, the Group had obtained 182 patents and developed 228 new products in the PRC.

- 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;

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 2021, led by the national policies, the major telecommunications operators have been actively deploying 5G infrastructure projects, while "double gigabit" communication network construction, represented by 5G and GPON (Gigabit Ethernet passive optical network), is being continuously completed, greatly accelerating the application of 5G network. According to the China Academy of Information and Communications Technology, the three major telecommunications operators were expected to invest RMB184.7 billion on 5G capital expenditure in 2021, 5.1% higher than that of 2020, which is expected to maintain a rapid growth of 5G infrastructure in the coming years. In addition, the Metaverse concept has given new momentum to the growth of the telecommunications industry, with operators, equipment providers, optical modules and other sub-segments benefiting from the huge social and technological changes brought about by the Metaverse. Looking ahead, the Group remains optimistic about its business development and is seeking Metaverse-related investment opportunities to capture the huge opportunities in the 5G infrastructure market.

Continued development of 5G diversified business and active investment in the research and development of millimeter-wave related products

As we enter the era of 5G commercialisation, enterprises are pursuing 5G networks which have higher speed, more stability and higher coverage to meet the needs of business activities in different scenarios. As one of the core technologies of 5G, millimeter-wave has high bandwidth, high transmission characteristics and low latency, which is conducive to supporting the deployment in dense areas for effective and precise positioning, making it very suitable for commercial applications. In view of this, millimeter-wave will be a major development focus for the Group in the coming year, which is expected to significantly optimise the overall product gross profit structure. In terms of business promotion, the Group will continue to increase the budget for millimeter-wave sales planning, including actively improving the online and offline sales platforms to provide the most convenient and the fastest service experience for customers. In terms of marketing and promotion, we plan to place advertisements in Microwave Magazine, the most authoritative technical journal in the radio frequency and microwave industry, to enhance product awareness in the market. In the future, the Group will actively seek new development sales agents and participate in more product exhibitions to gradually start active sales mode. In terms of product development, the Group will strengthen the research and development of related products in the "millimeter-wave 5G product package", such as 24-50 GHz amplifiers, in order to enhance the diversity of the Group's product portfolio. To enhance the development capability of our team, the Group will continue to strengthen the training of our millimeter-wave team and recruit experienced engineers with high independent development and marketing capabilities to push our products to higher millimeter-wave bands.

MANAGEMENT DISCUSSION AND ANALYSIS

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

5G technology is able to meet the needs of high reliability and high speed networks for IoT, and is well positioned to serve as the connectivity standard for IoT. According to a leading market research firm, International Data Information, China's IoT market will exceed US$300 billion by 2025, accounting for 26.1% of the global market. With the growing scale of the IoT market, the market demand for 5G technology is increasing, and it is expected to bring huge opportunities for the communications industry. Currently, 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 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 maintaining close relationships with existing partners such as the three major telecommunications operators, China Tower and China Broadcasting Network Corp Ltd, the Group is actively developing new customer base, including cooperation with well-known academic institutes and enterprises. We are also working closely with well-known overseas companies to promote the application and practice of 5G business and drive the construction of 5G forward.

Actively expand overseas market

Although a number of 5G infrastructure construction in the world was delayed by the impact of COVID-19 pandemic in 2021, the Group believes that as 5G serves as a common development trend for the world and the demand of nations for communication network facilities continues to grow, it is expected that the demand for relevant infrastructure will continue to increase. Despite the restrictions imposed for overseas exhibitions and customer visiting in the short term due to the pandemic, the Group will continue to actively expand overseas market through online meeting, e.g. online meeting for overseas customers in South America, Southeast Asia and other regions, as well as video conferencing with existing customers. In addition, the professional communications exhibitions in 2020, which the Group originally planned to attend, in India and Singapore has been postponed to 2022 and will be held if circumstances permit. Major overseas sales regions such as Asia and other markets are gradually recovering, and the demand is expected to increase significantly compared to the past. Looking forward, the Group will focus on promoting and developing cable procurement tenders for telecommunications operators in Korea, Thailand and Malaysia on the basis of maintaining our existing customers. Based on the existing sales of traditional products such as feeder cables and optical cables, we are committed to promoting the optical and electrical hybrid cables and millimeter-wave series products through online customer meetings and existing customer relationship networks to actively improve the global industrial layout.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group decreased slightly by approximately RMB10.6 million, or approximately 0.4%, from approximately RMB2,873.1 million in 2020 to approximately RMB2,862.5 million in 2021. The decrease in turnover was mainly contributed by the decrease in the turnover of feeder cable series products and optical fibre cable series and related products of approximately RMB231.0 million and RMB49.6 million respectively, and such decrease was partially offset by the increase in turnover of flame-retardant flexible cable series products of approximately RMB262.1 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 increased by approximately RMB56.6 million from approximately RMB2,613.2 million in 2020 to approximately RMB2,669.8 million in 2021.

Cost of goods sold

Cost of goods sold increased by approximately RMB76.8 million, or approximately 3.3%, from approximately RMB2,361.7 million in 2020 to approximately RMB2,438.5 million in 2021. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 97.7% and 90.4% of the total cost of goods sold in 2020 and 2021 respectively.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB87.5 million, or approximately 17.1%, from approximately RMB511.4 million in 2020 to approximately RMB423.9 million in 2021. The overall gross profit margin was approximately 14.8% in 2021, representing a decrease of approximately 3.0 percentage points as compared with 2020. The decrease in overall gross profit margin is mainly due to change in sales mix and as a result of a rapid increase in copper price during the Year.

Other income

Other income decreased by approximately RMB1.8 million, or approximately 8.2%, from approximately RMB21.3 million in 2020 to approximately RMB19.5 million in 2021. Such decrease was primarily due to the decrease in investment income from other financial assets in 2021.

Impairment losses

Impairment losses under expected credit loss model, net of reversal or provision, on trade receivables, significantly decreased from approximately RMB189.2 million for 2020 to a record of reversal of impairment losses of approximately RMB24.2 million in 2021, mainly due to the easing of the COVID-19 pandemic in China resulting in the reduction of the risk factor in calculating the provision rate of trade receivables and the recovery of trade receivables from a PRC private company of RMB27.0 million.

No impairment losses of goodwill and intangible assets were incurred for the Group in 2021, impairment losses of goodwill and intangible assets of approximately RMB156.5 million and RMB92.4 million were incurred respectively in 2020.

Other loss

The Group recorded other loss of approximately RMB0.6 million in 2021 as compared to other loss of approximately RMB5.7 million in 2020, mainly attributable to an exchange loss of approximately RMB5.7 million recorded in 2020 as compared to an exchange loss of approximately RMB0.6 million recorded in 2021.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB11.2 million, or approximately 18.5%, from approximately RMB60.8 million in 2020 to approximately RMB72.0 million in 2021. Such increase was mainly contributed by the increase in transportation, impairment loss of inventories, entertainment expense and staff cost. During the Year, the amortisation of intangible asset amounting RMB14,500,000 was included in selling and distribution costs (2020: RMB19,500,000). Such decrease has partially off-set the increase in selling and distribution costs.

Administrative expenses

Administrative expenses decreased by approximately RMB2.2 million, or approximately 5.0%, from approximately RMB43.9 million in 2020 to approximately RMB41.7 million in 2021. Such decrease was primarily due to the decrease in bank charges and legal and professional expenses.

Research and development costs

Research and development costs decreased by approximately RMB2.3 million, or approximately 3.8%, from approximately RMB60.4 million in 2020 to approximately RMB58.1 million in 2021. Such decrease was due to the decrease in total expense of researching items as compared to last year.

Finance costs

Finance costs decreased by approximately RMB1.4 million, or approximately 2.1%, from approximately RMB66.8 million in 2020 to approximately RMB65.4 million in 2021. Such decrease was primarily due to decrease in average bank borrowings balances in 2021.

Taxation

The Group recorded a taxation expenses of approximately RMB22.4 million for the Year, as compared to taxation credit of RMB3.7 million for 2020. 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 2020, therefore the Group recorded a deferred tax credit for 2020. The Group's Enterprise Income Tax arises from Trigiant Technology, which continuously enjoyed a reduced Enterprise Income Tax rate of 15% as it is qualified as an High and New Technology Enterprise. There was a change in the tax rate of Trigiant Optic-Electric and Trigiant Sensing, two subsidiaries of the Company, which paid and were charged income tax in the PRC at a rate of 15% in 2020 and at a rate of 25% in 2021.

Profit (loss) for the year

As a combined result of the foregoing, the Group recorded a profit for the year of approximately RMB207.5 million for the Year, as compared to a loss for the year of approximately RMB139.4 million for 2020, and a corresponding net profit margin for the Year of approximately 7.2%, as compared to net loss margin for 2020 of approximately 4.9%.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarises the cash flows for the two years ended 31 December 2021:

	2021	2020
	RMB'000	*RMB'000*
Net cash generated from operating activities	**47,769**	82,514
Net cash (used in) generated from investing activities	**(58,599)**	183,542
Net cash (used in) generated from financing activities	**(216,886)**	60,813

As at 31 December 2021, the Group had bank balances and cash and pledged bank deposits of approximately RMB669.7 million and the majority of which were denominated in RMB. As at 31 December 2021, the Group had total bank borrowings of approximately RMB1,265.0 million which were repayable within one year. As at 31 December 2021, approximately RMB490.0 million of the total bank borrowings were variable rate borrowings and approximately RMB775.0 million were fixed rate borrowings. As at 31 December 2021, bank borrowings of approximately RMB1,265.0 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 18.9% as at 31 December 2020 to approximately 16.5% as at 31 December 2021. Such decrease was primarily due to the decrease in bank borrowings as at 31 December 2021.

Pledge of assets

As at 31 December 2021, the Group pledged bank deposits of approximately RMB210.4 million (2020: RMB96.3 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 2021.

Employee information

As at 31 December 2021, the Group had a total of 963 full time employees (2020: 997). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT IN INVESTMENT PRODUCTS

As at 31 December 2021, the Group did not hold any 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 3.7%. The investment scope of the Investment Products principally include investments in bank deposits, listed and private debt equities, money market bonds, bond market funds trust plans, asset-backed securities, and other fixed income in asset nature. The purchases of the Investment Products were funded by internal resources of the Group with an intent to maximising the use of its funds with satisfactory return.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During the year ended 31 December 2021, 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 2021.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MR. QIAN LIRONG

Executive Director, Chairman and Group Chief Executive Officer

Mr. Qian Lirong, aged 57, 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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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 36, 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 45, 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 is a non-executive director of VSTECS Holdings Limited (stock code 856) since October 2020, a company the shares of which are listed on the Main Board of the Stock Exchange.

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 53, 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 45, 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 (stock code: 906) 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. Chan obtained a bachelor's degree in Business Accounting from University of Glamorgan (currently known as University of South Wales), United Kingdom in June 1999 and a master's degree in Professional Accounting from The Hong Kong Polytechnic University in October 2008. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the CPA Australia, and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MR. CHEN GANG

Independent Non-Executive Director

Mr. Chen Gang, aged 52, 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 was a director of Wuxi Longda Metal Material Co., Ltd.* (無錫隆達金屬材料有限公司) during November 2018 to May 2021.

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 38 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 14 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 and a member of Association of Chartered Certified Accountant.

CORPORATE GOVERNANCE REPORT

The board ("Board") of directors ("Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

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 the then prevailing 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 (which has re-numbered as code provision C.2.1 under the new Corporate Governance Code that came into effect on 1 January 2022) 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 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.

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 2021.

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 2021 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

CORPORATE GOVERNANCE REPORT

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 2021, 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 2021. 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.

CORPORATE GOVERNANCE REPORT

(V) Continuous professional development

During the year ended 31 December 2021, 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 2021.

(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 2021.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code (which has re-numbered as code provision C.2.1 under the new Corporate Governance Code that came into effect on 1 January 2022), 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 2021. 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 2021, 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 2020, the interim review scope and process for the Group's results for the six months ended 30 June 2021, the interim results for the six months ended 30 June 2021 and audit scope and process for the Group's annual results for the year ended 31 December 2021 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 2021, the remuneration committee has held three 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.

CORPORATE GOVERNANCE REPORT

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 2021, 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 2021, 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 2021, 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 2021 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	3/3	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	3/3	1/1	N/A	1/1
Mr. Chan Fan Shing	4/4	4/4	3/3	1/1	1/1	1/1
Mr. Chen Gang	4/4	4/4	N/A	1/1	1/1	1/1

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, 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	1,551
Non-audit services	
Review of the interim consolidated financial statements	363
Internal control review	166
Tax services	58

CORPORATE GOVERNANCE REPORT

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 2021. 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 2021, 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 2021.

DIVIDEND POLICY

The Board has adopted a dividend policy ("Dividend Policy") in compliance with code provision E.1.5 of the CG Code (which has re-numbered to code provision F.1.1 under the Corporate Governance Code that came into effect on 1 January 2022) 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.

CORPORATE GOVERNANCE REPORT

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 2021, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 28 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

Board Statement — ESG Governance Structure

While striving to create value for its shareholders, the Group also strives to fulfil its corporate social responsibilities. We are committed to incorporating environmental, social and governance (ESG) considerations into our decision-making process. To achieve this goal, we have developed a core governance structure to ensure that ESG remain aligned with our strategic growth and advocate for the integration of ESG into our business operations. Our CSR structure is divided into two parts, the Board of Directors (the "Board") and the ESG Taskforce.

The Board retains ultimate oversight over the Group's ESG issues, including its ESG approaches, strategies and policies. In order to better manage the Group's performance in these aspects and identify potential risks, the Board, with the assistance of the ESG Taskforce, regularly conducts materiality assessments to assess and prioritise material ESG-related issues, taking into account the views of different stakeholders.

The ESG Taskforce comprises core members from different departments and facilitates the Board's oversight of ESG issues. The ESG Taskforce is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG Taskforce arranges regular meetings to evaluate the effectiveness of current policies and procedures, and formulate appropriate solutions to improve the efficiency. The ESG Taskforce reports regularly to the Board, assists in assessing and identifying the Group's ESG risks and opportunities, evaluates the implementation and effectiveness of the internal control mechanism, and reviews the progress of established goals and targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

The ESG Report covers the overall ESG policy and relevant information of the Group from 1 January 2021 to 31 December 2021 ("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

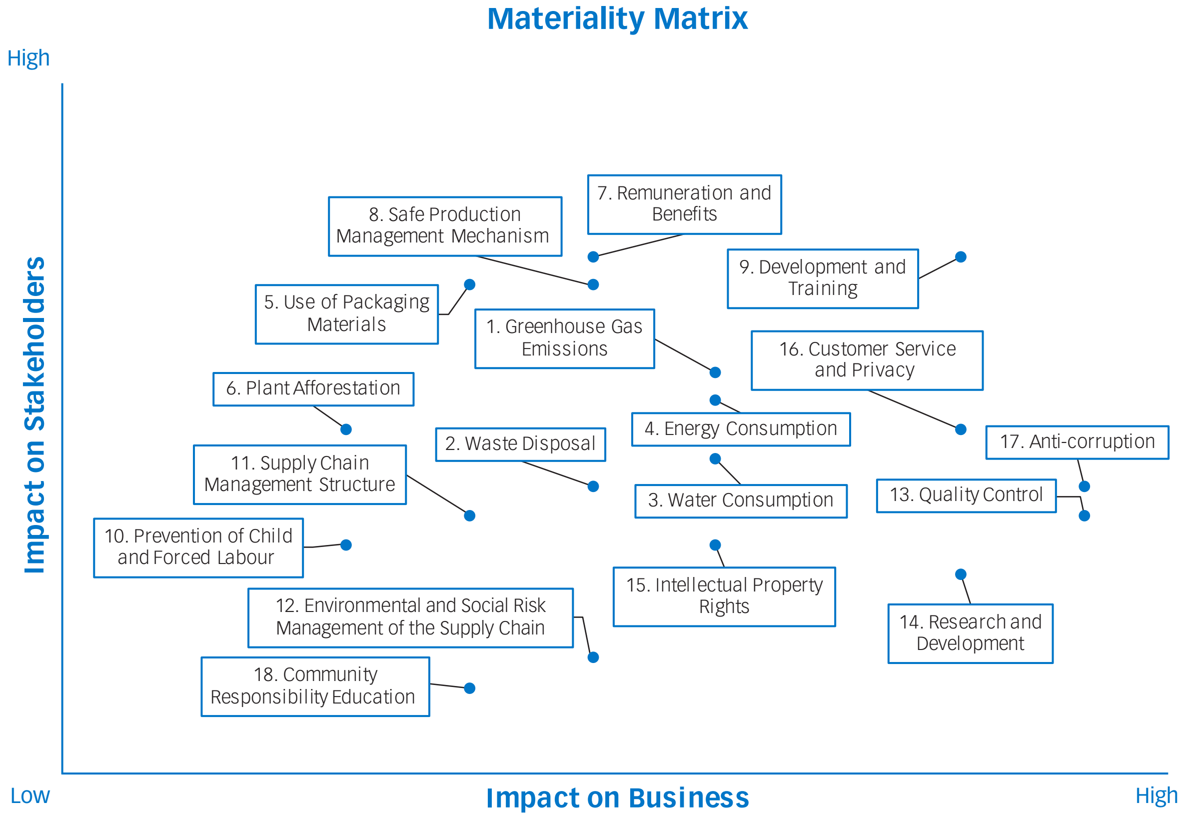
The ESG Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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



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

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Exhaust Gas Category	**2021 Total Emissions (in kilogram)**	2020 Total Emissions (in kilogram)
Nitrogen oxides (NO_x)	**15.51**	17.05
Sulphur oxides (SO_x)	**0.44**	0.44
Particulate Matter (PM)	**1.14**	1.26

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 gasemissions; 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).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The GHG emissions of the Group were as follows:

Indicator[1]	2021 CO_2e calculated by tonnes	2020 CO_2e calculated by tonnes
Direct GHG emissions (Scope 1)	**925.68**	902.52
Indirect GHG emissions (Scope 2)	**9,471.21**	6,433.14
Other indirect GHG emissions (Scope 3)[2]	**73.88**	82.70
Total GHG emissions (Scopes 1, 2 and 3)	**10,470.76**	7,418.36

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 36.59 tonnes CO_2e and 0.17 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 2020 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.

- During the Year, the Group has set a target that the average intensity of non-harzardous waste emissions by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre in 2025 decreased as compared to the Year (2021), and it is expected that it will achieve this target by continuously reviewing the above waste-reduction measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 (kilogram)	Intensity (kilogram/ 1,000 km feeder cable)[3]	Intensity (kilogram/ cable with 1,000 km optical fibre)[3]
2021	987	3.45	0.02
2020	412	1.28	0.01

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 (kilogram)	Intensity (kg/1,000 km feeder cable)[3]	Intensity (kg/cable with 1,000 km optical fibre)[3]
2021	58,349.68	203.88	0.95
2020	59,073.18	182.92	1.30

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.
- During the Year, the Group has set a target that the average intensity of non-harzardous waste emissions by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre in 2025 decreased as compared to the Year (2021), and it is expected that it will achieve this target by continuously reviewing the above waste-reduction measures.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

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.

During the Year, the Group has set a target that the average intensity of total energy consumption by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre in 2025 decreased as compared to the Year (2021), and it is expected that it will achieve this target by continuously reviewing the above cost-saving measures. The consumption of electricity and other energy by the Group were as follows:

Types of Energy Consumption	2021 Consumption (kWh)	2020 Consumption (kWh)
Direct energy	**888,574.84**	935,254.90
Natural gas	**178,428.64**	179,715.09
Diesel oil	**420,637.13**	466,618.23
Gasoline	**289,509.07**	288,921.58
Indirect energy		
Electricity	**11,957,380.00**	10,911,023.00
Total energy consumption	**12,845,954.84**	11,846,277.90
Total energy consumption intensity (kWh/1,000 km feeder cable)[3]	**44,885.32**	36,681.10
Total energy consumption intensity (kWh/cable with 1,000 km optical fiber)[3]	**209.22**	260.29

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 62,676.54 m^3 (2020: 67,927 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 219.00 m^3 (2020: 210.33 m^3) and 1.02 m^3 (2020: 1.49 m^3) respectively. During the Year, the Group has set a target that the average intensity of total energy consumption by producing a thousand kilometers of feeder cable and cable with a thousand kilometers optical fibre in 2025 decreased as compared to the Year (2021), and it is expected that it will achieve this target by continuously reviewing the above cost-saving measures.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 39,165 m^3 (2020: 53,935 m^3) and a total of 536,665 cartons (2020: 376,430 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

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 3,667 trees (2020: 3,719 trees) and approximately 20,000 shrubs of all kinds are grown within our production plant premises.

A4. Climate Change

Public awareness of climate change is increasing and climate change is one of the most frequently discussed topics internationally. The Group recognises the importance of identifying and mitigating significant climate-related issues, pays close attention to the potential impact of climate change on the Group's business and operations, and is committed to managing the potential climate-related risks which may impact the Group's business activities. According to the reporting framework developed by the Taskforce on Climate-Related Financial Disclosures, climate-related risks are divided into physical and transition risks. The Group has established a risk management policy to identify and mitigate climate-related risks.

Physical Risks

The increased frequency and severity of extreme weather events, such as typhoons, storms, heavy rains and extreme cold or heat, will pose immediate and long-term physical risks to the Group's business. These events could threaten the personal safety of our employees and damage the power grid or communication infrastructure, resulting in reduced capacity and productivity, or exposing the Group to the risk of non-performance and delayed performance, which will have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has taken countermeasures, including flexible work arrangements and precautionary measures in severe or extreme weather conditions. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events, in a bid to improve business stability.

Transition Risks

In line with the global vision of carbon neutrality, the Group expects changes in regulations, technologies and market patterns as a result of climate change, including the tightening of national policies and listing rules and the derivatives of environment-related taxes. Stricter environmental laws and regulations may expose companies to higher claims and litigation risks, which may require additional compliance costs and impact the Group's reputation.

In response to policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for non-compliance or reputational risks due to slow responses. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions and setting targets to gradually reduce our energy consumption and greenhouse gas emissions in the future.

B. SOCIAL

B1. Employment

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 2021, the Group had a total of 963 (2020: 997 employees), all of them were full time employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The information of our employee were as follows:

By Gender

	Number as at 31 December 2021	2021 Percentage	Number as at 31 December 2020	2020 Percentage
Male	**644**	**66.9%**	689	69.1%
Female	**319**	**33.1%**	308	30.9%
	963	**100.0%**	997	100.0%

By Age

	Number as at 31 December 2021	2021 Percentage	Number as at 31 December 2020	2020 Percentage
Aged 25 or below	**167**	**17.3%**	179	17.9%
Aged 26 to 35	**521**	**54.1%**	538	54.0%
Aged 36 to 45	**184**	**19.1%**	223	22.4%
Aged above 46	**91**	**9.4%**	57	5.7%
	963	**100.0%**	997	100.0%

By Educational Level

	Number as at 31 December 2021	2021 Percentage	Number as at 31 December 2020	2020 Percentage
Undergraduate or above	**146**	**15.2%**	298	29.9%
College	**161**	**16.7%**	266	26.7%
Technical junior high	**184**	**19.1%**	168	16.9%
Senior high (vocational school)	**169**	**17.5%**	135	13.5%
Junior high or below	**303**	**31.5%**	130	13.0%
	963	**100.0%**	997	100.0%

By Geographical Area

	Number as at 31 December 2021	2021 Percentage	Number as at 31 December 2020	2020 Percentage
Mainland China	**961**	**99.8%**	995	99.8%
Hong Kong	**2**	**0.2%**	2	0.2%
	963	**100.0%**	997	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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table sets forth the increased average quarterly employee turnover rate of the Group for this year.

By Gender

Employee turnover rate	2021
Male	27.4%
Female	24.4%

By Age Group

Employee turnover rate	2021
Aged 25 or below	59.8%
Aged 26 to 35	22.3%
Aged 36 to 45	8.5%
Aged 46 or above	32.0%

By Geographical Area

Employee turnover rate	2021
Mainland China	26.5%
Hong Kong	25.0%

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2. Health and Safety

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	**2021 Total number**	2020 Total number	2019 Total number
Numbers of work-related death	person	**0**	0	0
Numbers of work-related injuries	person	**4**	4	6
Numbers of working days lost due to work-related injuries	day	**54**	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. The above data only included the records of employees' injuries and casualties. In 2021, a fatal accident occurred to an employee of a contractor at the Group's factory. The contractor of the Group has provided statutory compensation. The Group has also provided additional gratuity to the family and has strengthened the safety management of our factory.

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

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.

Training Management

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

	2021 Number of trained employees	**2021 %**	2020 Number of trained employees	2020 %
Male	**644**	**66.9%**	689	69.1%
Female	**319**	**33.1%**	308	30.9%

By Employment Type

	2021 Number of trained employees	**2021 %**	2020 Number of trained employees	2020 %
Chief executive	**15**	**1.6%**	17	1.7%
Technicians	**157**	**16.3%**	182	18.3%
Administrative staff	**85**	**8.8%**	79	7.9%
Production staff	**533**	**55.3%**	538	54.0%
Sales staff	**97**	**10.1%**	93	9.3%
Logistical staff	**76**	**7.9%**	88	8.8%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table sets forth the increased average training hours completed per employee of the Group for this year.

By Gender

Average training hours	2021
Male	1.53
Female	1.50

By Employment Type

Average training hours	2021
Chief executive	2.27
Technicians	2.66
Administrative staff	1.40
Production staff	1.38
Sales staff	1.34
Logistical staff	0.40

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

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. The Group will investigate in and deal with any incidents of illegal employment or forced labour in accordance with its relevant policies. 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).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply Chain Management

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 262 suppliers in total, comprising 260 PRC suppliers and 2 overseas suppliers. Among the suppliers in PRC, 193 are from Jiangsu Province and 67 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. All major suppliers are assessed through standard procedures.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 182 patents and developed 228 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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. In addition, we enhanced the management's and employees' integrity awareness by conducting the training related to anti-corruption. During this year, all of the Group's directors and employees has received the training of anti-corruption and understood the Group's integrity and self-discipline management system.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8. Community Investment

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 focusing on contributing to community welfare and 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 RMB400,000 to Yixing Red Cross in April 2021.
- Made a donation of RMB100,000 to Yixing Charity for education-aid purpose in September 2021.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	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 emission target(s) set and steps taken to achieve them	Emissions — Exhaust Gas Emissions and Greenhouse Gas Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Emissions — Waste Disposal
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 target(s) set and steps taken to achieve them	Use of Resources — Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose. Description of water efficiency target(s) set and steps taken to achieve them	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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Climate Change — Physical Risks and Transition Risks
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
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment — Recruitment, Promotion and Dismissal

[#] Recommended disclosure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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 occurred in each of the past three years including the reporting year	Health and safety — Safe Production Management Mechanism
KPI B2.2#	Lost days due to work injury	Health and safety — Safe Production Management Mechanism
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Health and Safety — Safe Production Management Mechanism and Chemical Storage
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 — Training Management
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training — Training Management
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 — Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate violations when discovered	Labour Standards — Prevention of Child and Forced Labour

Recommended disclosure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Section/Declaration
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
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Supply Chain Management — Supply Chain Management Architecture
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply Chain Management — Environmental and Social Risk Management in Supply Chains
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply Chain Management — Environmental and Social Risk Management in Supply Chains
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 B6.4	Description of quality assurance process and recall procedures	Product Responsibility — Quality Control
KPI B6.5#	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility — Customer Service and Privacy

Recommended disclosure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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
KPI B7.3	Description of anti-corruption training provided to directors and staff	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

Recommended disclosure

DIRECTORS' REPORT

The board ("Board") of directors ("Directors") of the Company hereby presents this Directors' report together with the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

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 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 attach es 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") .

DIRECTORS' REPORT

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 2021, 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 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this annual report.

The Directors do not recommend the payment of dividend for the year ended 31 December 2021.

DIRECTORS' REPORT

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 2021 are set out in note 15 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 2021 are set out in note 28 of the Notes to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to Shareholders amounted to approximately RMB1,537.4 million.

DONATION

The Group made charitable donations totalling approximately RMB506,000 during the year ended 31 December 2021.

DIRECTORS

The Directors during the year ended 31 December 2021 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 Mr. Qian Lirong and Mr. Qian Chenhui 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 2021. 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 2021 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 2021 are set out in note 11 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 34 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 2021. 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.

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

Since the date of the 2021 interim report of the Company and up to the date of this report, there were no changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 31 December 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 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 c)*
Mr. Qian Lirong	Interest in controlled corporation	523,521,750 *(Note a)*	–	523,521,750	29.22%

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 are long position.

(c) The total number of 1,791,500,000 shares of the Company in issue as at 31 December 2021 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2021, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 35.2% (2020: 43.3%) and 63.6% (2020: 76.4%) of the Group's total purchases, respectively.

For the year ended 31 December 2021, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 45.6% (2020: 41.4%) and 97.0% (2020: 95.6%) of the Group's total turnover, respectively.

At all time during the year ended 31 December 2021, none of the Directors or any of their close associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

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

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme ("Share Option Scheme") to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group. Further details of the Share Option Scheme and the share options granted are disclosed in note 29 of the Notes to the consolidated financial statements in this annual report.

As at 28 March 2022, being the date of this report, the total number of share options available for issue under the Share Option Scheme was 37,100,000 shares, representing approximately 2.07% of the issued shares of the Company as at such date.

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2021, 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 2021.

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 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, 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 2021, 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 33 of the Notes to the consolidated financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 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 Investment Holding Limited* 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 Shenzhen Municipal People's Government* 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%

DIRECTORS' REPORT

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 filed on 14 May 2021 by each of State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government and Shenzhen Investment Holding Limited, these interests in shares are registered in the name of Eternal Asia (HK) Limited, a company wholly owned by Eternal Asia, which is owned as to 18.30% by Shenzhen Investment Holding Limited, which in turn is wholly owned by State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government. Eternal Asia and its directors were accustomed to act in accordance with the directions of Shenzhen Investment Holding Limited.

(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 2021, 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 2021 and up to the date of this report.

DIRECTORS' 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 2021, 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 2021, 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 2021. 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, 28 March 2022

INDEPENDENT AUDITOR'S REPORT

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 81 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 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 2021, the Group's net trade receivables amounting to RMB4,317,714,000, which represented approximately 77% 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 31 to the consolidated financial statements, the Group recorded a reversal of impairment loss of RMB24,212,000 on trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2021 amounted to RMB578,917,000.	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 2021, on a sample basis; and • Challenging management's basis and judgment in determining credit loss allowance on trade receivables as at 31 December 2021, 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).

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**2,862,456**	2,873,078
Cost of goods sold		**(2,438,537)**	(2,361,706)
Gross profit		**423,919**	511,372
Other income	6	**19,534**	21,289
Reversal of impairment loss (impairment losses) under expected credit loss model, net	7	**24,212**	(189,245)
Impairment loss of goodwill	8	**–**	(156,527)
Impairment loss of intangible assets	8	**–**	(92,366)
Other loss	7	**(572)**	(5,746)
Selling and distribution costs		**(71,993)**	(60,750)
Administrative expenses		**(41,690)**	(43,906)
Research and development costs		**(58,147)**	(60,424)
Finance costs	9	**(65,366)**	(66,766)
Profit (loss) before taxation	10	**229,897**	(143,069)
Taxation (charge) credit	12	**(22,430)**	3,705
Profit (loss) and total comprehensive income (expense) for the year		**207,467**	(139,364)
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(475)**	–
Total comprehensive income (expense)for the year		**206,992**	(139,364)
Earnings (loss) per share	13		
— Basic		**RMB11.58 cents**	RMB(7.78) cents
— Diluted		**N/A**	RMB(7.78) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	189,312	207,187
Right-of-use assets	16	66,848	67,879
Intangible assets	17	–	14,543
Equity instruments at fair value through other comprehensive income	18	475	950
Pledged bank deposits	22	105,935	57,222
Deferred tax assets	27	99,168	79,522
		461,738	427,303
Current assets			
Inventories	19	242,352	160,407
Trade and other receivables	20	4,341,830	3,998,677
Other financial assets	21	–	50,000
Pledged bank deposits	22	104,449	39,105
Bank balances and cash	22	459,272	686,988
		5,147,903	4,935,177
Current liabilities			
Trade and other payables	23	676,471	478,075
Bank borrowings	24	1,265,000	1,425,000
Lease liabilities	25	609	516
Taxation payable		41,830	42,492
		1,983,910	1,946,083
Net current assets		3,163,993	2,989,094
Total assets less current liabilities		3,625,731	3,416,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	25	994	93
Government grants	26	1,588	1,985
Deferred tax liabilities	27	22,194	20,356
		24,776	22,434
Net assets		3,600,955	3,393,963
Capital and reserves			
Share capital	28	14,638	14,638
Reserves		3,586,317	3,379,325
Total equity		3,600,955	3,393,963

The consolidated financial statements on pages 81 to 141 were approved and authorised for issue by the Board of Directors on 28 March 2022 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 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Fair value through other comprehensive income reserve 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 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
Profit for the year	–	–	–	–	–	–	–	–	207,467	207,467
Fair value loss on investments in equity instrument at fair value through other comprehensive income	–	–	(475)	–	–	–	–	–	–	(475)
Profit and total comprehensive income for the year	–	–	(475)	–	–	–	–	–	207,467	206,992
Lapse of share options	–	–	–	–	–	–	–	(3,216)	3,216	–
Transfer	–	–	–	–	18,898	–	–	–	(18,898)	–
At 31 December 2021	**14,638**	**1,509,764**	**(475)**	**101**	**520,936**	**62,947**	**(312,834)**	**–**	**1,805,878**	**3,600,955**

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 2021

	2021 RMB'000	2020 RMB'000
Operating activities		
Profit (loss) before taxation	229,897	(143,069)
Adjustments for:		
Interest income	(9,932)	(7,022)
Investment income from other financial assets	(1,138)	(7,572)
Finance costs	65,366	66,766
Depreciation of property, plant and equipment	21,888	23,679
Depreciation of right-of-use assets	2,514	2,653
Amortisation of intangible assets	14,543	19,500
(Reversal of impairment loss) impairment losses under expected credit loss model, net	(24,212)	189,245
Impairment loss of goodwill	–	156,527
Impairment loss of intangible assets	–	92,366
Impairment loss of inventory	3,615	–
Loss on written off property, plant and equipment	8	14
Release of government grants	(397)	(397)
Exchange loss	572	5,746
Operating cash flows before movements in working capital	302,724	398,436
Increase in inventories	(85,560)	(35,299)
Increase in trade and other receivables	(318,459)	(216,222)
Increase (decrease) in trade and other payables	189,964	(25,691)
Cash generated from operations	88,669	121,224
PRC Enterprise Income Tax paid	(40,900)	(38,710)
Net cash from operating activities	47,769	82,514

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Investing activities		
New pledged bank deposits placed	**(3,501,691)**	(2,568,593)
Purchase of property, plant and equipment	**(4,551)**	(3,429)
Release of pledged bank deposits	**3,387,634**	2,685,491
Redemption of other financial assets	**50,000**	105,000
Investment income received	**1,138**	7,572
Interest received	**8,871**	7,501
Placement of other financial assets	**–**	(50,000)
Net cash (used in) from investing activities	**(58,599)**	183,542
Financing activities		
Repayment of bank borrowings	**(1,685,000)**	(1,625,000)
Interest on bank borrowings	**(56,376)**	(66,654)
Repayment of lease liabilities	**(484)**	(484)
Interest on lease liabilities	**(26)**	(49)
New bank borrowings raised	**1,525,000**	1,753,000
Net cash (used in) from financing activities	**(216,886)**	60,813
Net (decrease) increase in cash and cash equivalents	**(227,716)**	326,869
Cash and cash equivalents at beginning of the year	**686,988**	360,119
Cash and cash equivalents at end of the year, represented by bank balances and cash	**459,272**	686,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories) *(Continued)*

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the new and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC) — Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC) — Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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".

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

Basis of preparation of consolidated financial statements *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

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 good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good 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 of HKFRS 16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

Leases *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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.

Lease modifications

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

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

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

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

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.

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

Significant accounting policies *(Continued)*

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.

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.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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 cash-generating unit ("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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

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.

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)

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.

(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.

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)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost 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 expected credit loss ("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' aging. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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/(loss) before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

Taxation *(Continued)*

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.

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.

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

Significant accounting policies *(Continued)*

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".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Significant accounting policies *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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' aging 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 31 and 20 respectively.

The carrying amount of trade receivables at 31 December 2021 is RMB4,317,714,000 (2020: RMB3,983,152,000) (net of allowance for impairment losses of trade receivables of RMB578,917,000 (2020: RMB603,129,000)).

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 and 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 transactions price allocated to the unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Performance obligations for contracts with customers *(Continued)*

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
- Other (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.

Existence of significant financing component

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

The information of segment results is as follows:

For the year ended 31 December 2021

	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	968,171	539,245	1,210,159	142,342	2,539	–	2,862,456
— Inter-segment sales*	–	173,154	–	21,906	–	(195,060)	–
	968,171	712,399	1,210,159	164,248	2,539	(195,060)	2,862,456
Cost of goods sold	(811,134)	(627,341)	(1,043,588)	(149,582)	(1,952)	195,060	(2,438,537)
Segment result	157,037	85,058	166,571	14,666	587	–	423,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Existence of significant financing component *(Continued)*

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

* 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.

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

	2021 **RMB'000**	2020 *RMB'000*
Reportable segment results	**423,919**	511,372
Unallocated income and expenses		
— Other income	**19,534**	21,289
— Reversal of impairment loss (impairment losses) under ECL model, net	**24,212**	(189,245)
— Impairment loss of goodwill	**–**	(156,527)
— Impairment loss of intangible assets	**–**	(92,366)
— Other loss	**(572)**	(5,746)
— Selling and distribution costs	**(71,993)**	(60,750)
— Administrative expenses	**(41,690)**	(43,906)
— Research and development costs	**(58,147)**	(60,424)
— Finance costs	**(65,366)**	(66,766)
Profit (loss) before taxation	**229,897**	(143,069)
Taxation (charge) credit	**(22,430)**	3,705
Profit (loss) for the year	**207,467**	(139,364)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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).

Information about major customers

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

	2021	2020
	RMB'000	*RMB'000*
Customer A	**1,306,360**	1,188,105
Customer B	**905,104**	820,959
Customer C	**458,356**	604,088

The three major customers, including the three major telecommunications operator in PRC, 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

	2021	2020
	RMB'000	*RMB'000*
Government grants *(note)*	**5,543**	6,289
Interest income	**9,932**	7,022
Investment income from other financial assets	**1,138**	7,572
Others	**2,921**	406
	19,534	21,289

Note: During the current year, the Group recognised government grants of nil (2020: RMB193,000) in respect of Covid-19-related subsidies, of which nil (2020: RMB86,000) relates to Employment Support Scheme provided by the Hong Kong Government. Included in government grants is also RMB5,146,000 (2020: RMB5,699,000) 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 (2020: RMB397,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 26.

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

	2021 RMB'000	2020 RMB'000
Reversal of impairment loss (impairment losses) under ECL model, net include the following:		
Reversal of impairment loss (impairment losses) on trade receivables, net	**24,212**	(189,245)
Other loss include the following:		
Exchange loss	**(572)**	(5,746)

Details of impairment assessment on trade receivables are set out in note 31.

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

During the year ended 31 December 2020, for the purpose of impairment testing, goodwill and intangible assets with finite useful lives arising from business combinations had been allocated to the two CGUs, which were Jiang Mei Limited ("Jiang Mei") and Rosy Elite Limited ("Rosy Elite"). In addition to goodwill and intangible assets, 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 were 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".

Jiang Mei

At 31 December 2020, 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 had been determined based on a value in use calculation. The calculation used cash flow forecast based on financial budgets approved by the management covering a period of 5 years and a pre-tax discount rate of 21.2%. The CGU's cash flows beyond the 5-year period were extrapolated using a steady 2% growth rate per annum. This growth rate was 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 included budget sales and gross margin. Such estimation was based on the CGU's past performance and available industry and market information. The cash flow projections, growth rate and discount rate had been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in 2020 due to how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES *(Continued)*

Jiang Mei *(Continued)*

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. The impairment losses had 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 had been fully impaired and impairment amounting to RMB33,859,000 had been allocated to intangible assets. No impairment had been allocated to right-of-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 2020. 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 had 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 in 2020.

Rosy Elite

At 31 December 2020, 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 had been determined based on a value in use calculation. The calculation used cash flow forecast based on financial budgets approved by the management covering a period of 5 years and a pre-tax discount rate of 22.0%. The CGU's cash flows beyond the 5-year period were extrapolated using a steady 2% growth rate per annum. This growth rate was based on the relevant industry growth rate forecasts and did 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 included budget sales and gross margin. Such estimation was based on the CGU's past performance and available industry and market information. The cash flow projections, growth rate and discount rate had been reassessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in 2020 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. The impairment losses had 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 had 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 had adversely affected the global economic growth forecast and this CGU's performance in 2020. 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 had 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 in 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	**65,340**	66,717
Interest on lease liabilities	**26**	49
	65,366	66,766

10. PROFIT (LOSS) BEFORE TAXATION

	2021 RMB'000	2020 RMB'000
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration *(note 11)*	**2,009**	1,783
Other staff costs:		
Salaries and other benefits	**90,731**	84,448
Retirement benefit schemes contributions *(note 34)*	**6,566**	2,253
Total staff costs	**99,306**	88,484
Less: capitalised in cost of inventories manufactured	**(46,990)**	(39,713)
	52,316	48,771
Amortisation of intangible assets (included in selling and distribution costs)	**14,543**	19,500
Auditor's remuneration	**2,139**	2,324
Cost of inventories recognised as expenses	**2,429,354**	2,350,817
Impairment loss on inventory (included in selling and distribution costs)	**3,615**	–
Depreciation of right-of-use assets	**2,514**	2,653
Loss on written off property, plant and equipment	**8**	14
Short-term lease payment	**1,603**	1,040
Depreciation of property, plant and equipment	**21,888**	23,679
Less: capitalised in cost of inventories manufactured	**(14,915)**	(16,434)
	6,973	7,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. 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 2021

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. Qian Lirong *RMB'000*	Mr. Qian Chenhui *RMB'000*	Mr. Xia Bin *RMB'000*	Professor Jin Xiaofeng *RMB'000*	Mr. Chan Fan Shing *RMB'000*	Mr. Chen Gang *RMB'000*	Total *RMB'000*
Directors' fee	100	–	100	75	124	75	474
Basic salaries and allowances	930	577	–	–	–	–	1,507
Retirement benefit schemes contributions	14	14	–	–	–	–	28
	1,044	591	100	75	124	75	2,009

For the year ended 31 December 2020

	Executive directors		Non-executive director	Independent non-executive directors			
	Mr. Qian Lirong *RMB'000*	Mr. Qian Chenhui *RMB'000*	Mr. Xia Bin *RMB'000*	Professor Jin Xiaofeng *RMB'000*	Mr. Chan Fan Shing *RMB'000*	Mr. Chen Gang *RMB'000*	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
	1,053	340	104	78	130	78	1,783

Mr. Qian Lirong has been appointed as the chief executive officer of the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS *(Continued)*

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 (2020: one) was the director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2020: four) individuals were as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Basic salaries and allowances	**3,259**	3,267
Retirement benefit schemes contributions	**56**	32
	3,315	3,299

Their emoluments were within the following bands:

	2021 **No. of employees**	2020 No. of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

During the year ended 31 December 2021, 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 for both years. None of the directors of the Company has waived any emoluments during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. TAXATION (CHARGE) CREDIT

	2021 *RMB'000*	2020 *RMB'000*
The (charge) credit comprises:		
Current tax:		
PRC Enterprise Income Tax	**(40,238)**	(48,926)
Deferred taxation credit *(note 27)*	**17,808**	52,631
Taxation (charge) credit for the year	**(22,430)**	3,705

During the year ended 31 December 2021, deferred tax in relation to withholding tax on undistributed earnings of RMB1,838,000 (2020: RMB3,245,000) is recognised.

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Of 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"), was endorsed as a High and New Technology Enterprise by relevant authorities in the PRC was entitled to and was charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in October 2024, and the endorsements as High and New Technology Enterprises were expired in October 2021 for 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"). The two subsidiaries paid and were charged income tax in the PRC changed from 15% in 2020 to 25% for Year 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"). Starting from 1 January 2021, the claim ratio increases to 200%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. TAXATION (CHARGE) CREDIT *(Continued)*

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

	2021	2020
	RMB'000	*RMB'000*
Profit (loss) before taxation	**229,897**	(143,069)
Tax (credit) charge at the applicable income tax rate of 25%	**(57,474)**	35,767
Tax effect on income not taxable for tax purpose	**5,304**	5,157
Tax effect on expenses not deductible for tax purpose	**(1,988)**	(53,712)
Tax effect of tax concession	**17,214**	18,972
Withholding tax on undistributed earnings	**(1,838)**	(3,245)
Super Deduction for research and development expenses	**871**	1,001
Tax effect of change of tax rate in deferred tax recognised	**15,324**	–
Others	**157**	(235)
Taxation (credit) charge for the year	**(22,430)**	3,705

13. EARNINGS (LOSS) PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings (loss)		
Profit (loss) for the year attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	**207,467**	(139,364)

	2021	2020
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**1,791,500**	1,791,500

No diluted earnings per share have been presented as there are no potential ordinary shares outstanding for current year.

The computation of diluted loss 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 would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. DIVIDENDS

The Board has resolved not to recommend final dividend for the year (final dividend for 2020: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2020	199,173	236,214	13,229	9,119	1,660	459,395
Additions	–	408	2,540	–	520	3,468
Transfer	–	283	328	–	(611)	–
Written-off	–	–	(139)	–	–	(139)
At 31 December 2020	199,173	236,905	15,958	9,119	1,569	462,724
Additions	–	1,153	1,922	–	946	4,021
Transfer	–	1,914	43	–	(1,957)	–
Written- off	–	(17)	(46)	–	–	(63)
At 31 December 2021	**199,173**	**239,955**	**17,877**	**9,119**	**558**	**466,682**
DEPRECIATION						
At 1 January 2020	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 Written-off	–	–	(125)	–	–	(125)
At 31 December 2020	71,980	167,048	8,803	7,706	–	255,537
Provided for the year	9,255	11,130	1,414	89	–	21,888
Eliminated on Written-off	–	(14)	(41)	–	–	(55)
At 31 December 2021	**81,235**	**178,164**	**10,176**	**7,795**	**–**	**277,370**
CARRYING VALUES						
At 31 December 2021	**117,938**	**61,791**	**7,701**	**1,324**	**558**	**189,312**
At 31 December 2020	127,193	69,857	7,155	1,413	1,569	207,187

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 December 2021			
Carrying amount	**65,242**	**1,606**	**66,848**
As at 31 December 2020			
Carrying amount	67,362	517	67,879
For the year ended 31 December 2021			
Depreciation charge	**2,120**	**394**	**2,514**
For the year ended 31 December 2020			
Depreciation charge	2,120	533	2,653

	2021 ***RMB'000***	2020 *RMB'000*
Expense relating to short term leases	**1,603**	1,040
Total cash outflow for leases	**2,112**	1,573
Additions to right-of-use assets	**1,490**	–

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.

In current year, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognised RMB1,490,000 of right-of-use assets and lease liabilities, which constitute non-cash transactions.

Details of the lease maturity analysis of lease liabilities are set out in note 25.

Restrictions or covenants on leases

In addition, lease liabilities of RMB1,603,000 are recognised with related right-of-use assets of RMB1,606,000 as at 31 December 2021 (2020: lease liabilities of RMB609,000 are recognised with related right-of-use assets of RMB517,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 31 December 2021	195,005
AMORTISATION AND IMPAIRMENT	
At 1 January 2020	68,596
Amortisation provided for the year	19,500
Impairment provided for the year	92,366
At 31 December 2020	180,462
Amortisation provided for the year	14,543
At 31 December 2021	**195,005**
CARRYING VALUES	
At 31 December 2021	**–**
At 31 December 2020	14,543

The intangible assets represent customer relationships, with carrying amount of nil (2020: RMB14,543,000) from Jiang Mei CGU and nil (2020: nil) from Rosy Elite CGU, respectively as at 31 December 2021. During the year ended 31 December 2021, the useful life of the intangible assets is revised to three to seven years from ten years after a review is conducted by the directors of the Company taken into account that these customer relationships are no longer able to generate future economic benefits within this period.

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE EXPENSE

	2021 ***RMB'000***	2020 *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")		
Fair Value	**475**	950

At 31 December 2021, the above unlisted equity investments represent 19% (2020: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	60,053	49,870
Work in progress	41,069	24,950
Finished goods	141,230	85,587
	242,352	160,407

20. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables, net	4,317,714	3,983,152
Interest receivables	5,707	4,646
Other receivables	2,261	2,669
Tender deposits	5,026	4,169
Prepaid expenses	8,872	2,402
Staff advances	2,250	1,639
	4,341,830	3,998,677

Included in the Group's trade receivables at 31 December 2021 are bills received by the Group of RMB17,257,000 (2020: RMB34,445,000).

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:

	2021 RMB'000	2020 RMB'000
Age		
0–90 days	817,739	839,438
91–180 days	647,366	648,512
181–365 days	1,000,806	647,955
Over 365 days	1,851,803	1,847,247
	4,317,714	3,983,152

At 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,297,972,000 (2020: RMB2,470,694,000) which are past due as at the reporting date and balance of RMB1,851,803,000 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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 31.

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:

	2021 ***RMB'000***	2020 *RMB'000*
United States dollars ("USD")	**15,049**	12,789

21. OTHER FINANCIAL ASSETS

At 31 December 2020, the Group's other financial assets represented financial products issued by banks, with maturity of 12 months and expected returns at 3.71% per annum. The investments in financial products were 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 because of their short maturities.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2021, the pledged bank deposits carry interest at the prevailing market rate ranging from approximately 1.35% to 3.85% (2020: 1.50% to 3.85%) per annum.

The Group's pledged bank deposits amounting to RMB210,384,000 (2020: RMB96,327,000) have been pledged to banks except for the amount of RMB105,935,000 (2020: RMB57,222,000) 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 2021, 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 0.001% to 2.50% (2020: 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:

	2021 ***RMB'000***	2020 *RMB'000*
Hong Kong Dollars ("HKD")	**606**	2,277
USD	**12,025**	18,880

Details of impairment assessment are set out in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**620,668**	417,256
Accrued expenses	**13,593**	11,710
Deposits from suppliers	**12,659**	14,170
Other payables	**8,816**	8,474
Other tax payables	**1,991**	9,296
Payable for acquisition of property, plant and equipment	**509**	1,039
Payroll and welfare payables	**18,235**	16,130
	676,471	478,075

Included in the Group's trade payables at 31 December 2021 are bills presented by the Group to relevant creditors of RMB502,898,000 (2020: RMB306,981,000). All bills presented by the Group are aged within 365 days and not yet due at the end of the reporting period.

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:

	2021	2020
	RMB'000	*RMB'000*
Age		
0–90 days	**251,921**	204,509
91–180 days	**148,719**	91,923
181–365 days	**220,028**	120,813
Over 365 days	**–**	11
	620,668	417,256

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

	2021	2020
	RMB'000	*RMB'000*
HKD	**1,364**	285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Unsecured	**1,265,000**	1,425,000
The bank borrowings comprise:		
Variable rate borrowings	**490,000**	440,000
Fixed rate borrowings	**775,000**	985,000

At 31 December 2021, fixed rate bank borrowings carry interests ranging from 3.80% to 4.13% (2020: 3.95% to 4.25%) per annum.

At 31 December 2021, variable-rate RMB denominated bank borrowings carry interests at 100% of the People's Bank of China ("PBOC") rate (2020: 100% of PBOC rate) per annum.

25. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable		
Within one year	**609**	516
Within a period of more than one year but not more than two years	**497**	93
Within a period of more than two year but not more than five years	**497**	–
	1,603	609
Less: Amount due for settlement within 12 months shown under current liabilities	**(609)**	(516)
Amount due for settlement after 12 months shown under non-current liabilities	**994**	93

The weighted average incremental borrowing rates applied to lease liabilities was 4.35% (2020: 4.35%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. GOVERNMENT GRANTS

	2021 RMB'000	2020 RMB'000
At beginning of the year	**1,985**	2,382
Release to profit or loss for the year	**(397)**	(397)
At the end of the year	**1,588**	1,985

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.

27. 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	Tax on undistributed earnings RMB'000	Allowance for impairment loss of trade receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	31,470	17,111	(62,738)	7,622	(6,535)
(Credited) charged to profit or loss for the year	(27,968)	3,245	(27,730)	(178)	(52,631)
At 31 December 2020	3,502	20,356	(90,468)	7,444	(59,166)
(Credited) charged to profit or loss for the year	(3,502)	1,838	2,726	(3,546)	(2,484)
Effect of change in tax rate	–	–	(15,324)	–	(15,324)
At 31 December 2021	**–**	**22,194**	**(103,066)**	**3,898**	**(76,974)**

Others represented the fair value adjustment on property, plant and equipment and allowance for impairment loss on inventory.

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**99,168**	79,522
Deferred tax liabilities	**(22,194)**	(20,356)
	76,974	59,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. DEFERRED TAXATION *(Continued)*

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% (2020: 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 2021, no deferred tax liability has been recognised in respect of the undistributed profits amounting to RMB3,249,758,000 (2020: RMB3,151,919,000) 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.

As High and New Technology Enterprises status of the two subsidiaries of the Group are expired in 2021, in the opinion of the management, the tax rate applied for these two subsidiaries is changed from 15% to 25% in 2021, and accordingly, deferred tax asset of RMB15,324,000 is recognised due to the change of tax rate in 2021.

28. SHARE CAPITAL

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and 31 December 2021	1,791,500,000	17,915,000	14,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. SHARE OPTIONS

Share option scheme of the Company

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. SHARE OPTIONS *(Continued)*

Share option scheme of the Company *(Continued)*

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and nil shares options remained outstanding as at 31 December 2021. The Group recognised a share-based payment expense of nil during the year ended 31 December 2021 and 2020. 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 2021 and 2020, no share options were granted, exercised or cancelled under the Scheme.

At 31 December 2021, 37,100,000 shares are issuable under the Scheme (2020: 37,100,000).

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

Date of grant	Balance at 1 January 2020	Lapsed during the year	Balance at 31 December 2020	Lapsed during the year	Balance at 31 December 2021	Exercise price	Exercisable period
Granted to directors on							
20 June 2014	–	–	–	–	–	HK$3.15	4 July 2017 to 3 July 2019
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	(320,000)	–	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	1,440,000	(1,120,000)	320,000	(320,000)	–		
Granted to employees on							
20 June 2014	–	–	–	–	–	HK$3.15	4 July 2017 to 3 July 2019
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	(8,600,000)	–	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	18,800,000	(10,200,000)	8,600,000	(8,600,000)	–		
Total	20,240,000	(11,320,000)	8,920,000	(8,920,000)	–		

The options outstanding at the end of the year ended 31 December 2020 had a weighted average remaining contractual life of less than one year. The weighted average exercise price for 2020 was HK$3.15.

30. CAPITAL RISK MANAGEMENT

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

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 *RMB'000*	2020 *RMB'000*
Financial assets		
Financial assets at amortised cost	**5,000,296**	4,777,905
Other financial assets	**–**	50,000
Equity instruments at FVTOCI	**475**	950
Financial liabilities		
Amortised cost	**1,925,887**	1,882,069

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. 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 (2020: 5 basis points) lower and bank borrowings had been 25 basis points (2020: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would have increased by RMB668,000 (2020: loss for the year would have decreased by RMB531,000).

There would be an equal and opposite impact on the post tax profit for the year ended 31 December 2021 where there had been 5 basis points (post tax loss for the year ended 31 December 2020: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (post tax loss for the year ended 31 December 2020: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk

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

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

	2021		2020	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
HKD	606	1,364	2,277	285
USD	27,074	–	31,669	–

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% (2020: 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% (2020: 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 profit for the year would have decreased (2020: loss for the year increased) as follows:

	2021 RMB'000	2020 RMB'000
HKD	(28)	75
USD	1,015	1,188

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

At 31 December 2021 and 2020, 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 18).

At 31 December 2021 and 2020, the Group is 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.

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	**2021 Gross carrying amount** ***RMB'000***	2020 Gross carrying amount *RMB'000*
Financial assets at amortised cost			
Other receivables	N/A	**12,995**	11,484
Pledged bank deposits	A	**210,384**	96,327
Bank balances	Baa to Aaa	**459,203**	686,942
Trade receivables backed by bills	N/A	**17,257**	34,445
Trade receivables	N/A	**4,879,374**	4,551,836

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Other receivables

For 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 banks 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.

Trade receivables arising from contracts with customers

The Group's trade receivables from top three customers which are each a group of subsidiaries known to a reporting entity to be under common control, amounting to RMB4,244,799,000 (2020: RMB3,882,312,000) representing approximately 98.3% (2020: 97.5%) of the total net trade receivables at 31 December 2021. The largest trade receivable from a customer, which is a group of subsidiaries known to a reporting entity to be under common control, by itself accounted for approximately 48.1% (2020: 46.6%) of the total net trade receivables at 31 December 2021. For the purpose of ECL assessment, debtors under common control are assessed separately at legal entity level, based on the Company'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers *(Continued)*

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 based on a provision matrix based on debtors' aging.

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 RMB4,879,374,000 (2020: RMB4,551,836,000), out of RMB83,084,000 (2020: RMB116,499,000) 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 2021 under lifetime ECL. During the year ended 31 December 2021, recovery of RMB26,988,000 is received from a private individual debtor which is considered as credit-impaired in prior year. Accordingly, the amount considered as credit-impaired dropped significantly compared to last year.

	2021		2020	
	Weighted average loss rate	**Gross carrying amount** ***RMB'000***	Weighted average loss rate	Gross carrying amount *RMB'000*
Age				
Within one year	**4.48%**	**2,563,647**	6.00%	2,318,526
Over one year	**20.04%**	**2,315,727**	20.77%	2,233,310
		4,879,374		4,551,836

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.

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers *(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 2020	413,884
Impairment losses, net	189,245
At 31 December 2020	603,129
Reversal of impairment losses, net	(24,212)
At 31 December 2021	**578,917**

Note: The reversal mainly due to the recovery of trade receivable from a private individual debtor of RMB26,988,000 which is considered credit-impaired in prior year, during the year ended 31 December 2021.

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*
2021			
Other receivables	**–**	**12,995**	**12,995**
2020			
Other receivables	–	11,484	11,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

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

	Weighted average effective interest rate *%*	Repayable on demand or less than 6 months *RMB'000*	6 months to 1 year *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *RMB'000*
At 31 December 2021						
Trade and other payables	–	440,859	220,028	–	660,887	660,887
Bank borrowings						
— variable rate	3.92	98,423	404,599	–	503,022	490,000
— fixed rate	3.95	362,375	429,927	–	792,302	775,000
Lease liabilities	4.35	420	248	1,095	1,763	1,603
		902,077	1,054,802	1,095	1,957,974	1,927,490

	Weighted average effective interest rate *%*	Repayable on demand or less than 6 months *RMB'000*	6 months to 1 year *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Total carrying amount *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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements of financial instruments

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

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

Financial assets	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTOCI	Unlisted equity investments: 475	Unlisted equity investments: 950	Level 3	Share of the adjusted 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: nil	Other financial assets: 50,000	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 2020	105,000
Investment income	7,572
Purchase during the year	50,000
Total proceed on redemption	(112,572)
At 31 December 2020	50,000
Redemption during the year	(50,000)
At 31 December 2021	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. 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 24)*	Interest payable *RMB'000*	Lease liabilities *RMB'000* *(note 25)*	Total *RMB'000*
At 1 January 2020	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
Financing cash flows	(160,000)	(56,376)	(510)	(216,886)
Foreign exchange translation	–	–	(12)	(12)
Interest expense	–	65,340	26	65,366
Lease addition	–	–	1,490	1,490
At 31 December 2021	**1,265,000**	**18,892**	**1,603**	**1,285,495**

33. 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 11.

34. 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 RMB6,594,000 (2020: RMB2,264,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The increase in retirement benefit schemes contributions compared to prior year is mainly due to decrease in social insurance contribution in the PRC following the local government's social insurance concession policy due to COVID-19 in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 *RMB'000*	2020 *RMB'000*
Non-current assets		
Investment in a subsidiary	**785,160**	785,160
Loan to a subsidiary	**78,762**	81,058
	863,922	866,218
Current assets		
Other receivables	**191**	189
Amount due from a subsidiary	**788,645**	795,862
Bank balances	**1,462**	3,801
	790,298	799,852
Current liabilities		
Other payables	**1,352**	1,663
Loan from a subsidiary	**100,759**	100,233
	102,111	101,896
Net current assets	**688,187**	697,956
Net assets	**1,552,109**	1,564,174
Capital and reserves		
Share capital	**14,638**	14,638
Reserves *(note 36)*	**1,537,471**	1,549,536
Total equity	**1,552,109**	1,564,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. 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 2020	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
Loss and total comprehensive expense for the year	–	–	–	(12,065)	(12,065)
Lapse of share options	–	–	(3,216)	3,216	–
At 31 December 2021	**1,509,764**	**101**	**–**	**27,606**	**1,537,471**

37. PLEDGED ASSETS

As at 31 December 2021, the pledged bank deposits of RMB210,384,000 (2020: RMB96,327,000) have been pledged to secure the bills payables at the deposit of RMB180,000,000 (RMB84,000,000), letters of credit at the deposit of RMB19,000,000 (2020: nil), quality guarantee and performance guarantee at the deposit of RMB11,384,000 (2020: RMB10,849,000).

As at 31 December 2021, surety bonds of an aggregate balance of RMB70,006,000 (31 December 2020: RMB34,075,000) were given by a bank 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 RMB11,384,000 (2020: RMB10,849,000). The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above quality guarantees and performance guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021	2020	Attributable effective equity interest of the Company 2021	2020	Principal activities
Board Vision Investments Limited	British Virgin Islands ("BVI")	US$1	US$1	100%	100%	Inactive
China Information Communication Group Limited	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Jiang Mei	BVI	US$280	US$280	100%	100%	Investment holding
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
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

* A wholly foreign owned enterprise established in the PRC.

A 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	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Revenue	3,200,807	3,469,247	3,542,107	2,873,078	**2,862,456**
Cost of goods sold	(2,573,186)	(2,796,866)	(2,866,411)	(2,361,706)	**(2,438,537)**
Gross profit	627,621	672,381	675,696	511,372	**423,919**
Other income	26,630	38,030	25,938	21,289	**19,534**
(Impairment losses)/reversal of impairment losses under expected credit loss model, net	(89,135)	(59,939)	(53,019)	(189,245)	**24,212**
Impairment loss of goodwill	–	–	–	(156,527)	**–**
Impairment loss of intangible assets	–	–	–	(92,366)	**–**
Other losses	5,996	(4,589)	(1,873)	(5,746)	**(572)**
Selling and distribution costs	(54,698)	(55,126)	(60,945)	(60,750)	**(71,993)**
Administrative expenses	(52,748)	(47,250)	(42,662)	(43,906)	**(41,690)**
Research and development costs	(55,839)	(58,338)	(61,939)	(60,424)	**(58,147)**
Finance costs	(56,543)	(73,580)	(64,792)	(66,766)	**(65,366)**
Profit (loss) before taxation	351,284	411,589	416,404	(143,069)	**229,897**
Taxation (charge) credit	(59,271)	(66,129)	(57,435)	3,705	**(22,430)**
Profit (loss) for the year	292,013	345,460	358,969	(139,364)	**207,467**
Profit (loss) attributable to:					
Owners of the Company	277,143	345,460	358,969	(139,364)	**207,467**
Non-controlling interests	14,870	–	–	–	**–**
	292,013	345,460	358,969	(139,364)	**207,467**

Assets and liabilities	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Non-current assets	519,155	674,670	644,618	427,303	**461,738**
Current assets	4,309,005	4,747,607	4,781,387	4,935,177	**5,147,903**
Total assets	4,828,160	5,422,277	5,426,005	5,362,480	**5,609,641**
Current liabilities	1,852,948	2,148,926	1,833,490	1,946,083	**1,983,910**
Non-current liabilities	52,544	63,086	59,188	22,434	**24,776**
Total liabilities	1,905,492	2,212,012	1,892,678	1,968,517	**2,008,686**
Net assets	2,922,668	3,210,265	3,533,327	3,393,963	**3,600,955**