



TRIGIANT GROUP LIMITED

俊知集團有限公司*

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



INTERIM REPORT 2024

* For identification purposes only

TRIGIANT GROUP LIMITED
INTERIM REPORT 2024

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Zhang Dongjie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Jin Xiaofeng
Zhao Huanqi
Yau Wai

AUDIT COMMITTEE

Yau Wai (*Chairman*)
Professor Jin Xiaofeng
Zhao Huanqi

REMUNERATION COMMITTEE

Professor Jin Xiaofeng (*Chairman*)
Qian Chenhui
Yau Wai

NOMINATION COMMITTEE

Professor Jin Xiaofeng (*Chairman*)
Zhao Huanqi
Yau Wai

CORPORATE GOVERNANCE COMMITTEE

Qian Chenhui (*Chairman*)
Zhao Huanqi
Yau Wai

COMPANY SECRETARY

Lee Yiu Wai William

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

AUTHORISED REPRESENTATIVES

Qian Lirong
Lee Yiu Wai William
Yau Wai (*alternate to Qian Lirong*)

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Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE’S REPUBLIC OF CHINA (“PRC”)

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 ADVISERS

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

PRINCIPAL BANKERS

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

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
17/F, Far East Financial Centre
16 Harcourt Road
Hong Kong

HIGHLIGHTS

Interim results for the six months ended 30 June 2024 compared with the six months ended 30 June 2023 ("2023H1"):

- Turnover decreased by approximately RMB91.5 million, or approximately 7.3%, to approximately RMB1,159.0 million;
- Gross profit margin decreased by approximately 0.3 percentage point, to approximately 12.3%;
- Profit for the period increased by approximately RMB6.4 million, or approximately 18.5%, to approximately RMB40.9 million (2023H1: RMB34.5 million);
- Net profit margin increased from approximately 2.8% for 2023H1 to approximately 3.5% for 2024H1;
- Earnings per share increased from RMB1.93 cents to RMB2.28 cents; and
- The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2024 (2023H1: nil).

The board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024 ("2024H1" or "Period") together with the comparative figures for the corresponding period in 2023 and the relevant explanatory notes as set out below.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the condensed consolidated financial statements of Trigiant Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 6 to 21, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then end, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

27 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	3	1,159,039	1,250,560
Cost of goods sold		(1,016,820)	(1,093,166)
Gross profit		142,219	157,394
Other income	4	16,482	8,440
Impairment losses under expected credit loss model, net of reversal	5	(7,493)	(23,793)
Other gains and losses	5	496	850
Selling and distribution costs		(25,825)	(25,745)
Administrative expenses		(21,109)	(22,417)
Research and development costs		(28,977)	(23,713)
Finance costs		(25,055)	(27,520)
Profit before taxation	6	50,738	43,496
Taxation charge	7	(9,862)	(9,007)
Profit and total comprehensive income for the period		40,876	34,489
Earnings per share	9		
— basic		RMB2.28 cents	RMB1.93 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
	NOTES		
Non-current assets			
Property, plant and equipment	10	147,259	154,741
Right-of-use assets		60,301	61,596
Equity instruments at fair value through other comprehensive income		227	227
Pledged bank deposits		2,286	2,533
Deposits paid for acquisition of property, plant and equipment		21,840	21,840
Deferred tax assets		140,522	139,188
		372,435	380,125
Current assets			
Inventories		223,237	175,334
Trade and other receivables	11	4,122,714	4,118,465
Pledged bank deposits		147,050	178,212
Bank balances and cash		589,318	549,358
		5,082,319	5,021,369
Current liabilities			
Trade and other payables	12	177,264	113,760
Borrowings	13	1,642,083	1,694,361
Lease liabilities		373	555
Taxation payable		48,762	48,872
		1,868,482	1,857,548
Net current assets		3,213,837	3,163,821
Total assets less current liabilities		3,586,272	3,543,946
Non-current liabilities			
Lease liabilities		—	61
Government grants		596	794
Deferred tax liabilities		23,002	21,293
		23,598	22,148
Net assets		3,562,674	3,521,798
Capital and reserves			
Share capital	14	14,638	14,638
Reserves		3,548,036	3,507,160
Total equity		3,562,674	3,521,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Fair value through other comprehensive income reserve <i>RMB'000</i>	Capital redemption reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i> <i>(note a)</i>	Special reserve <i>RMB'000</i> <i>(note b)</i>	Other reserve <i>RMB'000</i> <i>(note c)</i>	Accumulated profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024 (audited)	14,638	1,509,764	(723)	101	520,936	62,947	(312,834)	1,726,969	3,521,798
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	40,876	40,876
Transfer to statutory reserve	-	-	-	-	448	-	-	(448)	-
At 30 June 2024 (unaudited)	14,638	1,509,764	(723)	101	521,384	62,947	(312,834)	1,767,397	3,562,674
At 1 January 2023 (audited)	14,638	1,509,764	(641)	101	520,936	62,947	(312,834)	1,749,516	3,544,427
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	34,489	34,489
Transfer to statutory reserve	-	-	-	-	591	-	-	(591)	-
At 30 June 2023 (unaudited)	14,638	1,509,764	(641)	101	521,527	62,947	(312,834)	1,783,414	3,578,916

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 is decided by directors of those subsidiaries annually. The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.
- (b) The special reserve represents the deemed contribution arising from acquisition of a subsidiary in 2009.
- (c) The other reserve represents the difference of fair value of consideration paid and the amount of non-controlling interests arising from acquisition of additional interests in a subsidiary in 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash from operating activities	409,350	255,673
Investing activities		
New pledged bank deposits placed	(256,191)	(318,484)
Purchase of property, plant and equipment	(5,632)	(1,149)
Release of pledged bank deposits	287,600	340,666
Interest received	5,813	4,276
Proceeds from disposal of property, plant and equipment	3,752	17
Net cash from investing activities	35,342	25,326
Financing activities		
New bank borrowings raised	886,000	890,000
Repayment of borrowings	(1,265,198)	(1,140,000)
Interest paid	(25,265)	(27,452)
Repayment of lease liabilities	(258)	(284)
Interest for lease liabilities	(11)	(20)
Net cash used in financing activities	(404,732)	(277,756)
Net increase in cash and cash equivalents	39,960	3,243
Cash and cash equivalents at beginning of the period	549,358	536,724
Cash and cash equivalents at end of the period, represented by bank balances and cash	589,318	539,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Impacts of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group has applied amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements* which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The application of the amendments is expected to affect the disclosures of the Group’s liabilities, cash flows and the Group’s exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of feeder cable series, flame-retardant flexible cable series, optical fibre cable series and related products, new-type electronic components and others for mobile communication and telecommunication equipment. All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 180 to 360 days upon delivery. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods. The contracts signed with the customers are short-term and fixed price contracts.

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

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

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

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

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other income, impairment losses under expected credit loss ("ECL") model, net of reversal, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2024

	Feeder cable series RMB'000	Flame- retardant flexible cable series RMB'000	Optical fibre cable series and related products RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	542,802	462,293	84,713	55,312	13,919	—	1,159,039
— Inter-segment sales*	—	—	24,815	9,279	—	(34,094)	—
Cost of goods sold	542,802 (475,039)	462,293 (416,432)	109,528 (97,106)	64,591 (54,781)	13,919 (7,556)	(34,094) 34,094	1,159,039 (1,016,820)
SEGMENT RESULT	67,763	45,861	12,422	9,810	6,363	—	142,219
Unallocated income and expenses:							
Other income							16,482
Impairment losses under ECL model, net of reversal							(7,493)
Other gains							496
Selling and distribution costs							(25,825)
Administrative expenses							(21,109)
Research and development costs							(28,977)
Finance costs							(25,055)
Profit before taxation							50,738
Taxation							(9,862)
Profit for the period							40,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. TURNOVER AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2023

	Feeder cable series RMB'000	Flame- retardant flexible cable series RMB'000	Optical fibre cable series and related products RMB'000	New-type electronic components RMB'000	Others RMB'000	Inter- segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	640,106	470,743	83,654	54,043	2,014	—	1,250,560
— Inter-segment sales*	—	—	28,086	7,119	—	(35,205)	—
	640,106	470,743	111,740	61,162	2,014	(35,205)	1,250,560
Cost of goods sold	(555,135)	(419,724)	(100,488)	(51,432)	(1,592)	35,205	(1,093,166)
SEGMENT RESULT	84,971	51,019	11,252	9,730	422	—	157,394
Unallocated income and expenses:							
Other income							8,440
Impairment losses under ECL model, net of reversal							(23,793)
Other gains							850
Selling and distribution costs							(25,745)
Administrative expenses							(22,417)
Research and development costs							(23,713)
Finance costs							(27,520)
Profit before taxation							43,496
Taxation							(9,007)
Profit for the period							34,489

* 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.

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

Geographical information

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	1,639	1,515
Interest income	4,972	6,198
Value added tax credit concessions	9,356	–
Others	515	727
	16,482	8,440

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Impairment losses under ECL model, net of reversal includes the following:		
Impairment losses on trade receivables	(7,493)	(23,793)
Other gains and losses includes the following:		
Exchange gains	496	850

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	1,013,872	1,088,420
Gain on disposal of property, plant and equipment	(85)	(1)
Depreciation of right-of-use assets	1,298	1,298
Impairment losses on inventories (included in selling and distribution costs)	808	1,908
Short-term lease payments	349	552
Depreciation of property, plant and equipment	8,848	10,222
Less: capitalised in cost of inventories manufactured	(5,386)	(8,366)
	3,462	1,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7. TAXATION CHARGE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
The taxation charge comprises:		
PRC Enterprise Income Tax	9,487	11,791
Deferred taxation debit (credit)	375	(2,784)
Taxation charge for the period	9,862	9,007

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"), 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.) ("Trigiant Optic-Electric") and 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.) ("Trigiant Sensing") were endorsed as High and New Technology Enterprises by relevant authorities in the PRC and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in October 2024 to December 2025.

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 EIT Law and Article 91 of its Detail Implementation Rules. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the period has been accrued at the tax rate of 10% (2023: 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.

8. DIVIDENDS

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

During the current interim period, the Company did not declare any final dividend in respect of the year ended 31 December 2023 (six months ended 30 June 2023: no final dividend in respect of the year ended 31 December 2022).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings:		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	40,876	34,489
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	1,791,500,000	1,791,500,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB5,688,000 (six months ended 30 June 2023: RMB900,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

11. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables from contracts with customers	5,060,336	5,046,178
Less: allowance for credit losses	(955,864)	(948,371)
	4,104,472	4,097,807
Trade receivables, net, aged		
0–90 days	616,119	535,179
91–180 days	407,997	499,636
181–365 days	725,601	887,858
Over 365 days	2,354,755	2,175,134
	4,104,472	4,097,807
Interest receivables	8,572	9,412
Other receivables	1,955	2,057
Tender deposits	5,232	5,852
Prepaid expenses	924	1,241
Staff advances	1,559	2,096
	4,122,714	4,118,465

Included in the Group's trade receivables at 30 June 2024 are bills receivables of RMB12,678,000 (31 December 2023: RMB1,152,000). All bills received by the Group are with a maturity period of less than one year.

The Group normally allows a credit period ranging from 180 to 360 days to its customers. An impairment loss under ECL model, net of reversal of RMB7,493,000 for the six months ended 30 June 2024 (2023H1: RMB23,793,000) has been recognised.

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,362,736,000 (31 December 2023: RMB2,175,280,000) which are past due as at the reporting date and balance of RMB1,815,156,000 (31 December 2023: RMB1,676,075,000) which are past due 90 days or more. The Group does not hold any collateral over these balances.

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

The basis of determining the inputs and assumptions and the estimation techniques related to ECL used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables, aged		
0–90 days	130,722	61,768
91–180 days	2,723	35
181–365 days	49	106
	133,494	61,909
Accrued expenses	11,319	13,119
Deposits from suppliers	14,033	13,044
Other payables	7,641	8,665
Other tax payables	–	208
Payable for acquisition of property, plant and equipment	268	212
Payroll and welfare payables	10,509	16,603
	177,264	113,760

Included in the Group's trade payables at 30 June 2024 are bills presented by the Group to relevant creditors of RMB5,876,000 (31 December 2023: nil). All bills presented by the Group are aged within 365 days and not yet due at the end of the reporting period.

13. BORROWINGS

The Group's borrowings represent bank borrowings of RMB1,202,000,000 (31 December 2023: RMB1,203,000,000) and bank borrowings under supplier finance arrangements of RMB440,083,000 (31 December 2023: RMB491,361,000). The Group has entered into certain supplier finance arrangements with banks since 2022. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates of the bills payables issued by the Group at a discount offered by the suppliers. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks within one year after settlement by the banks with the interest rates range from 1.06% to 3.95% (31 December 2023: 1.06% to 3.95%), which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group's short term borrowing rates. Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the condensed consolidated statement of financial position. In the condensed consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks of RMB326,920,000 (31 December 2023: RMB626,080,000) are disclosed as non-cash transactions.

The bank borrowings are unsecured and repayable within one year. During the current interim period, the Group obtained new short-term bank borrowings amounting to RMB886,000,000 (six months ended 30 June 2023: RMB890,000,000) and repaid bank borrowings amounting to RMB887,000,000 (six months ended 30 June 2023: RMB895,000,000). The proceeds were used for daily operation of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

14. 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 2023, 31 December 2023 and 30 June 2024	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2023, 31 December 2023 and 30 June 2024	1,791,500,000	17,915,000	14,638

15. SHARE OPTIONS

Share option scheme of the Company

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

Under the Scheme which was valid for a period of ten years commencing on 29 May 2014, there were no share options granted, exercised under the Scheme during both periods, and the Scheme has been expired on 29 May 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	30 June 2024	31 December 2023	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through other comprehensive income	Unlisted equity investments: RMB227,000	Unlisted equity investments: RMB227,000	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.

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

17. CAPITAL COMMITMENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	21,840	21,840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

18. PLEDGE OF ASSETS

As at 30 June 2024, the pledged bank deposits of RMB149,336,000 (31 December 2023: RMB180,745,000) have been pledged to secure the bills payables at the deposit of RMB144,477,000 (31 December 2023: RMB174,894,000), and quality guarantees and performance guarantees (as detailed below) at the deposit of RMB4,859,000 (31 December 2023: RMB5,851,000).

As at 30 June 2024, surety bonds of an aggregate balance of RMB77,245,000 (31 December 2023: RMB68,390,000) 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 secured by the Group's pledged bank deposits of RMB4,859,000 (31 December 2023: RMB5,851,000). 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.

19. RELATED PARTY TRANSACTIONS

On 9 September 2022, the Group entered into a sales and purchase agreement to acquire a property in the PRC between an indirectly owned subsidiary of the Company and a vendor at a consideration of RMB43,680,000. A deposit of RMB21,840,000 is paid to the vendor as at 31 December 2022, the remaining 50% of the consideration will be paid within seven days of the completion of the filing of the assignment of the property. The owner of the vendor is Ms. Qian Xiwen ("Ms. Qian"), who is an employee of the Group. The director of the vendor is Ms. Qian Liqian, who is alternate director to Mr. Qian Lirong of the Company during the period from 31 December 2019 to 26 August 2022. Mr. Qian Lirong, an executive director, chief executive officer and chairman of the board of director of the Company, is the father of Ms. Qian Xiwen and an uncle of Ms. Qian Liqian. Mr. Qian Chenhui, executive director of the Company, is a cousin of Ms. Qian Xiwen and Ms. Qian Liqian. Details of the transaction are set out in the announcement of the Company dated 9 September 2022. The transaction is yet to complete as at the date of approval of these condensed consolidated financial statement.

Other than the transactions and balances with related parties disclosed in the elsewhere to the condensed consolidated financial statements, the Group has paid an amount of RMB747,000 (six months ended 30 June 2023: nil) to a related company, which is running a hotel and owned by Ms. Qian, for renting business meeting premises fee and related expenses for the six months ended 30 June 2024, and paid salary and allowance to related party, who is the close family member of Mr. Qian Lirong of RMB124,000 (six months ended 30 June 2023: RMB191,000).

The key management personnel of the Group are the directors of the Company. During the six months ended 30 June 2024, directors' emoluments of RMB698,000 (six months ended 30 June 2023: RMB699,000) were paid or payable to the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2024, after four years of turmoil caused by epidemics, geopolitical conflicts, inflation and monetary deflation, global economic growth has stabilised, but to achieve a comprehensive economic recovery remained challenging as compounded by high interest rates, geopolitical tensions, and economic and trade conflicts, which inhibit global economic growth. China's Gross Domestic Product (GDP) grew by 5.0% year-on-year in the first half of the year. Specifically, the growth rate in the second quarter dropped by 0.6 percentage point compared with that of the first quarter due to the impact of short-term factors, such as extreme weather, but still achieved a positive growth for eight consecutive quarters. The economy was stable in general and saw moderate recovery. The Chinese government introduced various measures on large-scale equipment replacement, consumer goods trade-in and ultra-long special treasury bonds, aiming to stimulate investment and consumption.

The year 2024 marks the fifth anniversary of the commercialisation of 5G in China. The construction of new infrastructure such as 5G, Gigabit Passive Optical Network (GPON) and Internet of Things (IoT) is progressing in an orderly manner. By building a fibre-optic network, prefectural cities have realised the network speed ambition of "gigabit network every city". Chinese 5G subscribers account for more than 70% of subscribers globally and the supply of network resources continues to be enriched. China has been increasing its investment in 5G infrastructure in the recent years. As at the end of June 2024, the total number of 5G base stations reached 3,917,000, representing a net increase of 540,000 compared to the end of 2023, accounting for 33% of the total number of mobile base stations, indicating a continuous progress of 5G network construction. With the rapid increase of 5G subscribers, the total number of mobile phone subscribers of the three major telecommunications operators and China Broadcasting Network Corporation Ltd. reached 1,777 million, representing a net increase of 24.01 million subscribers as compared to the end of 2023, of which 927 million 5G mobile phone subscribers accounted for 52.4% of the total number of mobile phone subscribers. 5G applications have been integrated into 74 major categories of the national economy, with in-depth implementation in sectors like industry, power, mining, healthcare, education and other fields. In addition, the number of "5G + Industrial Internet" projects has exceeded 13,000 and the cumulative number of cases of 5G industry application cases has exceeded 94,000, which have effectively empowered new industrialisation. Furthermore, with the accelerated construction of smart cities, 5G technology is further applied in areas such as intelligent transportation, smart communities and public safety, improving the efficiency of urban management and the residents' quality of life. The popularisation of 5G technology has catalysed enormous new application scenarios and business models. Benefiting from the 5G wave, the Group will continue to supply 5G products in bulk to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

The Chinese government continues to promote the evolutionary upgrading of 5G network to 5G lightweight and 5G-Advanced (5G-A). Compared with 5G, 5G-A not only increases the bandwidth, but also has active adaptation, lightweight, intelligence and other characteristics, which will further improve the network traffic, realising ultra-low delay of one-thousandth of a second and supporting simultaneous connections to more devices. 5G-A will expand the 5G ecosystem in multiple dimensions to enhance the performance of the 5G network. At present, major operators are accelerating the planning of 5G-A development. The Ministry of Industry and Information Technology (“MIIT”) has also indicated that it will systematically plan for the research of 5G lightweight, 5G-A technology, standard formulation and product development to accelerate commercial applications. The Group will closely monitor the development trend of 5G-A and actively follow up with customers’ needs.

5G-A brings new business opportunities for operators, such as low-altitude economy, autonomous driving, and industrial meta-universe, etc. Among these, the meta-universe is highly compatible with operators’ own products, technologies, and services, which promotes the synergistic development of the upstream and downstream of the communications industry. The Group will continue to monitor the development of the relevant industries and seek for suitable investment opportunities. In addition, the Group maintains its efforts on promoting the Forestry and Grassland Internet of Things and Artificial Intelligence Application Sci-tech Innovation Alliance and identifying suitable opportunities to implement IoT business-related initiatives.

Driven by Artificial Intelligence (AI), autonomous driving, Virtual Reality (VR), Augmented Reality (AR) and other technologies, 5G mmWave technology is gaining prominence in the field of communications. With its high transmission speed, low latency, and wide connectivity, it can satisfy the need for fast and stable transmission to achieve real-time response in areas such as satellite communications, IoT, smart factories, and smart healthcare. The mmWave frequency bands can enable a wider range of connectivity, and lay the groundwork for large-scale IoT and intelligent applications in the future. During the Period, the Group actively participated in professional exhibitions both at home and abroad. It developed a series of new mmWave products based on customers’ needs, including 75–110 GHz detectors, 6–20 GHz power amplifiers and 55–71 GHz up and down converters, etc., which were well recognised by customers in the industry. The Group will continue to develop mmWave products, enriching its product offerings and vigorously expanding domestic and overseas markets to strengthen its mmWave business presence.

As 5G base stations are deployed on a larger scale, the demand for 5G small cells will further increase to cover areas that cannot be reached by 5G base stations. Currently, as the three major telecommunications operators are controlling their 5G construction expenditures and increasing their investment in computing networks, small cells, as an important component of computing networks, will play a key role in the operators’ strategies. In order to seize this market opportunity, the Group proactively maps out a plan on transmission solutions for 5G small cells and follows up relevant tenders in a timely manner. Communications construction by domestic operators has accelerated, including the three major telecommunications operators, which account for approximately 90% of the Group’s sales, and China Tower Corporation Limited (中國鐵塔股份有限公司) (“China Tower”). During the Period, the Group was awarded multiple centralised procurement projects. For instance, the Group won the bid for China Mobile’s centralised procurement project (the second batch) of communications power cables from 2023 to 2025 (two-year period), and China Mobile’s supplementary and centralised procurement project of standard feeder cable product package for 2024, laying a solid foundation for the Group’s future business growth.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

In 2024H1, the Group's turnover decreased by approximately RMB91.5 million, or 7.3%, to approximately RMB1,159.0 million for 2024H1.

The profit for the Period of the Group increased by approximately RMB6.4 million, or approximately 18.5%, from approximately RMB34.5 million in 2023H1 to approximately RMB40.9 million in 2024H1. The earnings per share increased from approximately RMB1.93 cents in 2023H1 to approximately RMB2.28 cents in 2024H1.

Breakdown of Turnover by Products

	Six months ended 30 June			
	2024 RMB'000	2023 RMB'000	Change RMB'000	Change %
Feeder cable series	542,802	640,106	(97,304)	-15.2
Flame-retardant flexible cable series	462,293	470,743	(8,450)	-1.8
Optical fibre cable series and related products	84,713	83,654	1,059	+1.3
New-type electronic components	55,312	54,043	1,269	+2.3
Other accessories	13,919	2,014	11,905	+591.1
Total	1,159,039	1,250,560	(91,521)	-7.3

Feeder Cable Series — Approximately 46.8% of the Total Turnover

The turnover of feeder cable series decreased by approximately 15.2% to approximately RMB542.8 million for the Period as compared to the corresponding period in last year. The sales volume of the Group's feeder cable series products decreased by approximately 8,100 kilometres to approximately 44,900 kilometres as compared to the corresponding period in last year. As a result of the control of capital expenditure of telecommunications operators worldwide, the gross profit margin decreased by approximately 0.7 percentage point to approximately 12.5% as compared to the corresponding period in last year.

Flame-retardant Flexible Cable Series — Approximately 39.9% 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. The turnover decreased by approximately 1.8% to approximately RMB462.3 million for the Period as compared to the corresponding period in last year. As a result of the control of capital expenditure of telecommunications operators worldwide, the gross profit margin decreased by approximately 0.9 percentage point to approximately 9.9% as compared to the corresponding period in last year.

Optical Fibre Cable Series and Related Products — Approximately 7.3% of the Total Turnover

The turnover of optical fibre cable series and related products increased by approximately 1.3% to approximately RMB84.7 million as compared to the corresponding period in last year. Sales volume of optical fibre increased by approximately 229,000 fibre kilometres to approximately 1,574,000 fibre kilometres as compared to the corresponding period in last year. The gross profit margin increased by approximately 1.2 percentage points to approximately 14.7% as a result of the change in product mix.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Customers and Sales Network

The Group has long been a major supplier to the three major telecommunications operators, namely China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Limited* (中國聯合網絡通信股份有限公司) ("China Unicom") and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom"), and also telecommunications equipment manufacturers such as Huawei, ZTE in the PRC and maintained a good relationship with them leveraging on its reputation in the industry for its diverse products portfolio, excellent product quality, comprehensive and efficient aftersales services, and regional network extensive coverage. During the Period, the overall turnover of the Group derived from China Mobile, China Unicom and China Telecom accounted for approximately 52.7%, 21.2% and 16.4%, respectively, of the total turnover of the Group. In addition to the close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a sound business relationship with China Tower. As at 30 June 2024, the Group was a supplier to 31 provincial subsidiaries of China Tower.

Marketing Strategy

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Patents, Awards and Recognition

As at 30 June 2024, the Group has obtained 252 patents, including 108 invention patents and 144 utility model patents in the PRC. The Group received various awards and honours which included the following:

- according to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronic Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology ranked first in terms of sales volume of feeder cable among the feeder cable manufacturers in the PRC for several consecutive years since 2010;
- Trigiant Technology was awarded the National Enterprise Technology Center and the Jiangsu Outstanding Contribution Manufacturer Award;
- Trigiant Optic-Electric was awarded as Jiangsu Enterprise Technology Center;
- Trigiant Technology was recognised as a leading 5G (radio frequency) company by CWW Media (通信世界全媒体) in 2023; 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 September 2022.

Prospects and Future Plans

Looking ahead in the second half of 2024, global economic activity is expected to continue its moderate recovery. The International Monetary Fund (IMF) forecasts that the global economy will grow at a rate of 3.2% in 2024, the same as the forecast in April, and that China's economic growth is expected to rise to 5.0% from 4.6% in April. However, the recovery momentum of the global economy is still subject to uncertainties such as inflation, high interest rates and geopolitical risks. China's economy is also facing multiple challenges, such as the lack of domestic demand and the downturn in the real estate sector. The Chinese government plans to step up the implementation of its fiscal policies, including accelerating the issuance of special bonds, issuing additional treasury bond funds, etc., to incorporate more new infrastructure and new industries in the scope of investment of the special bonds, so as to promote the sustained rebound of the economy.

China has been actively promoting the construction of fibre-optic communications networks, specifying the full deployment of gigabit fibre-optic networks in a number of plans such as the "14th Five-Year Plan" and "5G & GPON" action plans. In the future, the optical fibre and cable industry will welcome the transformation and upgrading and the gradual applications of 5G and information centre, which will effectively support the market demand. According to the forecast by Yidu Data, in 2026 China's optical fibre and cable market size will reach RMB27.27 billion. As the Group actively participates in tenders from domestic customers, the orders in hand for the second half of the year are fully secured and the Group will continue to supply the optical and electrical hybrid cables in bulk to industrial customers. The Group maintains its competitive edge by iteratively improving its product technology and continuously developing new products to meet customer needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Initiating 5G-A commercial applications and planning for future 6G technology

5G-A is commercially initiating this year. 5G-A is based on the evolution and enhancement of the 5G network in terms of functionality and coverage, and is the most critical network upgrade before the official commercialisation of 6G. A series of 5G-A pilots have been launched in China, and the three major domestic telecommunications operators have started 5G-A deployment programs in key cities. China Mobile announced the commercialisation of 5G-A in March 2024, pioneering 5G-A construction and planning to achieve commercial applications of 5G-A in 300 cities by the end of 2024. China Unicom and Huawei successfully completed the first 5G-A outdoor scale network test, and will accelerate the development of 5G-A and integrated satellites and ground system technology innovation, and promote the intelligent upgrade from network elements, components to topology and system. China Telecom will launch in-depth cooperation in six key 5G-A areas, including terminals, satellites, IoT, and low-altitude economy, roll out nine 5G-A applications, and comprehensively upgrade 5G-A network capabilities. 5G small cells, with low power consumption, avoidance of co-channel interference and small size for flexible deployment, are expected to accelerate deployment in the 5G-A era, and the Group is expected to benefit from the future development boom of small cells.

Key 6G technologies have also seen new breakthroughs. China has successfully built the first international 6G field experiment network for the convergence of communications and intelligence, verifying the feasibility of 4G and 5G links with 6G transmission capabilities, and realising a comprehensive enhancement of communication performance in major 6G scenarios. Compared to 5G, 6G has a higher speed, lower latency, and wider connection density, and will also realise the deep integration of communication with artificial intelligence and intelligent sensing. The Group has been keeping a close eye on the development of 6G. Pre-research on products with the higher frequency required for 6G communications is ongoing, so as to lay the groundwork in advance for the arrival of 6G.

Accelerating expansion of 5G mmWave products to drive business growth

5G is under rapid development. According to ABI Research, it is estimated that by 2026 the annual compound growth rate of the global 5G market will be as high as 63%, indicating that the world has entered the era of 5G commercialisation. 5G's communication characteristics of large bandwidth, low latency, wide connection are applied in different areas, and the mmWave application is even the key to development. Domestic mmWave frequency bands were established last year, which is conducive to the industry to accelerate the research and development of related products. It is believed that with the issuance of mmWave band licences in the future, mmWave application is expected to enter the stage of commercialisation. The Group will continue to develop distinctive and highly differentiated products at low frequencies, focusing on the development of new products in the V-band and W-band to enhance its competitiveness in these bands. Having completed the current expansion of our equipment and research and development teams, the Group expects that the mmWave business will make a greater contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Developing overseas markets and enhancing global presence

At present, as 5G network construction and commercialisation are being actively conducted globally, the Group is seizing the development opportunities in overseas markets by actively maintaining and developing stable cooperative relationships with customers in Thailand, Korea and other places. There are numerous examples of commercial applications of 5G mmWave communications in the international markets. For example, the United States has been an early adopter of mmWave communication technology in the initial stages of 5G commercialisation. Similarly, countries like Japan and Korea have also adopted 5G mmWave communication systems for commercial use. Meanwhile, overseas operators are also focusing on the construction of 5G sub 6GHz low and medium frequency systems to complement the coverage capability of 5G mmWave systems. The Group expects to promote its mmWave series products in Japan, Malaysia and so on. In this regard, the Group will continue to develop customers in a wide range of overseas markets to increase its market share and further diversify its customer portfolio.

FINANCIAL REVIEW

Turnover

In the first half of 2024, turnover decreased by approximately RMB91.5 million, or 7.3%, from approximately RMB1,250.6 million for 2023H1 to approximately RMB1,159.0 million for the first half of 2024. The decrease in turnover was mainly contributed by the decrease in turnover of feeder cable series and flame-retardant flexible cable series of approximately RMB97.3 million and RMB8.5 million, partially offset by the increase in turnover of other accessories, new-type electronic components and optical fibre cable series and related products of approximately RMB11.9 million, RMB1.3 million and RMB1.1 million respectively.

Cost of goods sold

For both periods, cost of materials consumed remained the major component of the cost of goods sold. Cost of goods sold decreased generally in line with the decrease in turnover by approximately RMB76.3 million, or 7.0%, from approximately RMB1,093.2 million for 2023H1 to approximately RMB1,016.8 million for 2024H1.

Metal raw materials during the Period such as copper, being the main raw materials for the Group's feeder cable series and flame-retardant flexible cable series increased by 9.5% as compared to 2023H1 and the average selling price increased generally in line with the copper price. The Group adopted the cost-plus-pricing-model for its feeder cable series products to control the price risk of raw materials and maintained good relationship with its customers and suppliers.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB15.2 million, or 9.6%, from approximately RMB157.4 million for 2023H1 to approximately RMB142.2 million for the first half of 2024. Overall gross profit margin decreased from approximately 12.6% for 2023H1 to approximately 12.3% for the first half of 2024. The decrease in overall gross profit margin is mainly due to the control of capital expenditure of telecommunications operators worldwide.

Other income

Other income increased by approximately RMB8.0 million, or 95.3%, from approximately RMB8.4 million for 2023H1 to approximately RMB16.5 million for 2024H1 primarily due to value added tax credits concessions recorded in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses

Impairment losses under expected credit loss model net of reversal, on trade receivables, decreased by approximately RMB16.3 million, or approximately 68.5% from a loss of approximately RMB23.8 million for 2023H1 to a loss of approximately RMB7.5 million for 2024H1. There is a slight decrease in the provision ratio adopted for trade receivables as of 30 June 2024 since the collection of trade receivables in 2024H1 was better than expected.

Other gains and losses

Other gains were recorded of approximately RMB0.9 million for 2023H1 as compared to other gains of approximately RMB0.5 million in 2024H1, mainly attributable to an exchange gain of approximately RMB0.9 million recorded in 2023H1 as compared to an exchange gain of approximately RMB0.5 million in 2024H1.

Selling and distribution costs

Selling and distribution costs slightly increased by approximately RMB0.1 million, or 0.3%, from approximately RMB25.7 million for 2023H1 to approximately RMB25.8 million for 2024H1.

Administrative expenses

Administrative expenses decreased by approximately RMB1.3 million, or 5.8%, from approximately RMB22.4 million for 2023H1 to approximately RMB21.1 million for 2024H1 mainly due to the decrease in legal and professional fee.

Research and development costs

Research and development costs increased by approximately RMB5.3 million, or 22.2%, from approximately RMB23.7 million for 2023H1 to approximately RMB29.0 million for 2024H1 primarily affected by the progress of research projects.

Finance costs

Finance costs decreased by approximately RMB2.5 million, or 9.0%, from approximately RMB27.5 million for 2023H1 to approximately RMB25.1 million for 2024H1 primarily due to the decrease in the average interest rate of borrowings. As compared with 2023H1, the overall bank borrowings interest rate has decreased in 2024H1.

Taxation

Taxation charge increased by approximately RMB0.9 million, or 9.5%, from approximately RMB9.0 million for 2023H1 to approximately RMB9.9 million for 2024H1. The increase in taxation charge for 2024H1 is primarily attributable to the decrease in deferred tax credit in relation to impairment losses under expected credit loss model, net of reversal, on trade receivables.

Profit for the period

As a combined result of the foregoing, the profit for the period of the Group increased by approximately RMB6.4 million, or approximately 18.5%, from approximately RMB34.5 million in 2023H1 to approximately RMB40.9 million in 2024H1. Net profit margin increased from approximately 2.8% for 2023H1 to approximately 3.5% for 2024H1.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net cash from operating activities	409,350	255,673
Net cash from investing activities	35,342	25,326
Net cash used in financing activities	(404,732)	(277,756)

As at 30 June 2024, the Group had bank balances and cash and pledged bank deposits of approximately RMB738.7 million, the majority of which were denominated in Renminbi. As at 30 June 2024, the Group had net borrowings of approximately RMB1,642.1 million which included bank borrowings of approximately RMB1,202.0 million, borrowings under bills payables financing arrangements of approximately RMB444.9 million, which are repayable within one year and prepaid interest of approximately RMB4.8 million partially offset the borrowings. As at 30 June 2024, approximately RMB673.0 million of the total bank borrowings were fixed rate borrowings, approximately RMB529.0 million were variable rate borrowings and approximately RMB444.9 million were fixed rate discounted bills payables classified as borrowings. As at 30 June 2024, bank borrowings of approximately RMB1,202.0 million were denominated in Renminbi.

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

GEARING RATIO

Gearing ratio decreased slightly from approximately 27.4% as at 31 December 2023 to approximately 25.4% as at 30 June 2024. Such decrease was primarily resulted from the impact of slight decrease in borrowings in 2024H1. Gearing ratio is calculated by dividing total borrowings net of pledged bank deposits and bank balances and cash over total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged certain bank deposits with carrying value of approximately RMB149.3 million (31 December 2023: approximately RMB180.7 million) to certain banks to secure credit facilities granted to the Group and performance bond.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2024.

EMPLOYEE INFORMATION

As at 30 June 2024, the Group had approximately 789 (31 December 2023: 721) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, its directors and employees in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the declaration of payment of interim dividend for the six months ended 30 June 2024 (2023H1: nil).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code ("Corporate Governance Code") as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The Directors consider that save for the deviation from code provision C.2.1 of the Corporate Governance Code which requires the segregation of the roles of the chairman of the board and chief executive officer, both of which are currently taken up by Mr. Qian Lirong, further details of which are set out in the section headed "Corporate governance report" of the 2023 annual report of the Company, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the six months ended 30 June 2024 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2024.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2024. In addition, the Group had no significant investments held during the six months ended 30 June 2024.

SHARE OPTION SCHEME

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 27 May 2014, the Company adopted the Scheme to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group. The scheme has expired on 29 May 2024.

Further details of the Scheme and the share options granted are disclosed in Note 15 of the Notes to the condensed consolidated financial statements.

The number of share options available for grant under the scheme mandate of the Scheme as at 1 January 2024 and 30 June 2024 was 37,100,000 Shares and nil respectively.

OTHER INFORMATION

During the six months ended 30 June 2024 there were no options and awards granted under all schemes of the Company (i.e. the Scheme), and divided by the weighted average number of shares of the Company of 1,791,500,000 Shares for the six months ended 30 June 2024, is nil.

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

As at 30 June 2024, 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) of the Company as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long Positions

Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest (Note b)
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) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2024 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2024, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company:

Long Positions

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest (Note e)
Trigiant Investments	Beneficial owner	523,521,750	29.22%
Abraham Holme	Interest in controlled corporation	523,521,750 (Note a)	29.22%
Madam Qian Jindi	Interest of spouse	523,521,750 (Note b)	29.22%
Eternal Asia (HK) Limited	Beneficial owner	292,876,000 (Note c)	16.35%
Shenzhen Eternal Asia Supply Chain Management Ltd. ("Eternal Asia")* 深圳市怡亞通供應鏈股份有限公司	Interest in controlled corporation	292,876,000 (Note c)	16.35%
Shenzhen Investment Holding Limited ("Shenzhen Holding")* 深圳市投資控股有限公司	Interest in controlled corporation	292,876,000 (Note c)	16.35%
State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal* 深圳市人民政府國有資產監督管理委員會	Interest in controlled corporation	292,876,000 (Note c)	16.35%
Easy Beauty Limited	Beneficial owner	340,000,000 (Note d)	18.98%

OTHER INFORMATION

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest (Note e)
Artemis Delight Limited	Interest in controlled corporation	340,000,000 (Note d)	18.98%
Mr. Dai Xiaolin	Interest in controlled corporation	340,000,000 (Note d)	18.98%

Notes:

- (a) These shares are registered in the name of Trigiant Investments, a company wholly owned by Abrahholme, which is wholly owned by Mr. Qian Lirong. Under the SFO, each of Mr. Qian Lirong and Abrahholme 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 Abrahholme.
- (b) Madam Qian Jindi is the spouse of Mr. Qian Lirong and under the SFO, she is deemed to be interested in all the shares in which Mr. Qian Lirong is interested or deemed to be interested.
- (c) Pursuant to notice of disclosure of interest of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal filed on 14 May 2021, the controlled corporation of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (namely Shenzhen Holding) increased its interests in Eternal Asia (a corporation, indirectly holding 292,876,000 shares in the listed corporation) to 18.30% after completion of share transfers on 22 August 2018 and 18 October 2018 respectively. On 24 December 2018, Eternal Asia became a controlled corporation of Shenzhen Holding as Eternal Asia and its directors were accustomed to act in accordance with Shenzhen Holding's directions. Eternal Asia (HK) Limited is wholly owned by Eternal Asia and, Shenzhen Holding is wholly owned by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal.
- (d) Based on the notices of disclosure of interests dated 3 April 2023 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.
- (e) The total number of 1,791,500,000 shares of the Company in issue as at 30 June 2024 has been used for the calculation of the approximate percentage.

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

There were no changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2023 annual report of the Company.

OTHER INFORMATION

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process, internal control and risk management systems of the Group. As at the date of this report, the Audit Committee comprises all independent non-executive Directors, namely Ms. Yau Wai, Professor Jin Xiaofeng and Mr. Zhao Huanqi. Ms. Yau Wai is the chairman of the Audit Committee. The interim results of the Group for the first half of 2024 have been reviewed by the Audit Committee.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2024 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board

Qian Lirong

Chairman

Hong Kong, 27 August 2024