TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

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

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

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

* *For identification purposes only*

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

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

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

For the six months ended 30 June 2021

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

For the six months ended 30 June 2020

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

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

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.

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

4. OTHER INCOME

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

Note: Included in government grants is RMB2,017,000 (six months ended 30 June 2020: RMB2,730,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of RMB199,000 (six months ended 30 June 2020: RMB198,000), it represents release of government subsidies received for the acquisition of property, plant and equipment.

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

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

6. PROFIT (LOSS) BEFORE TAXATION

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

7. TAXATION (CHARGE) CREDIT

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

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

The following subsidiaries of the Company in the PRC, 江蘇俊知技術有限公司 (Jiangsu Trigiant Technology Co., Ltd.*) ("Trigiant Technology"), 江蘇俊知光電通信有限公司 (Jiangsu Trigiant Optic-Electric Communication Co., Ltd.*) ("Trigiant Optic-Electric") and 江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.*) ("Trigiant Sensing"), were endorsed as High and New Technology Enterprises by relevant authorities in the PRC with last renewal on 24 October 2018 and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in October 2021.

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the Enterprise Income Tax Law and Article 91 of its Detail Implementation Rules. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

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

8. DIVIDENDS

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

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

9. EARNINGS (LOSS) PER SHARE

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

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

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

The Group normally allows a credit period ranging from 180 to 360 days to its customers. An impairment loss under ECL model, net of reversal of RMB33,648,000 for the six months ended 30 June 2021 (2020H1: RMB136,419,000) has been recognised during the period. As at 30 June 2021, allowance for impairment losses of trade receivables is RMB636,777,000 (31 December 2020: RMB603,129,000).

11. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

The "14th Five-Year Plan" is a critical period for the large-scale application of 5G in the PRC. According to the "Economic Performance of the Telecommunications Industry in the First Half of 2021" published by the Ministry of Industry and Information Technology of the PRC, the total number of mobile communication base stations reached 9.48 million by the end of June 2021, representing a net increase of 170,000 over the end of the previous year. Among them, the total number of 4G base stations was 5.84 million, accounting for 61.6%; and the total number of 5G base stations was 961,000, of which 190,000 were newly built in the first half of 2021. With the coming of the period of large-scale 5G commercialisation in China, the rapid development of 5G commercialisation continues to expand the investment in 5G infrastructure construction, which is conducive to the development of the industry. As a supplier of core products for the construction of 4G and 5G base stations, the Group offers feeder cable, optical fibre cable, optical and electrical hybrid cable, flame-retardant flexible cable and other products used in macro and micro base stations, indoor coverage and transmission. In the future, our product sales will benefit from the increasing procurement demand for 4G and 5G base station construction.

The characteristics of 5G with high speed, large connection and low latency will make most of the 5G services take place indoors. With the accelerated construction of 5G indoor and outdoor base stations by operators, it is predicted that more than 80% of 5G traffic will occur indoors. Miniature base stations can complement the weak coverage areas and blind spots of macro base stations in a targeted manner to ensure signal quality, as they can be flexibly deployed in crowded and building-intensive areas. In hotspot areas, miniature base stations, due to their low power, can be reused at frequencies in a smaller range, thus increasing system capacity and reducing the traffic burden of macro base stations. According to Dell'Oro's projections, with the acceleration of 5G construction, the scale of global micro base station market is expected to reach US$25 billion in 2024, and the total revenue of global micro base station equipment providers will be 1 to 1.5 times higher than that in 2019, which is much higher than the revenue growth of macro base station equipment suppliers. The Group actively lays out micro base station transmission solutions and promptly follows up the relevant tenders. In addition, the extension demand for most of the active micro base stations will greatly increase the demand for optical and electrical hybrid cable products of the Group. Given the optimistic prospect of micro base station construction in the future and its strong demand for the transmission cables, the Group's sales volume and amount of communication transmission cable products is expected to increase at the same time.

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

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

RESULTS ANALYSIS

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

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

Breakdown of Turnover by Products

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

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

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

Feeder Cable Series — Approximately 33.4% of the Total Turnover

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

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

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

Major Customers and Sales Network

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

Marketing Strategy

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

Since the inception of the Group, overall around 90% of its annual sales have been made to the three major telecommunications operators in China and (the subsequently established) China Tower Corporation Limited* (中國鐵塔股份有限公司) ("China Tower"). From the 3G and 4G eras to the official kick-off of the era of 5G commercialisation in China in 2019, the Group, as a supplier of base station and communication network construction products including feeder cable, optical and electrical hybrid cables and flame-retardant flexible cables, has been benefiting from China's rapid development of the telecommunications industry in network construction and is one of the key beneficiary enterprises in the industry. In view of the Group's low financing costs with its years of credibility and its understanding that China's telecommunications operators require substantial capital for network construction in the course of their rapid network construction, to promote the efficiency and effectiveness of telecommunications infrastructure construction as well as to provide strong support to the high-quality development of China's telecommunications industry, as part of its marketing strategies, so as to gain market share and maintain a long-term sound cooperative relationship with the customers, there had been long repayment period from the key customers of the Group, being China's three major telecommunications operators and China Tower, in line with the high growth of their network construction. Since the establishment of the Company and up to date, as part of its marketing strategies, the Group generally grants its customers a credit period ranging from 180 days to 360 days, leading to Group's relatively longer period of turnover days of accounts receivables. In recent years, the turnover days for trade and bills receivables is more than one year. Meanwhile, the proportion of trade receivables in the total assets of the Group is relatively high as a result of the said marketing strategy for supporting the network investment of China's three major telecommunications operators and China Tower. With an emphasis on scientific research and development in the telecommunications industry, the Group makes significant annual investment in research and development, and focuses on the sales of telecommunications equipment to improve the competitiveness of the

Group. In terms of overseas sales, the Group strives to win the trust of customers with quality, and is highly cautious in handling accounts receivable from overseas customers. It is expected that the Group will maintain the relevant policies in the 5G era, while expanding sales channels of the Group and seeking growth opportunities for business development.

Patents, Awards and Recognition

As at 30 June 2021, the Group has obtained 173 patents and developed 66 new products in the PRC. The Group received various awards and honours which included the following:

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

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

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

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

Prospects and Future Plans

In the first half of 2021, the global economy has shown an obvious recovery trend, as the lives of people in major countries gradually returned to normal with the acceleration of level of vaccination and the control of the COVID-19 pandemic. Driven by the rebounding demand in the international market and the continuous improvement in the domestic market, the communications industry is expected to usher in an upward trend. In addition, due to the high-power and high-frequency characteristics of 5G, a large number of micro base stations and macro base stations are required for continuous coverage and indoor shallow coverage. In view of the vast market space for 5G base stations, the Group, as a leader of communication transmission system segment, will become one of the first enterprises benefiting from the 5G construction as its products are used in 5G base stations and other core processes. Under the 5G wave, the Group will seize 5G infrastructure opportunities and achieve outstanding performance.

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

With the coming of the period of large-scale 5G commercialisation in China, the rapid development of 5G commercialisation continues to expand the investment in 5G infrastructure construction, which is conducive to the development of the industry. With a slight increase in capital expenditure by operators in the PRC in 2021, coupled with the launch of a new round of 5G tenders in the second quarter, the communications industry is expected to recover in the second half of the year. The Group continues with its technology upgrading to research and develop new product lines for 5G communications, including "super flexible and lowconsumption feeder cables for 5G mobile communication base stations", "optical and electrical hybrid cables for 5G wireless communications micro base stations" and "bow-type hybrid cables for indoor 5G signal coverage". Furthermore, in response to market demand, in addition to continuously improving its processes and the use of frequency bands, the Group will carry out the Sub-6G product development plan, research and develop related products applicable to Sub-6G application scenarios, to further enhance its competitive advantage and establish its solid leading position in the industry.

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

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

On 4 July 2021, according to the official Wechat public account of 中移芯片 OneChip, Xinsheng Technology Co., Ltd.* (芯昇科技有限公司), a wholly-owned subsidiary of China Mobile M2M Company Limited ("CM M2M") under China Mobile, officially operated independently in July 2021, marking China Mobile's official entry into the IoT chip manufacturing industry. According to the 2020 Mobile Economy Report published by GSMA, the total IoT connections worldwide is expected to reach 24.6 billion by 2025, with a compound annual growth rate of 21.4% from 2019 to 2025, among which, China will account for 30% of the global IoT connections, demonstrating a promising future of IoT. The PRC's IoT connections is expected to reach 8.01 billion by 2025, most of which will come from the industrial market. The deployment of 5G networks will provide a strong driving force for the economic improvement of the IoT industry, and the sectors of smart industry, intelligent transportation, intelligent health and smart energy are likely to become the fastest growing areas of industrial Internet of Things connections. The National Innovation Alliance of IoT and AI for Forestry Application (林業和草原物聯網與人工智慧應用科技創新聯盟), which is jointly established by the Group, the Research Institute of Forest Resources Information Technique (中國林業科學研究院資源資訊研究所) and China Telecom Wuxi Branch (中國電信無錫分公司), is currently in an orderly progress and will promote the development of basic theories and innovative applications in the forestry and grassland IoT and AI technology industries, laying a solid foundation for the Group's diversified development.

Expansion to reach new customers

In addition to continuing to strengthen the cooperation with the three major telecommunications operators in Mainland China and China Broadcasting Network Corporation Ltd ("China Broadcasting"), the Group is also proactively expanding to reach new customers in other areas such as radio and television, rail transit, security, microwave communications and private network communications in China. China Broadcasting announced that on 25 June 2021, China Broadcasting and China Mobile have agreed to launch a centralised procurement process for 700MHz wireless equipment and multi-channel antenna products, and have planned to build 480,000 5G base stations in the 700MHz frequency band, starting with 400,000 stations in phase I of the project in 2021. As a new operator with 700MHz high-quality spectrum resources, China Broadcasting will further promote the construction of 5G networks. The Group will actively participate in the tenders of China Broadcasting to further expand its sales network. By capitalising on the advanced technology research and development capabilities, outstanding service quality and advantages of its products, the Group is well-positioned to expand to the new customer base and maintain cooperative relationship with its major customers and increase the proportion of supply in the cooperation.

Overseas development plan

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

Financial Review

Turnover

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

Cost of goods sold

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

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

Gross profit and gross profit margin

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

Other income

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

Impairment losses

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

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

Other loss

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

Selling and distribution costs

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

Administrative expenses

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

Research and development costs

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

Finance costs

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

Taxation

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

Profit (loss) for the period

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

Gearing Ratio

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

Pledge of Assets

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

Contingent Liabilities

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

Employee Information

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 announcement, the Audit Committee comprises all independent non-executive Directors, namely Mr. Chan Fan Shing, Professor Jin Xiaofeng and Mr. Chen Gang. Mr. Chan Fan Shing is the chairman of the Audit Committee. The interim results of the Group for the first half of 2021 have been reviewed by the Audit Committee.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (www.hkexnews.hk) and the Company (www.trigiant.com.hk). The interim report for the first half of 2021 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises the following members:

Executive Directors:	Mr. Qian Lirong *(Chairman and Group chief executive officer)* Mr. Qian Chenhui
Non-executive Director:	Mr. Xia Bin
Independent non-executive Directors:	Professor Jin Xiaofeng Mr. Chan Fan Shing Mr. Chen Gang
Alternate Director to Mr. Qian Lirong:	Ms. Qian Liqian