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TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED
致豐工業電子集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1710)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Trio Industrial Electronics Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with comparative figures for the year ended 31 December 2016 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2017 increased by 5.8% to HK$788.0 million.
- Gross profit for the year ended 31 December 2017 increased by 13.1% to HK$235.9 million. Gross profit margin increased by 2.0 percentage points to 29.9%.
- Profit before income tax for the year ended 31 December 2017 decreased by 10.5% to HK$87.1 million.
- Profit attributable to owners of the Company for the year ended 31 December 2017 was HK$70.0 million, representing a decrease of 7.0%.

FINAL DIVIDEND:

- The Board has proposed a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2017, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company ("**AGM**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statement of comprehensive income for the years indicated:

		Year ended 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**788,042**	744,899
Cost of sales	*6*	**(552,142)**	(536,403)
Gross profit		**235,900**	208,496
Other (loss)/income	*5*	**(2,920)**	5,955
Selling and distribution expenses	*6*	**(17,179)**	(15,689)
Administrative expenses	*6*	**(115,315)**	(90,054)
Other operating expenses	*6*	**(4,285)**	(1,895)
Profit from operations		**96,201**	106,813
Finance expenses, net		**(9,053)**	(9,458)
Profit before income tax		**87,148**	97,355
Income tax expense	*7*	**(17,140)**	(22,098)
Profit for the year		**70,008**	75,257
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on revaluation of land and building, net of tax		**1,279**	1,493
Total comprehensive income for the year		**71,287**	76,750
Earnings per share			
– Basic and diluted, HK cents	*8*	**9.01**	10.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets forth our consolidated statement of financial position as at the dates indicated:

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**44,729**	47,756
Financial asset at fair value through profit or loss		**2,651**	2,535
Prepayment		**418**	430
		47,798	50,721
Current assets			
Inventories		**155,597**	101,479
Trade and other receivables	*10*	**139,345**	114,397
Prepayments and deposits		**12,286**	10,979
Restricted bank deposits		**8,084**	10,079
Bank and cash balances		**161,626**	6,569
		476,938	243,503
Current liabilities			
Trade and other payables	*11*	**163,165**	99,555
Borrowings	*12*	**17,994**	18,972
Finance lease payables		**1,849**	3,472
Derivative financial instruments		**–**	721
Current income tax liabilities		**5,459**	13,037
		188,467	135,757
Total assets less current liabilities		**336,269**	158,467
Non-current liabilities			
Deferred tax liabilities		**3,705**	3,712
		3,705	3,712
Net assets		**332,564**	154,755
Equity			
Share capital	*13*	**281,507**	145,172
Reserves		**51,057**	9,583
Total equity		**332,564**	154,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

Trio Industrial Electronics Group Limited (the "**Company**") is a limited liability company incorporated in Hong Kong on 15 April 2016 and listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 November 2017 (the "**Listing Date**"). The principal place of business and registered office of the Company is at Block J, 5/F., Phase II, Kaiser Estate, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacturing and sales of electronic products. The immediate holding company of the Company is Trio Industrial Electronics Holding Limited ("**Trio Holding**"), a company incorporated in the British Virgin Islands with limited liability. The Directors of the Company consider the controlling shareholders of the Group are Mr. Kwan Tak Sum, Stanley ("**Mr. Stanley Kwan**"), Mr. Tai Leung Lam ("**Mr. Tai**"), Mr. Lai Yiu Wah ("**Mr. Lai**") and Mr. Joseph Mac Carthy ("**Mr. Mac Carthy**").

These consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

The financial information relating to the years ended 31 December 2017 and 2016 included in this announcement does not constitute the statutory annual consolidated financial statements the Company for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622, the Laws of Hong Kong) ("**HKCO**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to the HKCO and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the HKCO.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Group's business was carried out by Trio Engineering Company Limited ("**Trio Engineering**"), Panyu Trio Microtronics Co., Ltd. ("**Trio Microtronics**") and Professional Electronics Manufacturing Solutions Limited ("**PEMS**").

Prior to the Listing, the Group underwent the Reorganisation as detailed below:

(i) On 15 April 2016, the Company was incorporated in Hong Kong. Upon incorporation, one ordinary share was allotted and issued to Trio Holding.

(ii) On 29 August 2016, the Company purchased the entire shareholding interests in Trio Engineering and PEMS from Mr. Stanley Kwan, Mr. Tai, Mr. Lai and Grand Energy Investment Limited in consideration of which one ordinary share in the Company was allotted and issued to Trio Holding. Since then, the Company holds the entire shareholding interests in Trio Engineering and PEMS.

(iii) Upon completion of the Reorganisation on 12 September 2016, the Company becomes the holding company of the subsidiaries now comprising the Group.

(iv) On 3 November 2016, Guangzhou Professional Electronics Manufacturing Solutions Limited ("**Guangzhou PEMS**") was established as a wholly foreign owned enterprise under the laws of the People's Republic of China (the "**PRC**") with a registered capital of RMB500,000 and is wholly-owned by PEMS.

After the Listing, e-Tech Engineering Company Limited ("**e-Tech**") was incorporated in Hong Kong on 20 December 2017 with share capital of HK$10,000 and is wholly-owned by the Company.

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and in compliance with the HKCO. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial asset at fair value through profit or loss and derivative financial instruments, which are measured at fair value. The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amended standards effective in 2017 which are relevant to the Group's operations

The following amendments to standards have been adopted by the Group for the financial year beginning on or after 1 January 2017 and do not have a material impact to the Group.

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

4. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors of the Company.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The Board considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole and regards the Group as a single operating segment and reviews internal reporting accordingly. Therefore, the Board of Directors considers there to be only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The Group provides manufacturing and sales of electronic products, which are carried out internationally, through the production complexes located in the PRC during the year ended 31 December 2017.

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

Information about major customers

External customers contribute over 10% of total revenue of the Group for the year ended 31 December 2017 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**131,535**	125,536
Customer B	**341,538**	336,601
Customer C	**65,847**	57,242

Geographical information

During the year ended 31 December 2017, majority of revenue were sold to customers in Europe (mainly Switzerland, the United Kingdom, Ireland, Denmark and Austria), while the remaining revenue were primarily sold to customers in the United States of America (the "**USA**"), the PRC, Malaysia and Australia.

In relation to non-current assets held by the Group (primarily represented by property, plant and equipment), land and buildings with carrying values as at 31 December 2017 of HK$24,400,000 (2016: HK$23,900,000) are located in Hong Kong. Other property, plant and equipment are primarily located in the PRC.

5. REVENUE AND OTHER (LOSS)/INCOME

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**788,042**	744,899
Other (loss)/income		
Commission income	**141**	146
Fair value gain on financial asset at fair value through profit or loss	**116**	112
(Loss)/gain on foreign exchange	**(4,436)**	4,155
Sundry income	**1,259**	1,542
	(2,920)	5,955

6. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' emoluments)	**152,685**	132,296
Listing expenses	**13,540**	3,966
Auditors' remuneration		
– Audit services	**2,150**	865
– Non-audit services	**35**	57
Depreciation	**9,623**	12,497
Amortisation of insurance expense	**12**	12
Gain on derivative financial instruments	**(144)**	(1,162)
Obsolete inventories written off	**1,541**	110
Operating lease payments	**5,181**	5,333
Loss/(gain) on disposal of property, plant and equipment	**14**	(3)
Provision for impairment loss on inventories	**623**	1,501

7. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
Current income tax – Hong Kong:		
Provision for the year	**12,598**	12,602
Current income tax – The PRC:		
Provision for the year	**4,542**	9,522
	17,140	22,124
Deferred income tax		
Origination and reversal of timing differences	**–**	(26)
Income tax expense	**17,140**	22,098

Hong Kong profits tax is provided at the rate of 16.5% based on the assessable profits for the year ended 31 December 2017 (2016: 16.5%).

PRC corporate income tax ("**CIT**") is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the "**CIT Law**"), the CIT rate for domestic and foreign enterprises has been unified at the rate of 25%, effective from 1 January 2008.

On 11 December 2017, Trio Microtronics was awarded the "New and High Technology Enterprise" ("**NHTE**") accreditation by Guangdong Science and Technology Department (廣東省科學技術廳) ("**GDSTD**") as indicated in a non-public announcement made by GDSTD on its website. The website indicated NHTE certificate with number "GR201744011322" was assigned to Trio Microtronics for an effective period of three years from 11 December 2017 to 11 December 2020. By virtue of the NHTE accreditation, the Directors having regard to the relevant requirements under the Administrative Measures in relation to the Recognition of New and High Technology Enterprises (《高新技術企業認定管理辦法》) and Guidelines on New and High Technology Enterprises Recognition Management (《高新技術企業認定管理工作指引》) jointly issued by Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), Ministry of Finance of the PRC (中華人民共和國財政部) and State Administration of Taxation of the PRC (國家稅務總局), considered that Trio Microtronics is entitled to a preferential tax rate of 15% (the "**Preferential Rate**") for three years from 2017 to 2019 together with some financial subsidies from the district, municipal and provincial authorities. As at 31 December 2017, Trio Microtronics received an initial subsidy amounting to RMB200,000 from the People's Government of Nansha District of Guangzhou City (廣州市南沙區人民政府) as a result of the NHTE accreditation.

As at the date of this announcement, although Trio Microtronics has yet to perform record filing with the relevant tax authority pending the receipt of the physical NHTE certificate from GDSTD, the Directors are of the opinion that it is appropriate to apply the Preferential Rate in determining the provision of CIT for the year ended 31 December 2017.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2017.

	2017	2016
Profit attributable to equity holders of the Company *(HK$'000)*	**70,008**	75,257
Weighted average number of shares in issue *(thousand shares) (note (i))*	**777,397**	750,000
Basic earnings per share *(HK cents)*	**9.01 cents**	10.03 cents

Note:

(i) The weighted average of 777,397,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2017 comprising: (i) 2 ordinary shares of the Company in issue as at 31 December 2016; and (ii) 749,999,998 ordinary shares of the Company issued and allotted to Trio Holding without payment and credited as fully-paid shares pursuant to the shareholders' resolution dated 27 October 2017 as if these shares had been issued at 1 January 2017, the beginning of the earliest period reported; and (iii) 250,000,000 ordinary shares offered to the public were issued on 23 November 2017.

The weighted average of 750,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2016 comprising: (i) 1 ordinary share of the Company issued and allotted at the date of incorporation on 15 April 2016; (ii) 1 ordinary share of the Company issued and allotted during the Reorganisation and (iii) 749,999,998 ordinary shares of the Company issued and allotted to Trio Holding without payment and credited as fully-paid shares pursuant to the shareholders' resolution dated 27 October 2017 as if these shares had been issued at 1 January 2016, the beginning of the earliest period reported.

(b) Diluted earnings per share

For the year ended 31 December 2017, diluted earnings per share presented was same as the basic earnings per share as the share options of the Company have an anti-dilutive effect.

For the year ended 31 December 2016, diluted earnings per share presented was same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the year.

9. DIVIDEND

During the year ended 31 December 2017, the Company had declared an interim dividend of HK$15,000,000 per share, totaling HK$30,000,000 to its then shareholder of the Company prior to the Listing in November 2017. A final dividend of HK2.0 cents per ordinary share, amounting to a total dividend of HK$20,000,000 is to be proposed at the forthcoming AGM.

During the year ended 31 December 2016, the Company had declared an interim dividend of HK$11,750,000 per share, totalling HK$23,500,000 to the then shareholder of the Company. A subsidiary of the Company declared an interim dividend of HK$117.50 per ordinary share, totaling HK$23,500,000 to its then shareholders for the year ended 31 December 2016.

10. TRADE AND OTHER RECEIVABLES

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Trade receivables		**138,767**	114,169
Less: allowance for impairment of trade receivables		**–**	–
Trade receivables – net	*(a)*	**138,767**	114,169
Other receivables		**519**	228
Interest receivables		**59**	–
		139,345	114,397

(a) Trade receivables were arising from trading of electronic products. The payment terms of trade receivables granted to third party customers generally range from full payment before shipment to 75 days from end of month. The ageing analysis based on invoice date of the trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Below 30 days	**59,633**	66,002
Between 31 and 60 days	**51,323**	39,034
Over 60 days	**27,811**	9,133
	138,767	114,169

11. TRADE AND OTHER PAYABLES

		2017	2016
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**93,952**	61,391
Trust receipts		**47,491**	24,361
Accruals and other payables		**18,839**	12,276
Sale deposits received		**2,883**	1,439
Amount due to a shareholder		**–**	88
		163,165	99,555

(a) The credit terms of trade payables granted by the vendors generally range from net 14 days to 90 days from end of month. The ageing analysis of trade payables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Below 30 days	**47,423**	35,000
Between 31 and 60 days	**40,485**	23,043
Over 60 days	**6,044**	3,348
	93,952	61,391

12. BORROWINGS

		2017	2016
	Note	***HK$'000***	*HK$'000*
Profits tax loans	*(a)*	**14,787**	9,274
Term loans	*(a)*	**3,039**	9,254
Insurance premium loan	*(a)*	**168**	444
		17,994	18,972

The Group's borrowings were repayable as follows (without taking into account the repayment on demand clause as detailed in note (a) below):

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**17,082**	13,829
Between 1 and 2 years	**912**	3,672
Between 2 and 5 years	**–**	1,471
	17,994	18,972

(a) As these loans include a clause that gives the lender the unconditional right to call the loans at any times ("**repayment on demand clause**"), according to HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" which requires the classification of whole term loans containing the repayment on demand clause as current liabilities, these loans were classified by the Group as current liabilities.

(b) As at 31 December 2017, the total borrowings pledged by certain assets and their carrying values are shown as below:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**24,400**	23,900
Financial asset at fair value through profit or loss	**2,651**	2,535
Restricted bank deposits	**8,084**	10,079
	35,135	36,514

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at end of the reporting period are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**17,994**	18,972

13. SHARE CAPITAL

	2017 Number of shares	**2017** Amount *HK$'000*	2016 Number of shares	2016 Amount *HK$'000*
Issued and fully paid				
At beginning of the year/period	**2**	**145,172**	–	–
Issue of shares upon incorporation	**–**	**–**	1	–
Issue of shares upon Reorganisation *(note 1.2)*	**–**	**–**	1	145,172
Issue of bonus shares *(note a)*	**749,999,998**	**–**	–	–
Issue of shares by public offering *(note b)*	**250,000,000**	**136,335**	–	–
At end of the year	**1,000,000,000**	**281,507**	2	145,172

(a) Pursuant to the shareholder's resolution dated 27 October 2017, 749,999,998 shares were issued and allotted to Trio Holding without payment and credited as fully-paid shares, each ranking pari passu in all respects with the then existing shares in issue.

(b) Pursuant to the shareholder's resolution dated 27 October 2017, 250,000,000 ordinary shares, representing 25% of the Company's enlarged issued share capital, were issued by way of the public offering on the Main Board of the Stock Exchange at a price of HK$0.62 per share on 23 November 2017. The gross proceeds received by the Company after deducting the capitalised listing expenses were approximately HK$136,335,000. Dealings in the Company's shares on the Main Board of the Stock Exchange commenced on 23 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and sales of customised industrial electronic components and products, including (i) electro-mechanical products; (ii) switch-mode power supplies; and (iii) smart chargers. As an original equipment manufacturer ("**OEM**"), the Group manufactures products in accordance with the design and technical specifications provided by customers.

The Company's shares have been successfully listed on the Main Board of the Stock Exchange on 23 November 2017, which is a significant milestone in the Company's history and strategic development. Since that date, the Company has actively involved in implementing its business strategies as set out in the prospectus dated 13 November 2017 (the "**Prospectus**"), which include, among other things, the establishment of strategic talent centre ("**STC**") in Guangzhou City, Guangdong Province, the PRC and the recruitment of high calibre personnel to enhance its competitiveness in the industrial electronic manufacturing service ("**EMS**") industry.

The Group's performance continued to be strong in the financial year ended 31 December 2017 ("**FY2017**"). With the comprehensive scope of services, together with the in-house developed manufacturing execution system, Trio Manufacturing In-line Control System ("**T-MICS**"), and quality control system, the Group differentiates itself from other EMS suppliers, and enables it to keep the growing momentum in all dimensions in FY2017. The Group experienced an increase in revenue, gross profit and gross profit margin in FY2017, which were mainly due to an increase in customer demands on the Group's products and cost down programs of raw materials achieved by the Group. The growth in gross profit and gross profit margin in FY2017, however, was less than the management's expectation, which was partly due to shortage in supplies of certain components in the third and fourth quarters in 2017 and had deferred production and product shipment in these quarters in 2017. As such, the Group has exercised much prudent measures to make better planning in material sourcing to push stock on hand a bit forward to ensure materials can all be in stock for production to satisfy customers' order demand.

Excluding the impact of one-off listing expenses of HK$13.5 million and HK$4.0 million in FY2017 and the financial year ended 31 December 2016 ("**FY2016**"), respectively, the adjusted profit before income tax in FY2017 of HK$100.6 million would remain comparable with that in FY2016 of HK$101.4 million.

In order to achieve continuous business growth, the Group established a Hong Kong subsidiary, e-Tech, in December 2017 to engage in the design and manufacture of industrial electronics products as original design manufacturer ("**ODM**"). The Group has been in touch with a number of potential customers in new emerging and innovative sectors for possible cooperation to supply products to be applied in evolving industries, such as electric vehicle ("**EV**") chargers, renewal energy facilities, medical and/or healthcare devices, etc. Subsequent to FY2017, the Group has set up new offices in Dublin, Ireland and Munich, Germany according to the Group's business strategy to engage in sales and marketing, global sourcing of electronics materials and service support in the European region. These new offices will allow the Group to penetrate into new markets and further explore potential business opportunities in Europe.

FINANCIAL REVIEW

Revenue

During FY2017, key driver of the Group's growth in revenue was mainly from the increase in sales of electro-mechanical products and switch-mode power supplies, contributed by the increase in sales orders from these customers.

The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for FY2017 and FY2016:

	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Smart chargers	**341,538**	**43.3**	336,601	45.2
Electro-mechanical products	**292,040**	**37.1**	257,708	34.6
Switch-mode power supplies	**147,074**	**18.7**	138,520	18.6
Others[(1)]	**7,390**	**0.9**	12,070	1.6
Total	**788,042**	**100.0**	744,899	100.0

Note:

(1) *Others include automatic testing equipment ("**ATE**"), power switch gear boards and catering equipment control boards.*

The Group recorded an increase in revenue by 5.8% from HK$744.9 million in FY2016 to HK$788.0 million in FY2017, which was mainly attributable to the increase in sales of electro-mechanical products applied for professional beauty and animal grooming products, renewable energy facilities, water filtration systems, and access and security control systems, as well as the increase in revenue from switch-mode power supplies which included power supply modules and power supply boards for industrial use.

The table below summarises the geographical revenue segment based on location of customers for FY2017 and FY2016:

	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Europe[(1)]	**494,829**	**62.8**	465,129	62.4
North America[(2)]	**210,093**	**26.7**	215,004	28.9
South-east Asia[(3)]	**34,819**	**4.4**	32,314	4.3
The PRC (including Hong Kong)	**31,663**	**4.0**	24,609	3.3
Others[(4)]	**16,638**	**2.1**	7,843	1.1
Total	**788,042**	**100.0**	744,899	100.0

Notes:

(1) Europe includes Austria, Denmark, France, Germany, Hungary, Ireland, Italy, Sweden, Switzerland and the United Kingdom.

(2) The USA and Canada for FY2016; the USA for FY2017.

(3) South-east Asia includes Malaysia, Singapore and the Philippines.

(4) Others include Australia, India, Israel and Japan.

Europe and North America remained the two largest overseas markets of the Group which in aggregate contributed 89.5% and 91.3% of our total revenue during FY2017 and FY2016, respectively. Growth of European markets was mainly attributed by the continuous increase in sales of electro-mechanical products and switch-mode power supplies to these markets during FY2017.

Cost of sales

The cost of sales of the Group in FY2017 primarily comprised of direct materials, direct labour cost, and manufacturing overheads. While the revenue increased by 5.8%, the cost of sales only increased by 2.9% from HK$536.4 million in FY2016 to HK$552.1 million in FY2017, which was mainly due to cost down programs of raw materials achieved by the Group.

Gross profit and gross profit margin

The Group's gross profit was HK$235.9 million and HK$208.5 million, representing a gross profit margin of 29.9% and 28.0% in FY2017 and FY2016, respectively. Such increase was mainly contributed by the increase in customer demands on the Group's products and the achievement of cost down programs in raw materials during FY2017.

Other (loss)/income

Other (loss)/income in FY2017 and FY2016 amounted to a loss of HK$2.9 million and a gain of HK$6.0 million, respectively. Due to the appreciation of Renminbi ("**RMB**") and Euros ("**EUR**"), the Group recorded a loss on foreign exchange of HK$4.4 million in FY2017, while in FY2016, as a result of the depreciation of RMB and EUR, the Group recorded a gain on foreign exchange of HK$4.2 million.

Selling and distribution expenses

Selling and distribution expenses mainly comprised of (i) freight, insurance and transportation charges; (ii) marketing and promotion expenses; and (iii) custom and declaration charges.

Selling and distribution expenses increased from HK$15.7 million in FY2016 to HK$17.2 million in FY2017. The increase was mainly attributable to the increase in freight, insurance and transportation charges as a result of the increase in sales to Europe, the PRC and other regions.

Administrative expenses

The Group recorded an increase in administrative expenses of 28.1% from HK$90.1 million in FY2016 to HK$115.3 million in FY2017. This increase was primarily because of the increase in employee benefit expenses as a result of (i) bonus to the Group's staff; (ii) annual salary increment; (iii) the record of directors' fee for newly appointed independent non-executive Directors; and (iv) executive Directors' remuneration increment during FY2017. The increase in administrative expenses was also due to the increase in listing expenses from HK$4.0 million in FY2016 to HK$13.5 million in FY2017.

Other operating expenses

Other operating expenses increased from HK$1.9 million in FY2016 to HK$4.3 million in FY2017. This was mainly due to (i) an increase in provision for impairment loss/write-off of obsolete inventories from HK$1.6 million in FY2016 to HK$2.2 million in FY2017 pursuant to the Group's inventory provision policies; and (ii) a decrease in a gain on derivative financial instruments in relation to a number of RMB forward foreign exchange contracts in FY2017 from HK$1.2 million in FY2016 to HK$0.1 million in FY2017 as most of the forward foreign exchange contracts had expired in the first quarter of FY2017.

Finance expenses, net

Net finance expenses decreased slightly by 4.3% from HK$9.5 million in FY2016 to HK$9.1 million in FY2017. The decrease was mainly due to the decrease in bank interest expenses as a result of the decrease in bank borrowings during FY2017.

Income tax expense

Income tax expense decreased by 22.4% from HK$22.1 million in FY2016 to HK$17.1 million in FY2017, which was primarily due to a reduced income tax expense from Trio Microtronics as a result of a preferential tax rate of 15% from the recognition of "New and High Technology Enterprise" applicable in FY2017. Further details in applying the preferential tax rate to determine income tax expense is set out in note 7 to the consolidated financial statements in this announcement.

Profit for the year

As a result of the above, the Group's profit in FY2017 decreased by 7.0% from HK$75.3 million in FY2016 to HK$70.0 million in FY2017. The net profit margin also decreased from 10.1% in FY2016 to 8.9% in FY2017. This was mainly due to an increase in listing expenses by HK$9.5 million in FY2017.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2017, the Group's operation and capital requirements were financed principally through a combination of cash flows generated from the operating activities, proceeds from the Listing and bank borrowings. As at 31 December 2017 and 2016, the Group had net current assets of HK$288.5 million and HK$107.7 million, respectively, including bank balances and cash (including restricted bank deposits) of HK$169.7 million and HK$16.6 million, respectively. The Group's current ratio (as calculated by current assets divided by current liabilities) increased from 1.8 times as at 31 December 2016 to 2.5 times as at 31 December 2017. Gearing ratio is calculated by net debt divided by total capital as at the end of the year. Net debt is calculated as total borrowings (including bank borrowings and finance lease payables) less cash and bank balances, while total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt, where applicable. The Group's gearing ratio as at 31 December 2017 and 2016 was nil and 9.3%, respectively. The improvement in liquidity and gearing positions was mainly attributable to the increase in working capital level from the net proceeds received from the Listing during FY2017.

FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks: (i) market risk (including foreign exchange risk, cash flow and fair value interest rate risk); (ii) credit risk; and (iii) liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign exchange risk

The Group operates mainly in Hong Kong and the PRC. Entities within the Group are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$, EUR and RMB. Foreign exchange risk arises from export sales, purchases, other future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The management of the Company has set up a policy to require the group companies to manage their foreign exchange risk against their functional currencies. The group companies do not adopt formal hedge accounting policy. It manages its foreign currency risk by closely monitoring the movements of foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

A gain on derivative financial instruments of HK$0.1 million was recognised in FY2017, decreased by 87.6% from HK$1.2 million in FY2016, as most of the forward foreign exchange contracts had expired in the first quarter of FY2017.

During FY2017, no new forward foreign exchange contracts had been entered into by the Group.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not adopt any interest hedging strategy.

As at 31 December 2017, the Group has bank borrowings of HK$18.0 million (2016: HK$19.0 million), which are primarily denominated in HK$ and US$.

Credit risk

Credit risk arises mainly from cash deposited at banks, trade receivables, deposits and other receivables.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The management of the Company makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the management is of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

As at 31 December 2017, the customer bases are widely dispersed despite that 37.3% (2016: 43.9%) of the trade receivable were due from the Group's largest customer and 70.5% (2016: 77.9%) were due from the five largest customers determined on the same basis.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets and receivables; and long-term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

COMMITMENTS

The Group's contract commitments mainly include minimum lease payment under non-cancellable operating leases in respect of rented premises amounted to HK$2.6 million and HK$1.4 million as at 31 December 2017 and 2016, respectively.

CAPITAL STRUCTURE

The Company's shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 31 December 2017, the Company had 1,000,000,000 shares in issue.

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: none).

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Prior to the Listing, the Group completed the Reorganisation, details of which are set out in note 1.2 to the consolidated financial statements in this announcement. Subsequent to the completion of the Reorganisation and up to the date of this announcement, the Group did not have any acquisitions nor disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the Prospectus or otherwise in this announcement, the Group currently has no other plan for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2017 (2016: none).

TREASURY MANAGEMENT

During FY2017, there had been no material change in the Group's funding and treasury policies. The Group has a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

The management of the Company closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Company closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

PLEDGE OF ASSETS

As at 31 December 2017, the financial asset at fair value through profit or loss amounted to HK$2.7 million (2016: HK$2.5 million), property, plant and equipment amounted to HK$24.4 million (2016: HK$23.9 million) and bank deposits amounted to HK$8.1 million (2016: HK$10.1 million) has been charged as security for the bank borrowings of the Group.

As at 31 December 2017, the Group has property, plant and equipment with net book value amounted to HK$1.7 million held under finance leases (2016: HK$4.0 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,600 as at 31 December 2017 (2016: approximately 1,600). The Group's employee benefit expenses mainly included salaries, overtime payment and discretionary bonus, share options, other staff benefits and contributions to retirement schemes. For FY2017, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$152.7 million (2016: HK$132.3 million).

Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress for FY2017 and up to the date of this announcement:

Business strategies as stated in the Prospectus	**Actual business progress up to the date of this announcement**
Continue to expand the customer base in the European market and explore new markets in the PRC, the USA and other Asian countries	There has been satisfactory progress in exploring new potential customers in different regions. The Group has successfully attracted two new customers, which are expected to have solid sales orders placed with the Group in 2018. As well, the sales orders backlog and pipelines are normal, healthy and have increased comparing to the same time in 2017.
Manufacture products of higher value and/or with higher profit contribution per the resources	To explore more business opportunities in manufacturing products with higher value and/or higher profit contribution margin, the Group (i) proactively participates in more industry exhibitions to promote and market its products to local and overseas electronics manufacturers in new emerging and innovative sectors, such as EV chargers, healthcare/medical industry, etc.; (ii) sets up new offices in Europe to provide platforms for direct communication with its existing and potential customers; and (iii) cooperates with existing and potential customers, design houses and engineers to develop innovations and technologies in new industries.
Continue to expand the operation in ATE business segment	The marketing of ATE business has been actively started in the fourth quarter of FY2017. It is a solid supplementary advantage that the Group can offer to its existing and potential customers.

Further enhance the production efficiency and expand the production capacity	The Group is working closely with Shiji Cooperative Economic Association of Dongchong Town, Nansha District, Guangzhou City, Guangdong Province (廣東省廣州市南沙區東涌鎮石基股份合作經濟聯合社), the landlord of the Group's Nansha plant, and the construction company on the construction and design layouts of new factory buildings to ensure relevant approvals and certificates can be obtained to implement the expansion project.
Strengthen the sales and marketing efforts in the industrial EMS sector	The Group set up new offices in Dublin, Ireland and Munich, Germany to engage in sales and marketing, global sourcing of electronics materials and service support in the European region. Another office in Paris, France, as stated in the Prospectus, is scheduled to be established by mid-2018.
Continue to recruit talents and professionals	The STC in Guangzhou City was formally set up in the fourth quarter of FY2017. Recruitment of high calibre talents is in good progress and as at date of this announcement, the number of employees working in this STC is eight. The management of the Company is optimistic to further recruit talents of necessary level and number at this STC in the coming months.

USE OF PROCEEDS

The Company's shares have been successfully listed on the Stock Exchange on the Listing Date. The actual net proceeds from the Listing, after deducting the listing-related expenses, were HK$110.0 million (the "**Actual Net Proceeds**"). The table below sets out an adjusted allocation as adjusted in the same manner and same proportions as shown in the Prospectus and the actual use of the Actual Net Proceeds as at 31 December 2017:

Business strategies as set out in the Prospectus	**The Actual Net Proceeds** *HK$'million*	**Incurred at 31 December 2017** *HK$'million*	**Balance as at 31 December 2017** *HK$'million*
Development of new production base	77.8	–	77.8
Upgrading of existing production facilities	4.5	–	4.5
Establishment of offices in Dublin, Ireland and Paris, France	11.3	–	11.3
Establishment of the STC in Guangzhou City, Guangdong Province, the PRC	11.3	0.1	11.2
Working capital and other general corporate purposes	5.1	5.1	–
	110.0	5.2	104.8

The unutilised net proceeds have been deposited in interest-bearing bank accounts with licensed banks in Hong Kong.

FUTURE PROSPECTS

The Company's shares were successfully listed on the Main Board of Stock Exchange on the Listing Date. The Board considers that such public listing status on the Stock Exchange allows the Company to gain access to the capital market for corporate finance exercise which assists the Company in the future business development, enhances the Group's corporate profile and recognition and strengthens the Group's competitiveness.

Looking into 2018, despite the uncertainties and competition, the Group will continue to actively explore new market opportunities and strive for new developments. To reach the long-term goal of being a manufacturer of world class standard, the Group will continue to place investments in production, engineering and information technology facilities. The Group will continue to invest in upgrading production facilities to achieve the accreditation of Industry 4.0 in 2019, set up European offices to expand customer bases in Europe and the USA and further develop the STC for talents reserve. For the market strategy, apart from further development in the ATE business, the Group will also focus on some products with higher value and/or higher profit contribution margin, which the Group considers as some "New Era" electronic products used in some evolving industries, including smart chargers for transportation facilities, power supplies for renewable energy facilities and components for medical/healthcare equipment and devices.

DIVIDEND

During FY2017, the Company had declared an interim dividend of HK$15,000,000 per share, totalling HK$30,000,000 to the then shareholder of the Company prior to the Listing.

The Board recommended the payment of a final dividend of HK2.0 cents per share for FY2017 to the Shareholders. The proposed final dividend will be payable on Thursday, 14 June 2018, following the approval of shareholders at the AGM, to shareholders whose names appear on the register of members of the Company on Monday, 4 June 2018, being the record date for determining shareholders' entitlement to the proposed final dividend.

During FY2016, the Company had declared an interim dividend of HK$11,750,000 per share, totalling HK$23,500,000 to the then shareholder of the Company. Please refer to note 9 to the consolidated financial statements in this announcement for details.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Friday, 18 May 2018 to Friday, 25 May 2018, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 May 2018.

In order to ascertain the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 31 May 2018 to Monday, 4 June 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 May 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the listing of the Shares on the Stock Exchange on the Listing Date, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2017.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events affecting the Group after FY2017 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company is committed to ensure a quality board, of its transparency and accountability to its Shareholders.

The Company complied with all code provisions in the CG Code during the period from 23 November 2017, being the Listing Date, to 31 December 2017 except for code provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Stanley Kwan is the Chairman and chief executive officer of the Company. Mr. Stanley Kwan has taken a leave of absence since October 2017 and his roles as Chairman and chief executive officer have been separately taken up by Mr. Lai and Mr. Tai, respectively. In substance, the Company has therefore, complied with code provision A.2.1 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and there were no events of non-compliance from the Listing Date up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 27 October 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the CG Code. The Audit Committee comprises three members, namely Mr. Cheung Kin Wing, Mr. Fung Chun Chung and Mr. Wong Raymond Fook Lam. The chairman of the Audit Committee is Mr. Cheung Kin Wing. The Audit Committee has reviewed the preliminary results announcement and the consolidated financial statements of the Company for the year ended 31 December 2017. The Audit Committee has also reviewed the effectiveness of internal control system of the Group and considered the system to be effective and adequate.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

By order of the Board
Trio Industrial Electronics Group Limited
Lai Yiu Wah
Deputy Chairman and Executive Director

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises Mr. Kwan Tak Sum Stanley, Mr. Tai Leung Lam, Mr. Lai Yiu Wah, Mr. Joseph Mac Carthy as Executive Directors, Mr. Fung Chun Chung, Mr. Cheung Kin Wing and Mr. Wong Raymond Fook Lam as Independent Non-executive Directors.