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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Trio Industrial Electronics Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2018, together with comparative figures for the corresponding period of 2017 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2018 increased by 9.3% to HK$402.2 million as compared with the corresponding period of 2017.
- Gross profit for the six months ended 30 June 2018 decreased by 12.1% to HK$98.3 million and gross profit margin decreased by 6.0 percentage points to 24.4% as compared with the corresponding period of 2017.
- Profit before income tax for the six months ended 30 June 2018 decreased by 60.1% to HK$14.7 million as compared with the corresponding period of 2017.
- Profit attributable to owners of the Company for the six months ended 30 June 2018 was HK$10.4 million, representing a decrease of 64.6% as compared with the corresponding period of 2017.
- The Board has resolved to distribute a special dividend of HK0.8 cents per ordinary share to celebrate the 35th Anniversary of the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**402,200**	367,866
Cost of sales	*5*	**(303,892)**	(255,971)
Gross profit		**98,308**	111,895
Other income/(loss)	*4*	**2,925**	(1,732)
Selling and distribution expenses	*5*	**(7,093)**	(8,486)
Administrative expenses	*5*	**(71,891)**	(58,250)
Other operating expenses, net	*5*	**(2,280)**	(2,135)
Profit from operations		**19,969**	41,292
Finance expenses, net	*6*	**(5,276)**	(4,431)
Profit before income tax		**14,693**	36,861
Income tax expense	*7*	**(4,278)**	(7,444)
Profit for the period		**10,415**	29,417
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		**–**	345
Currency translation differences		**(82)**	–
Other comprehensive income for the period, net of tax		**(82)**	345
Total comprehensive income for the period		**10,333**	29,762
Earnings per share			
– Basic and diluted	*8*	**1.04 cents**	3.92 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**44,210**	44,729
Financial asset at fair value through profit or loss		**–**	2,651
Prepayment		**–**	418
		44,210	47,798
Current assets			
Inventories		**193,912**	155,597
Financial asset at fair value through profit or loss		**2,695**	–
Trade and other receivables	*10*	**106,778**	139,345
Prepayments and deposits		**15,169**	12,286
Restricted bank deposits		**8,097**	8,084
Bank and cash balances		**169,049**	161,626
		495,700	476,938
Current liabilities			
Trade and other payables	*11*	**153,663**	163,165
Borrowings	*12*	**46,343**	17,994
Finance lease payables		**1,362**	1,849
Current income tax liabilities		**10,102**	5,459
		211,470	188,467
Net current assets		**284,230**	288,471
Total assets less current liabilities		**328,440**	336,269
Non-current liabilities			
Deferred tax liabilities		**3,650**	3,705
		3,650	3,705
Net assets		**324,790**	332,564
Equity			
Share capital	*13*	**281,507**	281,507
Reserves		**43,283**	51,057
Total equity		**324,790**	332,564

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Trio Industrial Electronics Group Limited (the "**Company**") is a limited liability company incorporated in Hong Kong 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 (together, 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. Kwan**"), Mr. Tai Leung Lam ("**Mr. Tai**"), Mr. Lai Yiu Wah ("**Mr. Lai**") and Mr. Joseph Mac Carthy ("**Mr. Mac Carthy**").

The unaudited condensed consolidated interim financial information for the period ended 30 June 2018 ("**Interim Financial Information**") is presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Information, which does not constitute the Group's statutory financial statements, has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and in compliance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The financial information relating to the year ended 31 December 2017 that is included in the Interim Financial Information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those consolidated 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 (Cap. 622) (the "**Companies Ordinance**") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as described below, the accounting policies used in the preparation of the Interim Financial Information are consistent with those set out in the annual report for the year ended 31 December 2017.

New and amended standards effective in 2018 which are relevant to the Group's operations

The Group has adopted the following new standards and amendments to standards which are effective for the financial year beginning on 1 January 2018 and relevant to the Group.

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

In the current interim period, the Group has applied, for the first time, the above new standards, amendments to existing standards and interpretations issued by the HKICPA. The impact of the adoption of these standards and the new accounting policies is disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements is explained below. It also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 Financial instruments – Impact of adoption

HKFRS 9, "Financial instruments" replaces the whole of HKAS 39 "Financial Instruments: Recognition and Measurement". It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and provides a new impairment model for financial assets.

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading.

The impact of the adoption of HKFRS 9 is shown as follows:

(i) Classification and measurement of financial assets and liabilities

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management assessed which business models applied to the financial assets held by the Group and had classified its financial instruments into the appropriate HKFRS 9 categories.

There were no changes to the carrying amount and classification of the financial assets and liabilities upon the adoption of HKFRS 9.

(ii) Impairment of financial assets

Financial assets were subject to the new expected credit loss model prescribed by HKFRS 9. The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets carried at amortised cost, except for cash and bank balances.

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For accounts receivable originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For accounts receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The management performed a detailed assessment of expected credit losses on the date of initial application of HKFRS 9. There was no impact of the change in impairment methodology on the Group's impairment allowance and its equity.

(b) HKFRS 9 Financial instruments – Accounting policies applied from 1 January 2018

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Impairment

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards, including HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition, and is effective for periods beginning on or after 1 January 2018.

The Group has also elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 as at 1 January 2018 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated. There was no significant impact on the Interim Financial Information of the Group.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

From 1 January 2018 onwards, the Group has adopted the following accounting policies on revenues.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance obligation:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied overtime, an entity satisfies the performance obligation at point in time.

(d) HKFRS 15 Revenue from Contracts with Customers – Accounting Policies

(i) Sales of goods

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with the credit policies, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

New and amended standards effective after 2018 which are relevant to the Group's operations and yet to be adopted

The following are new standards and amendments to standards relevant to the Group that have been issued but are not effective for the accounting period beginning on or after 1 January 2018 and are yet to be adopted:

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Lease	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 "Leases"

Nature of changes

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Potential impact

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$2,684,000. Based on the preliminary assessment undertaken to date, it is estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities in the consolidated statement of financial position primarily arising from leases of various office, warehouses, car parking spaces, and factory. The interest expenses on the lease liabilities and the depreciation expenses on the right-of-use assets under HKFRS 16 will replace the rental charge under HKAS 17 in the consolidated income statement. Management expects the adoption of HKFRS 16 will not have significant impact on the interim condensed consolidated financial position and finance performance of the Group.

3 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 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 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 People's Republic of China (the "**PRC**") during the period ended 30 June 2018 and 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 six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**126,420**	158,523
Customer B	**59,709**	64,978

Geographical information

During the period ended 30 June 2018, majority of revenue were sold to customers in Europe (mainly Switzerland, the United Kingdom (the "**UK**"), Ireland, Denmark and Sweden), while the remaining revenue were sold to customers in the United States of America (the "**USA**"), the PRC, Singapore 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 30 June 2018 of HK$23,912,000 (31 December 2017: HK$24,400,000) are located in Hong Kong. Other property, plant and equipment are primarily located in the PRC.

4 REVENUE AND OTHER INCOME/(LOSS)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**402,200**	367,866
Other income/(loss)		
Commission income	**45**	31
Fair value gain on financial assets at fair value through profit or loss	**44**	24
Gain/(loss) on foreign exchange	**733**	(2,228)
Government grant (note (i))	**1,322**	–
Sundry income	**781**	441
	2,925	(1,732)

Note:

(i) The government grant represented a subsidy received from Finance Bureau of Nansha District of Guangzhou City (廣州市南沙區財政局) in relation to the recognition of New and High Technology Enterprises ("**NHTE**") by the Company's wholly-owned subsidiary in the PRC. There are no unfulfilled conditions relating to the grant.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**94,359**	75,595
Listing expenses	**–**	6,099
Auditors' remuneration	**1,614**	1,262
Depreciation	**5,093**	4,805
Amortisation of insurance expense	**6**	6
Gain on derivative financial instruments	**–**	(144)
Obsolete inventories written off	**395**	–
Operating lease payments	**3,342**	2,393
Loss on disposal of property, plant and equipment	**–**	28
Provision for impairment loss on inventories	**484**	1,407

6 FINANCE EXPENSES, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**328**	20
Other interest income	**77**	39
Finance income	**405**	59
Finance expenses		
Interest on bank borrowings		
– wholly repayable within five years	**(2,971)**	(1,725)
Other finance expenses		
Bank charges	**(2,681)**	(2,711)
Finance lease charges	**(29)**	(54)
Finance expenses	**(5,681)**	(4,490)
Finance expenses, net	**(5,276)**	(4,431)

7 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax – Hong Kong:		
– Provision for the period	**4,278**	6,134
Current income tax – The PRC:		
– Provision for the period	**–**	1,310
Income tax expense	**4,278**	7,444

(a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the six months ended 30 June 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the six months ended 30 June 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

(b) 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 for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Panyu Trio Microtronics Co., Ltd. ("**Trio Microtronics**") was set up as a foreign investment manufacturing enterprise in the PRC. On 11 December 2017, Trio Microtronics was awarded the NHTE accreditation by Guangdong Science and Technology Department (廣東省科學技術廳) for an effective period of three years from 11 December 2017 to 11 December 2020. As such, Trio Microtronics can enjoy a preferential CIT rate of 15% from three financial years from 2017 to 2019. Its CIT rate for the six months ended 30 June 2018 was 15% (six months ended 30 June 2017: 15%).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**10,415**	29,417
Weighted average number of ordinary shares in issue *(thousand shares) (note (i))*	**1,000,000**	750,000
Basic earnings per share *(HK cents)*	**1.04 cents**	3.92 cents

Note:

(i) The weighted average of 750,000,000 ordinary shares used in the calculation of basic earnings per share for the six months ended 30 June 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.

(b) Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2018, 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 six months ended 30 June 2017, diluted earnings per share presented was same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the period.

9 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

On 24 August 2018, the Board resolved to declare a special dividend of HK0.8 cents per ordinary share. Since this special dividend is declared after the balance sheet date, such dividend has not been recognised as liability as at 30 June 2018.

On 25 May 2018, a final dividend of HK2 cents per ordinary share for the year ended 31 December 2017, absorbing an amount of HK$20,000,000, was approved by all the shareholders of the Company, and was paid on 14 June 2018.

During the six months ended 30 June 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.

10 TRADE AND OTHER RECEIVABLES

	Note	**As at 30 June 2018** *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Trade receivables		**106,485**	138,767
Less: allowance for impairment of trade receivables		**–**	–
Trade receivables – net	*(a)*	**106,485**	138,767
Other receivables		**293**	519
Interest receivables		**–**	59
		106,778	139,345

(a) Trade receivables were arising from trading of electronic products. The payment terms of trade receivables granted to third party customers ranging from full payment before shipment to 75 days from end of month. As at 30 June 2018 and 31 December 2017, the aging analysis based on invoice date of the trade receivables is as follows:

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Below 30 days	**57,600**	59,633
Between 31 and 60 days	**32,698**	51,323
Over 60 days	**16,187**	27,811
	106,485	138,767

Trade and other receivables are past due when a counterparty has failed to make a payment when contractually due.

As at 30 June 2018, trade receivables of HK$90,917,000 (31 December 2017: HK$112,347,000) were not yet past due.

As at 30 June 2018, trade receivables of HK$15,568,000 (31 December 2017: HK$26,420,000) were past due but not impaired. The Group has not provided for impairment loss at end of the reporting period because there was no significant change in credit quality and the amounts are still considered recoverable.

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these receivables is as follows:

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Past due by:		
Below 30 days	**11,658**	23,581
Between 31 and 60 days	**1,352**	573
Over 60 days	**2,558**	2,266
	15,568	26,420

11 TRADE AND OTHER PAYABLES

	Note	**As at 30 June 2018** *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Trade payables	*(a)*	**85,765**	93,952
Trust receipts		**46,566**	47,491
Accruals and other payables		**17,136**	18,839
Sale deposits received		**4,196**	2,883
		153,663	163,165

(a) The credit terms of trade payables granted by the vendors generally range from full payment before shipment to net 180 days. The aging analysis of trade payables based on invoice date is as follows:

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Below 30 days	**41,848**	47,423
Between 31 and 60 days	**38,205**	40,485
Over 60 days	**5,712**	6,044
	85,765	93,952

12 BORROWINGS

	Note	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Profits tax loans	*(a)*	**5,960**	14,787
Term loans	*(a)*	**29,986**	3,039
Insurance premium loan	*(a)*	**24**	168
Revolving loan	*(a)*	**10,000**	–
Bank overdrafts		**373**	–
		46,343	17,994

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

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Within 1 year	**46,343**	17,082
Between 1 and 2 years	**–**	912
	46,343	17,994

(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 30 June 2018 and 31 December 2017, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Property, plant and equipment	**23,912**	24,400
Financial asset at fair value through profit or loss	**2,695**	2,651
Restricted bank deposits	**8,097**	8,084
	34,704	35,135

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

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Within 1 year	**46,343**	17,994

13 SHARE CAPITAL

	As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Issued and fully paid				
At beginning of period/year	**1,000,000,000**	**281,507**	2	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 period/year	**1,000,000,000**	**281,507**	1,000,000,000	281,507

Note:

(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 experienced a 9.3% growth in revenue, with increased sales in electro-mechanical products in the European markets and the launch of new product line of smart vending systems to complement and expand its product base. Such positive result, however, was partially offset by a 20.3% drop in sale orders on smart chargers from a major customer in the USA.

Despite increased sales, gross profit for the first half of 2018, however, decreased by 12.1% as compared to corresponding period of 2017, which was adversely eroded by higher material costs driven by prolonged shortage of certain components, appreciation of Renminbi ("**RMB**") against other currencies and soared labour costs. In addition to its continuous cost reduction program of raw materials, the Group has proactively implemented certain measures to alleviate these situations, such as adopting a more prudent approach on material sourcing, maintaining buffer and safety stock on major components, as well as looking for alternatives to replace those components with unstable supply.

Undoubtedly, the Group has faced many challenges during the reporting period, including escalated material costs, surged labour and staff costs, as well as increased legal and professional fees for statutory compliance after the Listing, which resulted in the decrease in profit for the first half of 2018 by 64.6% as compared to the corresponding period of 2017. With unforeseen foreign exchange fluctuation and Sino-US trade friction which aggravated the uncertainty of global economy, customers, especially those from North America, become more cautious when placing orders to the Group. The management of the Company will keep a close eye on these developments, assess the potential impacts towards the Group, and implement necessary measures to minimise such impacts.

In 2018, the Group is celebrating its 35th Anniversary with a series of commemorative activities. To reward the shareholders of the Company (the "**Shareholders**"), the Board is pleased to recommend a special dividend of HK0.8 cents per ordinary share.

Save as disclosed in this announcement, during the reporting period, there had been no material changes on the business operation or future developments of the Group's business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2017.

FINANCIAL REVIEW

Revenue

The following table summarises the amount of revenue generated and as a percentage of total revenue from each product category for the six months ended 30 June 2018 and 2017, respectively:

	Six months ended 30 June			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Electro-mechanical products	**175,193**	**43.5**	135,090	36.8
Smart chargers	**127,306**	**31.6**	158,523	43.1
Switch-mode power supplies	**75,147**	**18.7**	71,988	19.5
Smart vending systems	**18,289**	**4.6**	89	–
Others[(1)]	**6,265**	**1.6**	2,176	0.6
Total	**402,200**	**100.0**	367,866	100.0

Note:

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

The Group's revenue went up from HK$367.9 million for the first half of 2017 to HK$402.2 million for the same period of 2018, which was mainly driven by: (1) strong customer demands on electro-mechanical products for their applications to medical and healthcare products, renewable energy facilities, professional beauty and animal grooming products, and security and access control systems; and (2) sales growth on the new product line of smart vending systems which mainly included in-flight payment devices and e-kiosks. Such increase in revenue, however, was partially offset by reduction in sale orders on smart chargers from a major customer in the USA.

The table below summarises the geographical revenue segment based on location of customers for the six months ended 30 June 2018 and 2017, respectively:

	Six months ended 30 June			
	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Europe[(1)]	**275,717**	**68.6**	236,280	64.2
North America[(2)]	**91,153**	**22.7**	93,788	25.5
The PRC (including Hong Kong)	**14,686**	**3.6**	12,549	3.4
South-east Asia[(3)]	**14,571**	**3.6**	19,136	5.2
Others[(4)]	**6,073**	**1.5**	6,113	1.7
Total	**402,200**	**100.0**	367,866	100.0

Notes:

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

(2) North America includes the USA.

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

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

Europe and North America remained the two largest overseas markets of the Group which in aggregate accounted for 91.3% and 89.7% of total revenue for the six months ended 30 June 2018 and 2017, respectively. Growth of the revenue from European markets was mainly resulted from the increase in the sales of electro-mechanical products and smart vending systems to these markets during the first half of 2018. Sales from North America and South-east Asia, however, slowed down as a result of a decrease in product demands and shortage of certain components to manufacture products to these regions.

Cost of sales

The Group's cost of sales primarily consisted of direct materials, direct labour cost, and manufacturing overheads. While revenue increased by 9.3%, cost of sales surged at a higher increasing rate by 18.7% from HK$256.0 million for the first half of 2017 to HK$303.9 million for the same period of 2018. Such increase was largely contributed by soaring raw material costs as a result of the continuous shortage in supplies of certain components and impact of RMB appreciation, as well as upsurge in direct labour wages due to change in product mix.

Gross profit and gross profit margin

The Group's gross profit was HK$98.3 million and HK$111.9 million, representing a gross profit margin of 24.4% and 30.4%, for the six months ended 30 June 2018 and 2017, respectively. The lower gross margin reflected a combination of higher raw material costs due to the prolonged shortage in supplies of certain components and fluctuation of RMB's exchange rate against other currencies, coupled with increased labour costs for products that required higher labour involvement.

Other income/(loss)

Other income/(loss) for the six months ended 30 June 2018 and 2017 amounted to a gain of HK$2.9 million and a loss of HK$1.7 million, respectively. Such change was largely attributable to a gain of HK$0.7 million for first half of 2018 from a loss of HK$2.2 million on foreign exchange for the corresponding period of 2017, and the receipt of a government grant in relation to NHTE accreditation for the six months ended 30 June 2018.

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 went down from HK$8.5 million for the six months ended 30 June 2017 to HK$7.1 million for the same period of 2018. The decrease mainly resulted from the reduction in freight, insurance and transportation charges as a result of the change in shipping arrangement with customers.

Administrative expenses

The Group recorded a 23.4% increase in administrative expenses from HK$58.3 million for first half of 2017 to HK$71.9 million for the same period of 2018. Such increase was primarily attributable to the increase in employee benefit expenses as a result of (i) increase in number of staff members; (ii) bonus paid to the Group's staff members; (iii) annual salary increment; and (iv) recognition of equity-settled share-based payment transactions granted in December 2017, as well as the growth in legal and professional expenses for statutory compliances after the Listing. Such increase, however, was partly offset by the absence of listing expense of HK$6.1 million incurred during the six months ended 30 June 2017 as no such expenses was incurred following the Listing.

Other operating expenses, net

Other operating expenses, net for the six months ended 30 June 2018 slightly increased by HK$0.1 million, which remained stable as compared to the corresponding period of 2017.

Finance expenses, net

Finance expenses, net went up by 19.1% from HK$4.4 million for the six months ended 30 June 2017 to HK$5.3 million for the same period of 2018. The increase was mainly due to the rise in bank interest expenses in relation to facilities utilised during the six months ended 30 June 2018.

Income tax expense

Income tax expense decreased by 42.5% from HK$7.4 million for the six months ended 30 June 2017 to HK$4.3 million for the same period of 2018, which was primarily due to the decline in profit during the reporting period.

Profit for the period

The Group's profit for the period decreased from HK$29.4 million for the six months ended 30 June 2017 to HK$10.4 million for the same period of 2018. The net profit margin also reduced from 8.0% for the six months ended 30 June 2017 to 2.6% for the same period of 2018. The lower profit reflected the impacts of higher raw material costs, escalated labour and staff costs coupled with the rise in legal and professional fees for statutory compliances after the Listing, despite revenues were on the increase during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2018, 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 30 June 2018 and 31 December 2017, the Group had net current assets of HK$284.2 million and HK$288.5 million, respectively, including cash and bank balances (including restricted bank deposits) of HK$177.1 million and HK$169.7 million, respectively. The Group's current ratio (as calculated by current assets divided by current liabilities) remained stable at 2.5 times as at 31 December 2017 and 2.3 times as at 30 June 2018. Gearing ratio is calculated by net debt divided by total capital as at the end of reporting period. 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. As at 30 June 2018, the gearing ratio was not applicable ("**N/A**") to the Group (31 December 2017: N/A) as the Group had sufficient working capital level from the net proceeds received from the Listing.

FINANCIAL RISK MANAGEMENT

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 to manage its foreign exchange risk. The Group does 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 arise.

No gain or loss on derivative financial instruments was incurred during the six months ended 30 June 2018, whilst a gain of HK$0.1 million was recognised for the corresponding period of 2017, as most of the forward foreign exchange contracts had expired during the six months ended 30 June 2017.

During the six months ended 30 June 2018, 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.

For the six months ended 30 June 2018 and 2017, bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 30 June 2018, the Group has bank borrowings of HK$46.3 million (31 December 2017: HK$18.0 million), which are primarily denominated in HK$ and US dollars.

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 30 June 2018, the customer bases are widely dispersed despite that 29.4% (31 December 2017: 37.3%) of the trade receivables were due from the Group's largest customer and 66.5% (31 December 2017: 70.5%) 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 in the foreseeable future.

COMMITMENTS

The Group's contract commitments mainly include minimum lease payment under non-cancellable operating leases in respect of rented premises and capital commitments contracted for minimum lease payment under non-cancellable operating leases amounted to HK$2.7 million and HK$2.6 million as at 30 June 2018 and 31 December 2017, respectively, and capital commitments contracted for amounted to HK$2.8 million and HK$0.02 million as at 30 June 2018 and 31 December 2017, respectively.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the six months ended 30 June 2018. The share capital of the Company only comprises of ordinary shares.

As at 30 June 2018, the Company had 1,000,000,000 shares in issue.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group did not hold any significant investments (31 December 2017: nil).

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any acquisitions nor disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus dated 13 November 2017 (the "**Prospectus**"), 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 30 June 2018 (31 December 2017: nil).

TREASURY MANAGEMENT

During the six months ended 30 June 2018, 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 carefully 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 30 June 2018, the financial asset at fair value through profit or loss amounted to HK$2.7 million (31 December 2017: HK$2.7 million), property, plant and equipment amounted to HK$23.9 million (31 December 2017: HK$24.4 million) and bank deposits amounted to HK$8.1 million (31 December 2017: HK$8.1 million) have been pledged as security for the bank borrowings of the Group. As at 30 June 2018, the Group has property, plant and equipment with net book value amounted to HK$1.7 million held under finance leases (31 December 2017: HK$1.7 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,800 as at 30 June 2018 (31 December 2017: 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 the six months ended 30 June 2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$94.4 million (six months ended 30 June 2017: HK$75.6 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.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible Directors and employees of the Group, who contribute to the success of the Group's operations. As at 30 June 2018, the Group granted share options to 16 employees, exclusive of three executive Directors, for the subscription of 9,700,000 ordinary shares of the Company in total. The vesting period of these share options will end on 28 December 2020.

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 the six months ended 30 June 2018 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	The Group has successfully attracted six new customers in Europe, the PRC, and other Asian countries, some of which have placed sample orders to the Group during the first half of 2018. Once these trial orders are crystalised, official orders will be expected in 2019. The Group will continue to put in more resources on sales and marketing to explore more business opportunities in these regions.
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 margin, the Group (i) proactively participates in industry exhibitions to promote its products to local and overseas electronics manufacturers, such as gaming show and industrial electronics expo, etc.; (ii) organises periodic meetings with existing customers to understand their product specifications and requirements; and (iii) cooperates with existing and potential customers, design houses and engineers to develop innovations and technologies in new industries.
Continue to expand the operations in ATE business segment	The Group publishes web advertisement in the PRC and designs new products, like automation accessories, which integrates with Industrie 4.0 concepts to attract existing and potential customers.

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	The Group currently has five European staff members and three independent European consultants to engage in business development and procurement. The establishment of offices in Dublin, Ireland and Munich, Germany provides a platform to the team for direct communication, and service supports to existing and potential customers in Europe. Also, the procurement personnel can pay regular visits to major suppliers in Europe to build up closer business relationship with the hope of negotiating for better terms, securing the supply of major components, and looking for suitable materials for production. Since the offices in Dublin, Ireland and Munich, Germany commenced operations during second quarter of 2018, to stabilise business operations, the Group deferred the establishment time of its office in Paris, France to 2019. Even so, the management of the Company considers that such deferral will not have significant impacts on the Group's development.
Further enhance the production efficiency and expand the production capacity	On 20 July 2018, the Group entered into a supplemental agreement (the "**Supplemental Agreement**") to the memorandum of understanding (the "**MOU**") 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) ("**Shiji Association**"), the landlord of the Group's Nansha plant, under which Shiji Association would convert the Group's leased properties into two 6-storey factory buildings instead of one 5-storey factory building and one 3-storey factory building and the Group's rental commitment under the MOU would be increased. The Group expected that the construction of these two factory buildings will be delayed to February 2019 and October 2019, respectively, and therefore, the payment schedule under the Supplemental Agreement will also be extended. Details of the Supplemental Agreement are set out in the announcement of the Company dated 20 July 2018.
Continue to recruit talents and professionals	The Group currently has 12 employees working at the strategic talents centre in the Guangzhou City ("**STC**") to engage in strategic purchasing and software development and enhancement. The management of the Company will continue to recruit talents of necessary level and number at this STC for providing various value-added supports to the Group.

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 30 June 2018:

Business strategies as set out in the Prospectus	**The Actual Net Proceeds** *HK$' million*	**Incurred up to 30 June 2018** *HK$' million*	**Balance as at 30 June 2018** *HK$' million*
Development of new production base	77.8	1.4	76.4
Upgrading of existing production facilities	4.5	1.0	3.5
Establishment of offices in Dublin, Ireland and Paris, France	11.3	0.2	11.1
Establishment of the STC in Guangzhou City, Guangdong Province, the PRC	11.3	0.6	10.7
Working capital and other general corporate purposes	5.1	5.1	–
	110.0	8.3	101.7

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

FUTURE PROSPECTS

Looking ahead, the Group will continue to seek to enhance its product mix. It will further explore supplying higher value and/or higher profit margin products to meet the demand from existing customers/markets as well as from evolving industries in the new economy, such as electric vehicle chargers, smart city systems, smart vending systems, renewable energy facilities, medical and/or healthcare devices.

The Group has continued to invest in upgrading its unique manufacturing execution system based on the "smart factory" concept, with an aim to achieve the appropriate level and certification of Industrie 4.0. The expansion plan of production facilities is also underway, which will increase our production capacity in 2019.

The establishment of the new offices in Europe has provided the Group with a solid platform to further tap into the potentials in this region. Increased marketing and sales efforts have already begun to transfer these efforts into new business opportunities and sales revenue.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The Group is celebrating its 35th Anniversary this year. To reward the Shareholders, the Board recommended the declaration of a special dividend of HK0.8 cents per ordinary share to the Shareholders. This special dividend will be payable by the Company on or around 12 October 2018.

On 25 May 2018, a final dividend of HK2 cents per ordinary share for the year ended 31 December 2017, absorbing an amount of HK$20,000,000, was approved by all the shareholders of the Company, and was paid on 14 June 2018.

The Company had declared an interim dividend of HK$15,000,000 per share, totaling HK$30,000,000 to the then shareholder of the Company prior to the Listing for the six months ended 30 June 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to the special dividend, the register of members of the Company will be closed from Wednesday, 26 September 2018 to Friday, 28 September 2018, both days inclusive. In order to qualify for the special 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 Monday, 24 September 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during six months ended 30 June 2018.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 20 July 2018, Trio Microtronics, a wholly-owned subsidiary of the Group and a limited liability company established in the PRC, entered into the Supplemental Agreement to the MOU with Shiji Association, the landlord of the Group's Nansha plant. Pursuant to the MOU and the Supplemental Agreement, certain of the Group's leased properties currently used as warehouses will be converted into two 6-storey factory buildings instead of one 5-storey factory building and one 3-storey factory building. It is estimated that the construction of these two factory buildings will be delayed to February 2019 and October 2019, respectively.

Under the Supplemental Agreement, the total cost of the conversion will increase and therefore the rental deposit and rental prepayment to be provided by Trio Microtronics will increase accordingly.

Further details of the Supplemental Agreement are set out in the announcement of the Company dated 20 July 2018.

Save as disclosed above, there are no other significant events affecting the Group after the reporting period 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 to the Listing Rules. The Company is committed to ensure a quality Board and its transparency and accountability to its Shareholders. The Company complied with all code provisions in the CG Code during the six months ended 30 June 2018 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. Kwan Tak Sum Stanley ("**Mr. Kwan**") was the Chairman and chief executive officer of the Company during the period from 23 November 2017 to 25 May 2018. Mr. Kwan had taken a leave of absence since October 2017 and his roles as Chairman and chief executive officer had been separately taken up by Mr. Lai Yiu Wah ("**Mr. Lai**") and Mr. Tai Leung Lam ("**Mr. Tai**"), respectively. In substance, the Company has therefore, complied with code provision A.2.1 of the CG Code. Further to the retirement of Mr. Kwan at the annual general meeting held on 25 May 2018, Mr. Lai and Mr. Tai were appointed as the Chairman and the chief executive officer respectively on the same day.

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 to 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 during the six months ended 30 June 2018.

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 interim results announcement and the unaudited Interim Financial Information.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the independent auditor will be included in the interim report to be sent to the Shareholders.

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

Hong Kong, 24 August 2018

As at the date of this announcement, the Board comprises Mr. Lai Yiu Wah, Mr. Tai Leung Lam, 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.