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 2018

The board (the "**Board**") of directors (the "**Directors**") of Trio Industrial Electronics Group Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2018 increased by 12.4% to HK$886.0 million.
- Gross profit for the year ended 31 December 2018 decreased by 7.3% to HK$218.7 million. Gross profit margin decreased by 5.2 percentage points to 24.7%.
- Profit before income tax for the year ended 31 December 2018 decreased by 43.0% to HK$49.6 million.
- Profit attributable to owners of the Company for the year ended 31 December 2018 was HK$42.4 million, representing a decrease of 39.5%.

FINAL DIVIDEND:

- The Board has proposed a final dividend of HK1.8 cents per ordinary share for the year ended 31 December 2018, which is subject to the approval of the Company's shareholders (the "**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:

	Note	Year ended 31 December **2018** *HK$'000*	2017 *HK$'000*
Revenue	*5*	**885,971**	788,042
Cost of sales	*6*	**(667,238)**	(552,142)
Gross profit		**218,733**	235,900
Other income/(loss), net	*5*	**5,232**	(2,920)
Selling and distribution expenses	*6*	**(15,302)**	(17,179)
Administrative expenses	*6*	**(139,487)**	(115,315)
Other operating expenses, net	*6*	**(7,711)**	(4,285)
Profit from operations		**61,465**	96,201
Finance expenses, net	*7*	**(11,826)**	(9,053)
Profit before income tax		**49,639**	87,148
Income tax expense	*8*	**(7,261)**	(17,140)
Profit for the year		**42,378**	70,008
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on revaluation of land and building, net of tax		**1,285**	1,279
Currency translation differences		**(110)**	–
Other comprehensive income for the year, net of tax		**1,175**	1,279
Total comprehensive income for the year		**43,553**	71,287
Earnings per share			
– Basic and diluted *(HK cents)*	*9*	**4.24**	9.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**49,614**	44,729
Financial asset at fair value through profit or loss		**6,765**	2,651
Prepayment		**1,663**	418
		58,042	47,798
Current assets			
Inventories		**189,814**	155,597
Trade and other receivables	*11*	**106,334**	139,345
Prepayments and deposits		**16,689**	12,286
Restricted bank deposits		**8,114**	8,084
Bank and cash balances		**194,580**	161,626
		515,531	476,938
Current liabilities			
Trade and other payables	*12*	**181,027**	163,165
Contract liability		**3,004**	–
Borrowings	*13*	**31,871**	17,994
Finance lease payables		**866**	1,849
Current income tax liabilities		**1,175**	5,459
		217,943	188,467
Net current assets		**297,588**	288,471
Total assets less current liabilities		**355,630**	336,269
Non-current liability			
Deferred tax liabilities		**3,735**	3,705
		3,735	3,705
Net assets		**351,895**	332,564
Equity			
Share capital	*14*	**281,507**	281,507
Reserves		**70,388**	51,057
Total equity		**351,895**	332,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consider the controlling shareholders of the Company 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 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 2018 and 2017 included in this announcement does not constitute the statutory annual consolidated financial statements of the Group 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) (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 in Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 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 Companies Ordinance.

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 ("**HKICPA**"), and are in compliance with the Companies Ordinance. 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 carried at fair value. The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group has applied the following new standards and amendments to standards which are effective for the financial period beginning on or after 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

The above new standards, amendments, improvements and interpretation effective for the financial period beginning on or after 1 January 2018 do not have a material impact to the Group, except for HKFRS 9 "Financial instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from contracts with customers" ("**HKFRS 15**") as set out below.

HKFRS 9 – Impact of adoption

The Group has adopted HKFRS 9 for the financial period beginning on or after 1 January 2018.

HKFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for a new impairment model for financial assets. This new standard retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. Under HKFRS 9, trade and other receivables of the Group continue to be recognised at amortised cost.

The Group has assessed the effects of applying HKFRS 9 on the consolidated financial statements of the Group and has not identified any other material impact to the Group.

HKFRS 15 – Impact of adoption

The Group has adopted HKFRS 15 for the financial period beginning on or after 1 January 2018, resulting in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements of the Group. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. The reclassification arising from the new rules is therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but is recognised in the opening consolidated statement of financial position on 1 January 2018.

The reclassification on the consolidated statement of financial position as at 1 January 2018 are summarised below:

	HKAS 18 carrying amount at 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount at 1 January 2018**
	HK$,000	*HK$,000*	*HK$,000*
Trade and other payables	163,165	(2,883)	160,282
Contract liability	–	2,883	2,883

Contract liability in relation to sales deposits received in advance from customers relating to sales of goods was previously presented as trade and other payables.

Contract liability is recognised when customers pay consideration, or are contractually required to pay consideration and the amounts are already due, before the Group recognises the related revenue.

The Group has assessed the effects of applying HKFRS 15 on the consolidated financial statements of the Group and has not identified any other material impact to the Group.

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 financial period beginning on or after 1 January 2018 and are yet to be adopted:

		Effective for financial periods beginning on or after
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRSs	Annual Improvement 2015-2017 Cycle	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 Leases

Nature of change

HKFRS 16 "Leases" was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, 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.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$3,095,000. The Group has assessed the effects of applying HKFRS 16 on the consolidated financial statements of the Group and has not identified any other material impact to the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

The 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.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risks, 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 year ended 31 December 2018.

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 2018 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**321,020**	341,538
Customer B	**136,615**	131,535

Geographical information

During the year ended 31 December 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.

Revenue from the sale of goods is recognised at point in time method.

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 2018 of HK$24,850,000 (2017: HK$24,400,000) are located in Hong Kong. Other property, plant and equipment are primarily located in the PRC.

5. REVENUE AND OTHER INCOME/(LOSS), NET

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**885,971**	788,042
Other income/(loss), net		
Commission income	**156**	141
Fair value (loss)/gain on financial asset at fair value through profit or loss	**(127)**	116
Gain/(loss) on foreign exchange	**2,438**	(4,436)
Government grants (note (i))	**1,660**	–
Loss on de-recognition of financial asset at fair value through profit or loss	**(376)**	–
Sundry income	**1,481**	1,259
	5,232	(2,920)

Note:

(i) The government grants represented subsidies received from the 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 grants.

6. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Employee benefit expenses (including Directors' emoluments)	**193,773**	152,685
Listing expenses	**–**	13,540
Auditor's remuneration		
– Audit services	**1,753**	2,150
– Non-audit services	**763**	35
Depreciation	**10,305**	9,623
Amortisation of insurance expense	**11**	12
Gain on derivative financial instruments	**–**	(144)
Obsolete inventories written off	**1,067**	1,541
Operating lease payments	**6,836**	5,181
Loss on disposal of property, plant and equipment	**49**	14
Provision for impairment loss on trade receivables	**4,601**	–
(Reversal of)/provision for impairment loss on inventories	**(652)**	623

7 FINANCE EXPENSES, NET

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Bank interest income	**979**	98
Other interest income	**160**	104
Finance income	**1,139**	202
Finance expenses		
Interest on bank borrowings		
– Wholly repayable within five years	**(6,882)**	(3,647)
Other finance expenses		
Bank charges	**(6,034)**	(5,517)
Finance lease charges	**(49)**	(91)
Finance expenses	**(12,965)**	(9,255)
Finance expenses, net	**(11,826)**	(9,053)

8. INCOME TAX EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Current income tax – Hong Kong:		
– Provision for the year	**6,977**	12,598
Current income tax – the PRC:		
– Provision for the year	**284**	4,542
Income tax expense	**7,261**	17,140

(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 group entity in Hong Kong will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. 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%. Accordingly, effective from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits for the Group's qualifying entity and at 16.5% on the estimated assessable profits above HK$2 million.

For the year ended 31 December 2017, Hong Kong profits tax was calculated at a single 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 year ended 31 December 2018 was 15% (2017: 15%).

(c) No provision for CIT in Ireland has been made as the Group has no assessable income in Ireland during the year ended 31 December 2018 (2017: nil).

(d) No provision for CIT in Germany has been made as the Group has no assessable income in Germany during the year ended 31 December 2018 (2017: nil).

9. 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 year ended 31 December 2018 and 2017.

	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**42,378**	70,008
Weighted average number of ordinary shares in issue *(thousand shares) (note (i))*	**1,000,000**	777,397
Basic earnings per share *(HK cents)*	**4.24**	9.01

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.

(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 year ended 31 December 2018 and 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.

10. DIVIDENDS

	2018 ***HK$'000***	2017 *HK$'000*
Interim dividend paid of nil (2017: HK$15,000,000 per ordinary share) *(Note (i))*	**–**	30,000
Special dividend paid of HK0.8 cent per ordinary share (2017: nil)	**8,000**	–
Proposed final dividend of HK1.8 cents per ordinary share (2017: HK2.0 cents) *(Note (ii))*	**18,000**	20,000
	26,000	50,000

Notes:

(i) During the year ended 31 December 2017, the Company had declared an interim dividend of HK$15,000,000 per ordinary share, totalling HK$30,000,000 to its then shareholders of the Company prior to the Listing in November 2017.

(ii) A final dividend in respect of the year ended 31 December 2018 of HK1.8 cents per ordinary share, amounting to a total dividend of HK$18,000,000 is to be proposed at the forthcoming AGM of the Company to be held on 30 May 2019.

11. TRADE AND OTHER RECEIVABLES

	Note	**2018** *HK$'000*	2017 *HK$'000*
Trade receivables	*(a)*	**110,751**	138,767
Less: allowance for impairment of trade receivables		**(4,601)**	–
Trade receivables – net		**106,150**	138,767
Other receivables		**184**	519
Interest receivables		**–**	59
		106,334	139,345

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. The Group has been legally transferred all of the risks and rewards of ownership of the discounted trade receivables to the financial institutions. The Group considers the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

Note:

(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 aging analysis of the trade receivables based on invoice date at end of the reporting period is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Below 30 days	**43,574**	59,633
Between 31 and 60 days	**34,902**	51,323
Over 60 days	**32,275**	27,811
	110,751	138,767

12. TRADE AND OTHER PAYABLES

	Note	**2018** *HK$'000*	2017 *HK$'000*
Trade payables	*(a)*	**108,407**	93,952
Trust receipts		**52,238**	47,491
Accruals and other payables		**20,382**	18,839
Sale deposits received		**–**	2,883
		181,027	163,165

Note:

(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 at end of the reporting period is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Below 30 days	**53,593**	47,423
Between 31 and 60 days	**39,101**	40,485
Over 60 days	**15,713**	6,044
	108,407	93,952

13. BORROWINGS

	Note	2018 HK$'000	2017 HK$'000
Profits tax loans	*(a)*	**6,615**	14,787
Term loans	*(a)*	**8,912**	3,039
Insurance premium loan	*(a)*	**6,000**	168
Revolving loan	*(a)*	**10,000**	–
Bank overdraft		**344**	–
		31,871	17,994

The Group's borrowings were repayable as follows (without taking into account the Repayable on Demand Clause as detailed in note (a) below):

	2018 HK$'000	2017 HK$'000
Within 1 year	**26,655**	17,082
Between 1 and 2 years	**811**	912
Between 2 and 5 years	**2,600**	–
Over 5 years or above	**1,805**	–
	31,871	17,994

Notes:

(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 2018 and 2017, the total borrowings pledged by certain assets and their carrying values are shown below:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**24,850**	24,400
Financial asset at fair value through profit or loss	**6,765**	2,651
Restricted bank deposits	**8,114**	8,084
	39,729	35,135

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:

	2018 HK$'000	2017 HK$'000
Within 1 year	**31,871**	17,994

14. SHARE CAPITAL

	2018		2017	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Issued and fully paid				
At beginning of the 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 the year	**1,000,000,000**	**281,507**	1,000,000,000	281,507

Notes:

(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 continues to principally engage in the manufacturing and selling of customised industrial components and products, including (i) electro-mechanical products; (ii) smart chargers; (iii) switch-mode power supplies; and a new category (iv) smart vending systems. The smart vending systems category has been developed in the European market for some years and the management has strong confidence that this product line will have substantial contributions to sales growth in the coming years.

As an original equipment manufacturer ("**OEM**"), the Group manufactures products in accordance with the design and technical specifications provided by customers. The Group's engineering team works closely with its customers, existing or prospective, to find the best production and cost effective solutions for their designed products. The Group's capabilities in various technical aspects, coupled with its outstanding manufacturing execution system ("**T-MICS**"), continues to enable its marketing teams to win more market acceptance and solid orders.

The year 2018 was no doubt a year of exceptional difficulty for electronic manufacturers, especially for those with their production bases in the PRC. In the view of the Directors, most electronic manufacturers, if not all, had to face the following difficult challenges:

1. escalating operational and production costs in the PRC;

2. fast and substantial soaring of Renminbi ("**RMB**") appreciation against Hong Kong dollars ("**HK$**") for the first to third quarters of 2018 which had further topped up the expenditure costs in the PRC;

3. prolonged shortage in certain key electronic or electrical components, for example multi-layered ceramic capacitor (the "**MLCC**") and resistors, which had pushed up the direct material costs significantly; and the shortage had further interrupted the production schedules and on-time delivery; and

4. Sino-American trade disputes began in the second quarter of 2018 has been hurdling sales to customers in the USA; certain orders originally placed to the Group's plant for production had been shifted to some other countries by the customers.

These unfavorable factors had dragged down the Group's gross profit margin for the year ended 31 December 2018 by 5.2 percentage point as compared with the preceding year. Despite these four major impacts as mentioned in the above, the Group was able to gain a 17.0% sales growth from its markets other than the USA. As expected, the principal growth in business came from the European Region. The Group believes its long-term business strategy to focus on the niche markets in Europe is correct and appropriate.

There are now two offices established in Europe, being Dublin in Ireland and Munich in Germany. There is a total of nine executives deployed in these two offices, majoring in business development, product advancement, strategic material sourcing and sales support. The Group is confident that these offices will continue to play key role in their expertise areas.

The Innovation and Development Division and Manufacturing Division, headed by the Group's Joint Managing Director, Mr. Lai Sek Piu, had strong progress in facilitating the Group's application for its Industrie 4.0 accreditation. Major assessment procedures had been completed and recognised by the German institute, Fraunhofer, in the fourth quarter of 2018. There is a good likelihood that Fraunhofer will announce the final result to the Group for its Industrie 4.0 accreditation in the near future.

During the year under review, the Group had encountered some minor changes in the senior management. As you may be aware, the former chairman and chief executive officer (the "**CEO**"), Mr. Kwan Tak Sum Stanley; as well as the former group financial controller and company secretary Mr. Fok Ka Fai, had resigned due to their retirement. The Group has always been alert in the succession building, not only the first-tiered, but always down to the second and third-tiered management. The joining of Mr. Georges René Gener as a new executive Director, the promotions of three senior managers to a director and/or corporate level, together with the all-time close cooperation of the remaining Board members, the Group believes that it is well capable to overcome challenges in the future. Its strong commitment has been focusing on "managing risks, realising opportunities".

The management has some solid business plans to promote in the coming year and will report these plans and their respective progress to the Shareholders as and when appropriate.

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 year ended 31 December 2018 ("**FY2018**") and 2017 ("**FY2017**"):

	FY2018		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Electro-mechanical products	**357,086**	**40.3**	289,394	36.7
Smart chargers	**322,012**	**36.3**	341,538	43.3
Switch-mode power supplies	**175,261**	**19.8**	147,074	18.7
Smart vending systems	**18,533**	**2.1**	2,646	0.4
Others(1)	**13,079**	**1.5**	7,390	0.9
Total	**885,971**	**100.0**	788,042	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 by 12.4% from HK$788.0 million in FY2017 to HK$886.0 million in FY2018, which was mainly driven by: (1) continued increase in customer demands on electro-mechanical products for their application to medical and healthcare products, renewable energy facilities, professional beauty and animal grooming products, and security and access control systems; and (2) maturity of new product line, 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 FY2018 and FY2017:

	FY2018		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Europe(1)	**594,854**	**67.2**	494,829	62.8
North America(2)	**210,080**	**23.7**	210,093	26.7
South-east Asia(3)	**32,855**	**3.7**	34,819	4.4
The PRC (including Hong Kong)	**30,364**	**3.4**	31,663	4.0
Others(4)	**17,818**	**2.0**	16,638	2.1
Total	**885,971**	**100.0**	788,042	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 were the two largest overseas markets of the Group which in aggregate accounted for 90.9% and 89.5% of total revenue for FY2018 and FY2017, respectively. Growth of the revenue from European markets was mainly resulted from the increase in sales of electro-mechanical products, smart chargers, and smart vending systems to these markets during FY2018. Sales from North America in FY2018, in terms of absolute amount, remained comparable to that of FY2017. Revenue from South-east Asia, however, reduced as a result of decrease in product demands and shortage of certain components to manufacture products to these regions.

Cost of sales

Included in the cost of sales were primarily direct materials, direct labour costs, and manufacturing overheads. The Group recorded an increase in cost of sales by 20.8% from HK$552.1 million in FY2017 to HK$667.2 million in FY2018. While cost of sales has moved in line with revenue, increased raw material costs as a result of continued shortage in supplies of certain components and upsurge in direct labour wages due to change in product mix have significantly impacted on the cost of sales.

Gross profit and gross profit margin

The Group's gross profit was HK$218.7 million and HK$235.9 million, representing a gross profit margin of 24.7% and 29.9% in FY2018 and FY2017, respectively. The lower gross margin reflected a combination of higher raw material costs due to the prolonged shortage in supplies of certain components coupled with increased labour costs for products that required higher labour involvement.

Other income/(loss), net

Other income/(loss), net in FY2018 and FY2017 amounted to a gain of HK$5.2 million and a loss of HK$2.9 million, respectively. Such change was largely attributable to a gain of HK$2.4 million in FY2018 as compared with a loss of HK$4.4 million on foreign exchange in FY2017, and the receipt of government grants of HK$1.7 million during FY2018 in relation to the NHTE accreditation.

Selling and distribution expenses

Selling and distribution expenses mainly comprised (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$17.2 million in FY2017 to HK$15.3 million in FY2018. 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's administrative expenses grew up by 21.0% from HK$115.3 million in FY2017 to HK$139.5 million in FY2018. Such increase was primarily attributable to the increase in employee benefit expenses as a result of (i) the rise 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, the increase in rent and rates from new offices in the strategic talent centre ("**STC**") in Guangzhou City and European offices, as well as the upsurge in legal and professional expenses for statutory compliances after the listing of the Company on the Main Board of the Stock Exchange on 23 November 2018 (the "**Listing**"). Such increase, however, was partly offset by the absence of listing expense of HK$13.5 million incurred during FY2017 as no such expenses were incurred subsequent to the Listing.

Other operating expenses, net

Other operating expenses moved upwards from HK$4.3 million in FY2017 to HK$7.7 million in FY2018 mainly due to the recognition of an allowance for impairment loss on the outstanding balance due from a trade receivable amounting to HK$4.6 million in FY2018.

Finance expenses, net

Finance expenses, net went up from HK$9.1 million in FY2017 to HK$11.8 million in FY2018 as a result of increased average borrowings during FY2018.

Income tax expense

Income tax expense decreased by 57.3% from HK$17.1 million in FY2017 to HK$7.3 million in FY2018, which was primarily due to the decline in profit during FY2018.

Profit for the year

The Group's profit for the year decreased by 39.5% from HK$70.0 million in FY2017 to HK$42.4 million in FY2018. The net profit margin also went down from 8.9% in FY2017 to 4.8% in FY2018. The reduced 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 compliance after the Listing, despite revenues were on the increase during FY2018.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2018, 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 2018 and 2017, the Group had net current assets of HK$297.6 million and HK$288.5 million, respectively, including cash and bank balances (including restricted bank deposits) of HK$202.7 million and HK$169.7 million, respectively. The cash and bank balances (including restricted bank deposits) are mainly denominated in HK$, United States dollars ("**US$**"), RMB and Euros ("**EUR**"). The Group's current ratio (as calculated by current assets divided by current liabilities) remained stable at 2.4 times as at 31 December 2018 and 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 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 31 December 2018, the gearing ratio was not applicable ("**N/A**") to the Group (2017: N/A) as the Group had sufficient working capital level from the net proceeds received from the Listing.

FINANCIAL RISK MANAGEMENT

The Group's activities are exposed 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 arise.

No gain or loss on derivative financial instruments was incurred during FY2018, whilst a gain of HK$0.1 million was recognised in FY2017, as most of the forward foreign exchange contracts had expired during FY2017.

During FY2018, 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.

During FY2018 and FY2017, all bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 31 December 2018, the Group has bank borrowings of HK$31.9 million (2017: HK$18.0 million), which are primarily denominated in HK$ 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 consolidated financial statements.

As at 31 December 2018, the customer bases are widely dispersed despite that 34.2% (2017: 37.3%) of the trade receivable were due from the Group's largest customer and 70.1% (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 for the foreseeable future.

COMMITMENTS

As at 31 December 2018, the Group had HK$2.8 million (2017: HK$0.02 million) of capital commitments in relation to the purchase of property, plant and equipment.

The Group's contract commitments include minimum lease payments under non-cancellable operating leases in respect of rented premises amounted to HK$3.1 million as at 31 December 2018 (2017: HK$2.6 million).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during FY2018. The share capital of the Company only comprises ordinary shares.

As at 31 December 2018, the Company had 1,000,000,000 shares in issue (2017: 1,000,000,000 shares).

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures during FY2018 (2017: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 13 November 2017 (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 2018 (2017: nil).

TREASURY MANAGEMENT

During FY2018, 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 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 2018, the financial asset at fair value through profit or loss amounted to HK$6.8 million (2017: HK$2.7 million), property, plant and equipment amounted to HK$24.8 million (2017: HK$24.4 million) and bank deposits amounted to HK$8.1 million (2017: HK$8.1 million) have been charged as security for bank borrowings of the Group.

As at 31 December 2018, the Group had property, plant and equipment with net book value amounted to HK$1.4 million held under finance leases (2017: HK$1.7 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,800 as at 31 December 2018 (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 FY2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$193.8 million (2017: HK$152.7 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 31 December 2018, the Group had outstanding share options granted to 16 employees (2017: 17 employees), exclusive of three executive Directors, for the subscription of 9,700,000 ordinary shares (2017: 10,000,000 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 FY2018 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 seven new customers in Europe, the PRC, and other Asian countries, some of which have placed sample orders to the Group during FY2018. Once these trial orders are crystalised, official orders will be expected in 2019. The Group will continue to put 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, such as electric vehicles, self-services and vending products, etc.
Continue to expand the operations in ATE business segment	Thanks to active sales and marketing campaigns, the Group has successfully promoted ATE products to certain existing and potential customers. The Group is now under discussion with these customers for design and specification of ATE projects.
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	The Group currently has six 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 and key components, and looking for suitable materials for existing and new projects. 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 of office in Paris, France. Even so, the management of the Company considers that such deferral will not have significant impacts towards 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. Details of the Supplemental Agreement are set out in the announcement of the Company dated 20 July 2018. Further to those disclosed in the interim report of the Company dated 24 August 2018, the construction of the first phase of new factory buildings will be further extended to second quarter of 2019 primarily due to the administrative procedures of the relevant government authorities.
Continue to recruit talents and professionals	The Group currently has nine employees working at the 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 31 December 2018.

Business strategies as set out in the Prospectus	**The Actual Net Proceeds**	**Incurred up to 31 December 2018**	**Balance as at 31 December 2018**
	HK$'million	*HK$'million*	*HK$'million*
Development of new production base	77.8	6.1	71.7
Upgrading of existing production facilities	4.5	3.2	1.3
Establishment of offices in Dublin, Ireland and Paris, France	11.3	1.4	9.9
Establishment of the STC in the Guangzhou City, Guangdong Province, the PRC	11.3	1.0	10.3
Working capital and other general corporate purposes	5.1	5.1	–
	110.0	16.8	93.2

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

FUTURE PROSPECTS

The business world has become more volatile than in the past five years – in terms of international disputes, global division of works, fast technological advancement, ever-changing customers' preferences and demands, keen competition for resources and scarcity in certain professional talent.

Our management has, nevertheless, instituted quite a number of new strategies and plans to overcome the volatility. In particular, we emphasise much more in human resources management and building, not only in Hong Kong and the PRC, but also in Europe or even other regions. Besides, our marketing division has been working with various new prospects in the "New Era" electronic products used in some evolving industries, for example, transportation, automobile, security and access control systems, electronic payment, renewable energy facilities, components for medical/healthcare equipment and devices, etc. Promising prospects are envisaged.

Another delightful progress of the Group is our inauguration of a "Happier Working Environment" culture within our operations. Anyone knows that a happier person contributes more. Our approach is simple and straightforward but the key to success is the top management's support to promote sincere participation by all the colleagues. We have already seen intact cooperation, improved sense of accountability, greater mutual understanding and the most important element – smiling faces are actually all around!

DIVIDENDS

The Board has recommended a final dividend of HK1.8 cents (2017: HK2.0 cents) per ordinary share of the Company for the year ended 31 December 2018 to the Shareholders. The proposed final dividend, subject to the approval of the Shareholders at the AGM to be held on Thursday, 30 May 2019, is expected to be paid on Wednesday, 19 June 2019 to all Shareholders whose names appear on the register of members of the Company on Monday, 10 June 2019.

A special dividend of HK0.8 cent per ordinary share totaling HK$8,000,000 were paid to the Shareholders during FY2018 to celebrate the 35th Anniversary of the Group.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 30 May 2019, the register of members of the Company will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019, 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, 23 May 2019.

In order to ascertain the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 6 June 2019 to Monday, 10 June 2019, 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, 5 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2018.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events affecting the Group after FY2018 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 ensuring a quality board and transparency and accountability to the Shareholders.

The Company complied with all code provisions in the CG Code during the year ended 31 December 2018 except for paragraph A.2.1 of the CG Code, which provides that the roles of chairman and CEO should be separate and should not be performed by the same individual. Mr. Kwan Tak Sum Stanley ("**Mr. Kwan**") was the Chairman and CEO of the Company up to 25 May 2018. Mr. Kwan had taken a leave of absence since October 2017 and his roles as Chairman and CEO had taken up by Mr. Lai Yiu Wah ("**Mr. Lai**") and Mr. Tai Leung Lam ("**Mr. Tai**"), respectively. In substance, the Company had therefore, complied with paragraph A.2.1 of the CG Code. Further to the retirement of Mr. Kwan at the AGM held on 25 May 2018, Mr. Lai and Mr. Tai were appointed as the Chairman and CEO respectively on the same day. Thereafter, the Company has complied with all code provisions in 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 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 year ended 31 December 2018 and 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 Group for the year ended 31 December 2018. 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 2018 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.

On behalf of the Board
Trio Industrial Electronics Group Limited
Lai Yiu Wah
Chairman and Executive Director

Hong Kong, 22 March 2019

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