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 2019

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 2019, together with comparative figures for the corresponding period of 2018 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2019 decreased by 0.2% to HK$401.4 million as compared with the corresponding period of 2018.
- Gross profit for the six months ended 30 June 2019 decreased by 1.7% to HK$96.6 million and gross profit margin reduced by 0.3 percentage points to 24.1% as compared with the corresponding period of 2018.
- Profit before income tax for the six months ended 30 June 2019 increased by 21.8% to HK$17.9 million as compared with the corresponding period of 2018.
- Profit attributable to owners of the Company for the six months ended 30 June 2019 was HK$14.7 million, representing an increase of 41.2% as compared with the corresponding period of 2018.
- The Board has resolved to declare an interim dividend of HK0.8 cent per ordinary share for the six months ended 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**401,437**	402,200
Cost of sales	*5*	**(304,792)**	(303,892)
Gross profit		**96,645**	98,308
Other income, net	*4*	**3,452**	2,925
Selling and distribution expenses	*5*	**(7,035)**	(7,093)
Administrative expenses	*5*	**(68,222)**	(71,891)
Other operating expenses, net	*5*	**(705)**	(2,280)
Profit from operations		**24,135**	19,969
Finance expenses, net	*6*	**(6,246)**	(5,276)
Profit before income tax		**17,889**	14,693
Income tax expense	*7*	**(3,185)**	(4,278)
Profit for the period		**14,704**	10,415
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**(13)**	(82)
Other comprehensive expense for the period, net of tax		**(13)**	(82)
Total comprehensive income for the period		**14,691**	10,333
Earnings per share			
—Basic and diluted (HK cents)	*8*	**1.47**	1.04

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**50,447**	49,614
Right-of-use assets		**24,092**	–
Financial asset at fair value through profit or loss		**6,848**	6,765
Prepayment		**1,648**	1,663
		83,035	58,042
Current assets			
Inventories		**175,543**	189,814
Trade and other receivables	*10*	**133,303**	106,334
Prepayments and deposits		**22,554**	16,689
Restricted bank deposits		**8,131**	8,114
Bank and cash balances		**116,574**	194,580
		456,105	515,531
Current liabilities			
Trade and other payables	*11*	**118,393**	181,027
Contract liability		**3,886**	3,004
Borrowings	*12*	**34,931**	31,871
Lease liabilities – current		**6,353**	–
Finance lease payables		**362**	866
Derivative financial instruments		**1,363**	–
Current income tax liabilities		**1,501**	1,175
		166,789	217,943
Net current assets		**289,316**	297,588
Total assets less current liabilities		**372,351**	355,630
Non-current liabilities			
Lease liabilities – non-current		**17,875**	–
Deferred tax liabilities		**4,050**	3,735
		21,925	3,735
Net assets		**350,426**	351,895
Equity			
Share capital	*13*	**281,507**	281,507
Reserves		**68,919**	70,388
Total equity		**350,426**	351,895

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 unaudited condensed consolidated interim financial information for the period ended 30 June 2019 ("**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 2018 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 2018 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 2018.

New and amended standards effective in 2019 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 1 January 2019 and relevant to the Group.

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRSs	Annual Improvement 2015-2017 Cycle
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The above new standards, amendments, improvements and interpretation effective for the financial period beginning on 1 January 2019 do not have a material impact on the Group, except for HKFRS 16 "Leases" as disclosed below.

HKFRS 16 "Leases" – Impact of adoption

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. These classifications and the adjustments arising from the new leasing rules are therefore recognised in the condensed consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.63%.

	As at 1 January 2019 *HK$'000* (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	3,095
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,920)
Add: adjustments as a result of different treatment of extension and termination options	25,228
Less: short-term leases recognised on a straight-line basis as expense	(210)
Lease liabilities recognised as at 1 January 2019	25,193
Of which are:	
Current lease liabilities	5,518
Non-current lease liabilities	19,675
	25,193

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019	As at 1 January 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Properties	**24,092**	25,193
Total right-of-use assets	**24,092**	25,193

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on 1 January 2019:

	Carrying amounts previously reported at 31 December 2018	**Impacts of adopting HKFRS 16**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)		(Unaudited)
Right-of-use assets	–	25,193	25,193
Lease liabilities	–	(25,193)	(25,193)

New and amended standards effective after 2019 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 1 January 2019 and are yet to be adopted:

		Effective for financial periods beginning on or after
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 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2019 and 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 that each contributes over 10% of total revenue of the Group for any of the period ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**141,979**	126,420
Customer B	**66,847**	59,709

Geographical information

During the period ended 30 June 2019, the majority of revenue was derived from customers in Europe (mainly Switzerland, the United Kingdom (the "**UK**"), Ireland, Denmark and Sweden), while the remaining revenue was from customers in the United States of America (the "**US**"), Singapore, the PRC, 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 2019 of HK$24,332,000 (31 December 2018: HK$24,850,000) are located in Hong Kong. Other property, plant and equipment are primarily located in the PRC.

4 REVENUE AND OTHER INCOME, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**401,437**	402,200
Other income, net		
Commission income	**43**	45
Fair value gain on financial asset at fair value through profit or loss	**83**	44
(Loss)/gain on foreign exchange	**(363)**	733
Government grants	**1,597**	1,322
Scrap material income	**1,593**	–
Sundry income	**499**	781
	3,452	2,925

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**95,572**	94,359
Auditors' remuneration	**1,294**	1,614
Depreciation for property, plant and equipment	**5,463**	5,093
Depreciation for right-of-use assets	**3,092**	–
Amortisation for insurance expense	**15**	6
Loss on derivative financial instruments	**976**	–
Obsolete inventories written off	**839**	395
Operating lease payments	**196**	3,342
Gains on disposal of property, plant and equipment	**(261)**	–
Provision for impairment loss on inventories	**918**	484
Reversal of provision for impairment loss on trade receivables	**(2,351)**	–

6 FINANCE EXPENSES, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**570**	328
Other interest income	**43**	77
Finance income	**613**	405
Finance expenses		
Interest on bank borrowings		
– wholly repayable within five years	**(3,388)**	(2,971)
Interest on lease liabilities	**(468)**	–
Other finance expenses		
Bank charges	**(2,992)**	(2,681)
Finance lease charges	**(11)**	(29)
Finance expenses	**(6,859)**	(5,681)
Finance expenses, net	**(6,246)**	(5,276)

7 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong	**1,743**	4,278
– The PRC	**1,188**	–
– Other jurisdictions	**75**	–
	3,006	4,278
Overprovision in prior years	**(193)**	–
	2,813	4,278
Deferred tax	**372**	–
Income tax expense	**3,185**	4,278

Notes:

(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 2019, Hong Kong profits tax of the qualified entity 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 2019 and 30 June 2018, 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 New and High Technology Enterprise ("**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 2019 was 15% (six months ended 30 June 2018: 15%).

(c) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 period ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**14,704**	10,415
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,000,000**	1,000,000
Basic earnings per share *(HK cents)*	**1.47**	1.04

(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 2019 and 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.

9 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period		
Final dividend for 2018 paid of HK1.8 cents (2018: final dividend for 2017 paid of HK2.0 cents) per ordinary share	**18,000**	20,000
Dividend declared after the end of the interim reporting period		
Interim dividend of HK0.8 cent (2018: nil) per ordinary share	**8,000**	–
Special dividend of nil (2018: HK0.8 cent) per ordinary share	**–**	8,000
	8,000	8,000

Since the interim dividend of HK0.8 cent per ordinary share is declared after the reporting period, such dividend has not been recognised as liability as at 30 June 2019.

10 TRADE AND OTHER RECEIVABLES

	Note	**As at 30 June 2019**	As at 31 December 2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Trade receivables	*(a)*	**135,176**	110,751
Less: allowance for impairment of trade receivables		**(2,250)**	(4,601)
Trade receivables – net		**132,926**	106,150
Other receivables		**377**	184
		133,303	106,334

Note:

(a) Trade receivables were arising from trading of electronic products. The payment terms of trade receivables granted to third party customers range from full payment before shipment to 75 days from end of month. As at 30 June 2019 and 31 December 2018, the aging analysis based on invoice date of the trade receivables is as follows:

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Below 30 days	**57,909**	43,574
Between 31 and 60 days	**29,021**	34,902
Over 60 days	**48,246**	32,275
	135,176	110,751

11 TRADE AND OTHER PAYABLES

	Note	**As at 30 June 2019** ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Trade payables	*(a)*	**69,516**	108,407
Trust receipts		**31,850**	52,238
Accruals and other payables		**17,027**	20,382
		118,393	181,027

Note:

(a) The credit terms of trade payables granted by the vendors generally range from full payment before shipment to net 180 days. As at 30 June 2019 and 31 December 2018, the aging analysis of trade payables based on invoice date is as follows:

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Below 30 days	**34,026**	53,593
Between 31 and 60 days	**29,776**	39,101
Over 60 days	**5,714**	15,713
	69,516	108,407

12 BORROWINGS

	Note	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Profits tax loans	*(a)*	**3,115**	6,615
Term loans	*(a)*	**24,442**	8,912
Insurance premium loan	*(a)*	**5,598**	6,000
Revolving loan	*(a)*	**–**	10,000
Bank overdrafts		**1,776**	344
		34,931	31,871

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

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Within 1 year	**25,252**	26,655
Between 1 and 2 years	**2,309**	811
Between 2 and 5 years	**6,186**	2,600
Over 5 years or above	**1,184**	1,805
	34,931	31,871

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 30 June 2019 and 31 December 2018, the total borrowings pledged by certain assets and their carrying values are shown below:

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Property, plant and equipment	**24,332**	24,850
Financial asset at fair value through profit or loss	**6,848**	6,765
Restricted bank deposits	**8,131**	8,114
	39,311	39,729

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

	As at 30 June 2019 ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Within 1 year	**34,931**	31,871

13 SHARE CAPITAL

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Number of shares	**Amount** ***HK$'000***	Number of shares	Amount *HK$'000*
Issued and fully paid				
At beginning and the end of period/year	**1,000,000,000**	**281,507**	1,000,000,000	281,507

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the prolonged global geopolitical and economic uncertainties, the Group is able to establish itself to deliver steady operating results for the period under review. While there was a slight decline in revenue, profit for the six months ended 30 June 2019 was HK$14.7 million, representing an increase of 41.2% as compared to HK$10.4 million for the same period of 2018. The favourable performance reflected a combination of reduced material prices due to the stabilised supplies of certain components and decrease in operating costs as a result of the depreciation of Renminbi ("**RMB**").

Trade negotiations between the People's Republic of China (the "**PRC**") and the United States of America (the "**US**") are yet to resolve, which had dampened the Group's sales in these regions. Uncertainties about the Brexit process in the United Kingdom (the "**UK**") resulted in market volatility and warranted caution in European markets. Customers in Europe stayed prudent and deferred certain product launch. Projects on board were behind the schedule, including smart vending systems, smart chargers for the application of new energy vehicles and a new series of electro-mechanical products.

In the face of gloomy market outlook, the management of the Company has implemented more prudent measures to tackle with the uncertainties, which include to:

1. optimise working capital;

2. maintain healthy liquidity position;

3. promote the application of high technology and encourage innovation;

4. nurture various talents and encourage continuing education; and

5. strengthen communication and enhance business cooperation with customers, suppliers and bankers.

Notwithstanding various unfavourable conditions, business opportunities still arise in the "New Era" industry. The Group believes that investments in innovation and talents are essential to sustain business growth and create long-term value for its shareholders. The Group will continue to adopt prudent but proactive approach to pursue high-quality investment opportunities and enhance recurrent income bases through expansion of overseas business portfolio, product and geographical diversifications. The Board remains cautiously optimistic about the future prospects of the Group.

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 2019 and 2018, respectively:

	Six months ended 30 June			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Electro-mechanical products	**164,298**	**40.9**	175,193	43.5
Smart chargers	**142,090**	**35.4**	127,306	31.6
Switch-mode power supplies	**89,613**	**22.3**	75,147	18.7
Smart vending systems	**61**	**–**	18,289	4.6
Others[1]	**5,375**	**1.4**	6,265	1.6
Total	**401,437**	**100.0**	402,200	100.0

Note:

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

The Group achieved a revenue of HK$401.4 million for the first half of 2019, representing a decrease of 0.2% as compared with HK$402.2 million for the same period of 2018. The slowdown mainly resulted from: (1) decline in sales orders from the US and the PRC as a result of unfavourable trading conditions along with the Sino-US trade tensions; (2) delay in product launch from some customers in electro-mechanical product category; and (3) certain projects in smart vending systems, smart chargers, and electro-mechanical products still pending to materialise. The slowdown in revenue, however, was partially offset by sales growth in the European markets.

The table below summarises the geographical revenue segment based on location of customers for six months ended 30 June 2019 and 2018, respectively:

	Six months ended 30 June			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Europe[(1)]	**299,661**	**74.6**	275,717	68.6
North America[(2)]	**69,671**	**17.4**	91,153	22.7
The PRC (including Hong Kong)	**9,638**	**2.4**	14,686	3.6
South-east Asia[(3)]	**14,675**	**3.7**	14,571	3.6
Others[(4)]	**7,792**	**1.9**	6,073	1.5
Total	**401,437**	**100.0**	402,200	100.0

Notes:

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

(2) North America includes the US.

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

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

Europe and North America were the two largest overseas markets of the Group which in aggregate accounted for 92.0% and 91.3% of total revenue for the six months ended 30 June 2019 and 2018, respectively. Growth of revenue in Europe mainly resulted from the increase in sales of smart chargers and switch-mode power supplies to these markets during the first half of 2019. Sales from North America, however, recorded a reduction of 23.6% as compared the corresponding period of 2018 due to weak business sentiment as a result of recent global political and economic uncertainties.

Cost of sales

Included in the Group's cost of sales were mainly direct materials, direct labour costs, and manufacturing overheads. While revenue reduced by 0.2%, there was an increase in cost of sales by 0.3% from HK$303.9 million for the first half of 2018 to HK$304.8 million for the same period of 2019. The increase was largely attributable to an upsurge in direct labour costs as a result of increase in number of staff members and annual salary increment as well as a rise in depreciation expenses on plant and machinery in the first half of 2019, which offset reduced material prices following the alleviation of shortage in supplies of certain components, coupled with the depreciation of major currencies, such as RMB, Euros ("**EUR**"), and Great Britain pounds.

Gross profit and gross profit margin

The Group's gross profit was HK$96.6 million and HK$98.3 million, representing a gross profit margin of 24.1% and 24.4% for the six months ended 30 June 2019 and 2018, respectively. The reduced gross profit was mainly driven by escalated labour costs and depreciation expenses on plant and machinery in the first half of 2019.

Other income, net

Other income, net increased by 18.0% from HK$2.9 million for the six months ended 30 June 2018 to HK$3.5 million for the same period of 2019. Such increase primarily resulted from the receipt of scrap material income, government grants in relation to NHTE accreditation and other subsidies in the PRC for the six months ended 30 June 2019.

Selling and distribution expenses

Selling and distribution expenses mainly represented freight, insurance and transportation charges, marketing and promotion expenses, and custom duties and declaration charges. The amount of HK$7.0 million for the six months ended 30 June 2019 remained stable compared with that of the same period of 2018, the major changes were primarily driven by the increase in custom duties and declaration charges arising from export sales to the US and reduction in commission expenses following the decrease in sales.

Administrative expenses

Administrative expenses went down by 5.1% from HK$71.9 million for the first half of 2018 to HK$68.2 million for the same period of 2019. Such decrease was primarily attributable to the decrease in operating expenses derived from the depreciation of RMB against other currencies and lower local tax expenses and levies in the PRC, which partially offset the rise in consultancy fees in relation to Industry 4.0 certification and increased rent and rates on temporary warehouse facilities due to the development of new production base.

Other operating expenses, net

Other operating expenses, net dropped by 69.1% from HK$2.3 million for the six months ended 30 June 2018 to HK$0.7 million for the same period of 2019. The decrease mainly resulted from the reversal of provision for impairment loss on outstanding balance due from a trade receivable amounting to HK$2.4 million which cancelled out the loss on derivative financial instruments of HK$1.0 million for the reporting period.

Finance expenses, net

Finance expenses, net went up by 18.4% from HK$5.3 million for the six months ended 30 June 2018 to HK$6.2 million for the same period of 2019. The increase was mainly due to the increased level of borrowings by the Group and the recognition of interest expenses on lease liabilities during the six months ended 30 June 2019.

Income tax expense

Income tax expense decreased by 25.5% from HK$4.3 million for the six months ended 30 June 2018 to HK$3.2 million for the same period of 2019, which was primarily due to the decline in profit from some group companies and write back of overprovision of income tax in prior years during the reporting period.

Profit for the period

The Group's profit for the six months ended 30 June 2019 amounted to HK$14.7 million, representing an increase of 41.2% as compared to HK$10.4 million for the same period of 2018. The net profit margin also improved from 2.6% for the six months ended 30 June 2018 to 3.7% for the same period of 2019. The increased profit reflected the impacts of reduced operating expenses because of favourable volatility of foreign currencies, lower material prices arising from the improvement of shortage in supplies of certain components coupled with the receipt of government grants and subsidies in the PRC, despite revenue was flat during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2019, 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 of the Company on the Main Board of the Stock Exchange on 23 November 2017 (the "**Listing**") and bank borrowings. As at 30 June 2019 and 31 December 2018, the Group had net current assets of HK$289.3 million and HK$297.6 million, respectively, including cash and bank balances (including restricted bank deposits) of HK$124.7 million and HK$202.7 million, respectively. Cash and bank balances (including restricted bank deposits) are mainly denominated in HK$, United States Dollars ("**US$**"), RMB and EUR. The Group's current ratio (as calculated by current assets divided by current liabilities) remained stable at 2.7 times as at 30 June 2019 and 2.4 times as at 31 December 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 2019, the gearing ratio was not applicable ("**N/A**") to the Group (31 December 2018: 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.

During the six months ended 30 June 2019, the Group had entered into certain forward foreign exchange contracts with a bank and a loss on derivative financial instruments of HK$1.0 million (six months ended 30 June 2018: nil) was recognised at the interim condensed consolidated statement of comprehensive income.

As at 30 June 2019, the notional principal amounts of the outstanding forward foreign exchange contracts were approximately HK$70.3 million (31 December 2018: nil).

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 2019 and 2018, all bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 30 June 2019, the Group had bank borrowings of HK$34.9 million (31 December 2018: HK$31.9 million), which were primarily denominated in HK$ and US$.

Credit risk

The Group's credit risk are primarily attributable to financial instruments, financial assets at fair value through profits or loss, trade receivables, deposits and other receivables, time deposits and cash deposited at banks.

In respect of time deposits and 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 30 June 2019, the customer bases are widely dispersed despite that 36.8% (31 December 2018: 34.2%) of the trade receivable were due from the Group's largest customer and 75.9% (31 December 2018: 70.1%) were due from the five largest customers determined on the same basis.

The Group is also exposed to credit risk in relation to financial asset that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. Such forecast 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

As at 30 June 2019, the Group had HK$1.6 million (31 December 2018: HK$2.8 million) of capital commitments in relation to the purchase of property, plant and equipment.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the six months ended 30 June 2019. The share capital of the Company only comprises ordinary shares.

As at 30 June 2019, the Company had 1,000,000,000 shares in issue (31 December 2018: 1,000,000,000 shares).

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not hold any significant investments (31 December 2018: 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 2019 (six months ended 30 June 2018: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus 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 30 June 2019 (31 December 2018: nil).

TREASURY MANAGEMENT

During the six months ended 30 June 2019, 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 trades 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 2019, the financial asset at fair value through profit or loss amounted to HK$6.8 million (31 December 2018: HK$6.8 million), property, plant and equipment amounted to HK$24.3 million (31 December 2018: HK$24.8 million) and bank deposits amounted to HK$8.1 million (31 December 2018: HK$8.1 million) have been pledged as security for the bank borrowings of the Group.

As at 30 June 2019, the Group has property, plant and equipment with net book value amounted to HK$0.97 million held under finance leases (31 December 2018: HK$1.4 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,800 as at 30 June 2019 (31 December 2018: approximately 1,800). 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 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$95.6 million (six months ended 30 June 2018: HK$94.4 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 2019, the Group granted share options to 15 employees (31 December 2018: 16 employees), exclusive of three executive Directors, for the subscription of 9,100,000 ordinary shares (31 December 2018: 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 2019 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 US and other Asian countries	The Group has successfully attracted five new customers in Europe, the PRC, and the US, some of which have placed first sales order during the six months ended 30 June 2019. The Group will continue to put more resources on sales and marketing and focus on approaching potential customers with high value and/or high profit contribution products, like smart vending systems and smart chargers.
Manufacture products of higher value and/or with higher profit contribution per the resources	Following the establishment of offices in Dublin, Ireland and Munich, Germany, the Group continues to deepen its presence across Europe, including but not limited to: (i) set up new websites for sales and marketing; (ii) participate in exhibitions and promotional campaigns to solicit businesses to industry players in Europe; (iii) pay regular visits to existing customers to maintain better business relationship; and (iv) collaborate with existing and potential customers, design houses, and other industry participants to develop innovations and technologies in new industries. It is expected to crystallise certain new product lines with higher value and/or higher profit contribution per the resources in the near future.
Continue to expand the operations in ATE business segment	The ongoing Sino-US trade disputes and the PRC's slower economic growth created uncertainties, affecting the business sentiment and curtailing customers' demands for ATEs. Some companies, if not all, have become more cost-conscious and have held off their capital investment. Even so, the Group strives to enhance the product values through product designs, system upgrades, continuous improvement, etc. to maintain competitive edge in the industry.

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	A new independent consultant with expertise in smart vending systems joined the European team in the first half of 2019, who strengthens the sales, marketing and technical supports of the Group. The establishment of offices in Europe allows the Group to gain closer access to target customers and suppliers. The European team, including six staff members and four independent consultants, currently partner with the existing marketing teams of the Group to take part in business development activities and explore new business opportunities. They are in the process of setting up new websites to increase its product publicity and company image. To stabilise business operations in Ireland and Germany, the Group defers the establishment of an office in Paris, France. Even so, the management of the Company considers that such deferral will not have significant impact on the Group's development.
Further enhance the production efficiency and expand the production capacity	The 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, completed the administrative procedures of relevant government authorities in the first quarter of 2019. Part of the existing warehouses at the Group's Nansha plant were dismantled in order to reserve lands to commence construction works for the expansion of new production base. Construction works have been commenced in the second quarter of 2019 and are expected to complete by the second quarter of 2020, which would offer two 6-storey factory buildings to the Group. To minimise the disruption of daily operations, the Group implements several measures during the transitional period, including additional manpower resources, lease of new warehouse facilities, re-structuring the usage of existing production floor areas, re-arrangement of supply chains, etc. By the time the new factory buildings commence operations, they would provide the Group with more capacities to cater for large volume of production in more efficient and effective ways.
Continue to recruit talents and professionals	The Group currently has ten employees working at the strategic talent centre ("**STC**") in Guangzhou City, Guangdong Province, the PRC 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 2019:

Business strategies as set out in the Prospectus	**The Actual Net Proceeds**	**Incurred up to 30 June 2019**	**Balance as at 30 June 2019**
	HK$' million	*HK$' million*	*HK$' million*
Development of new production base	77.8	20.5	57.3
Upgrading of existing production facilities	4.5	3.8	0.7
Establishment of offices in Dublin, Ireland and Paris, France	11.3	2.4	8.9
Establishment of the STC in Guangzhou City, Guangdong Province, the PRC	11.3	2.1	9.2
Working capital and other general corporate purposes	5.1	5.1	–
	110.0	33.9	76.1

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

FUTURE PROSPECTS

The macroeconomic and political environment remains challenging for the rest of 2019. Currency and commodity price volatility is expected to continue. Over the past few years, the Group has demonstrated a track record as a strong player in power electronics industry. The Group will focus on improving productivity and cost efficiency, and will continue to look for expansion opportunities that will enhance its global footprint. The development of the new production base alongside with the existing production plant has kicked off during the second quarter of 2019. Extra costs are expected to incur during the transitional period, like additional manpower resources, warehouses and related facilities, re-arrangement of supply chains, etc. By the time the new production base, which incorporates the concept of smart factory and digitalisation, commences operation in the coming year, the production efficiency will be enhanced and it will provide the Group with more capacities to cater for large volume production on high value and heavy duty product series.

The STC in Guangzhou City, Guangdong Province, the PRC and the Group's European offices had completed their respective establishment stage. There is a learning curve for the European team to integrate with the Group's business operations and culture, but the Board believes that the new teams will bring positive momentum to the Group's technological innovation and business development in the long run.

"In prosperity caution, in adversity patience" will continue to be a motto of the Group. The Group is cautiously optimistic about its future and will take a proactive approach to strengthen the existing operational foundations and business portfolio and seeks suitable high-quality investment opportunities in the pursuit of predictable and stable returns over the long term.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK0.8 cent per ordinary share for the six month ended 30 June 2019 (six months ended 30 June 2018: nil). The said interim dividend will be payable on or around 16 October 2019.

On 24 August 2018, the Board declared a special dividend of HK0.8 cent per ordinary share to celebrate its 35th Anniversary of the Group.

On 30 May 2019, a final dividend of HK1.8 cents per ordinary share for the year ended 31 December 2018, absorbing an amount of HK$18 million was approved by the shareholders of the Company (the "**Shareholders**"), and was paid on 19 June 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 25 September 2019 to Friday, 27 September 2019, both days inclusive. In order to qualify for the interim 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 September 2019.

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 2019.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no other significant events affecting the Group after the six months ended 30 June 2019 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 2019.

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 2019.

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.

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

Hong Kong, 26 August 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.