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 2020

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 2020, together with comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2020 decreased by 29.8% to HK$281.9 million as compared with the corresponding period in 2019.
- Gross profit for the six months ended 30 June 2020 decreased by 30.5% to HK$67.2 million and gross profit margin reduced by 0.3 percentage points to 23.8% as compared with the corresponding period in 2019.
- Loss before income tax for the six months ended 30 June 2020 was HK$1.9 million as compared to a profit before income tax of HK$17.9 million recorded for the corresponding period in 2019.
- Loss attributable to owners of the Company for the six months ended 30 June 2020 was HK$2.4 million, as opposed to a profit attributable to owners of the Company of HK$14.7 million for the corresponding period in 2019.
- The Board has resolved to declare an interim dividend of HK0.8 cent per ordinary share for the six months ended 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	*4*	**281,872**	401,437
Cost of sales	*5*	**(214,715)**	(304,792)
Gross profit		**67,157**	96,645
Other income, net	*4*	**1,095**	3,452
Selling and distribution expenses	*5*	**(5,431)**	(7,035)
Administrative expenses	*5*	**(59,062)**	(68,222)
Other operating expenses, net	*5*	**(2,913)**	(705)
Profit from operations		**846**	24,135
Finance expenses, net	*6*	**(2,697)**	(6,246)
(Loss)/profit before income tax		**(1,851)**	17,889
Income tax expense	*7*	**(516)**	(3,185)
(Loss)/profit for the period		**(2,367)**	14,704
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**147**	(13)
Other comprehensive income/(expense) for the period, net of tax		**147**	(13)
Total comprehensive (loss)/income for the period		**(2,220)**	14,691
(Loss)/earnings per share			
—Basic and diluted (HK cents)	*8*	**(0.24)**	1.47

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2020** ***HK$'000*** **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**55,341**	58,375
Right-of-use assets		**22,908**	21,657
Financial assets at fair value through profit or loss		**8,678**	8,621
Prepayment		**1,880**	1,897
Deferred tax assets		**–**	214
		88,807	90,764
Current assets			
Inventories		**148,631**	145,095
Trade and other receivables	*10*	**116,859**	156,635
Prepayments and deposits		**23,261**	18,876
Restricted bank deposits		**6,198**	6,186
Bank and cash balances		**136,215**	97,679
		431,164	424,471
Current liabilities			
Trade and other payables	*11*	**133,541**	118,507
Contract liabilities		**4,134**	2,964
Borrowings	*12*	**10,134**	11,852
Lease liabilities – current		**6,900**	6,597
Finance lease payables		**–**	43
Current income tax liabilities		**549**	2,191
		155,258	142,154
Net current assets		**275,906**	282,317
Total assets less current liabilities		**364,713**	373,081
Non-current liabilities			
Lease liabilities – non-current		**18,091**	16,492
Deferred tax liabilities		**4,099**	4,098
		22,190	20,590
Net assets		**342,523**	352,491
Equity			
Share capital	*13*	**281,507**	281,507
Reserves		**61,016**	70,984
Total equity		**342,523**	352,491

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**"). 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 2020 ("**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 2019 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 2019 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 2019.

New and amended standards effective in 2020 which are relevant to the Group's operations

The Group has adopted the following new standards and amendments to standards which are effective for the financial year beginning on or after 1 January 2020 and relevant to the Group.

HKFRS 3 (Amendment)	Definition of a Business
HKAS 1 and HKAS 8 (Amendment)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting

The above new standards, amendments, improvements and interpretation effective for the financial period beginning on or after 1 January 2020 do not have a material impact on the Group, except for those disclosed below.

HKAS 1 and HKAS 8 (Amendment) "Definition of Material" – Impact of adoption

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

HKFRS 16 (Amendment) "COVID-19-Related Rent Concessions" - Impact of adoption

The Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19-Related Rent Concessions on 1 January 2020. These amendments provide lessees with practical relief during the COVID-19 pandemic and are effective for annual reporting periods beginning on or after 1 June 2020. The impact on this adoption is immaterial to the Group.

3 SEGMENT INFORMATION

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

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

The Group provides manufacturing and sales of electronic products, which are carried out internationally, through the production complexes located in the People's Republic of China (the "**PRC**") during the period ended 30 June 2020 and 2019.

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 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**75,715**	141,979
Customer B	**51,958**	66,847
Customer C	**29,755**	N/A
Customer D	**29,541**	N/A

Geographical information

During the period ended 30 June 2020, the majority of revenue was derived from customers in Europe (mainly Switzerland, the United Kingdom (the "**UK**"), Ireland, Denmark and Germany), while the remaining revenue was from customers in the United States of America (the "**US**"), Singapore, Malaysia, and the PRC.

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 2020 of HK$24,065,000 (31 December 2019: HK$24,600,000) 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**281,872**	401,437
Other income, net		
Commission income	**19**	43
Fair value gain on financial assets at fair value through profit or loss	**57**	83
Gain/(loss) on foreign exchange	**123**	(363)
Government grants	**235**	1,597
Scrap material sales income	**196**	1,593
Sundry income	**465**	499
	1,095	3,452

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' emoluments)	**72,457**	95,572
Auditors' remuneration	**1,355**	1,294
Depreciation for property, plant and equipment	**5,952**	5,463
Depreciation for right-of-use assets	**4,205**	3,092
Amortisation for insurance expense	**17**	15
Loss on derivative financial instruments	**–**	976
Obsolete inventories written off	**294**	839
Operating lease payments	**104**	196
Loss/(gain) on disposal of property, plant and equipment	**26**	(261)
Provision for impairment loss on inventories	**2,576**	918
Reversal of provision for impairment loss on trade receivables	**–**	(2,351)

6 FINANCE EXPENSES, NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**788**	570
Other interest income	**–**	43
Finance income	**788**	613
Finance expenses		
Interest on bank borrowings		
– wholly repayable within five years	**(995)**	(3,388)
Interest on lease liabilities	**(433)**	(468)
Other finance expenses		
Bank charges	**(2,057)**	(2,992)
Finance lease charges	**–**	(11)
Finance expenses	**(3,485)**	(6,859)
Finance expenses, net	**(2,697)**	(6,246)

7 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong	**155**	1,743
– The PRC	**59**	1,188
– Other jurisdictions	**30**	75
	244	3,006
Overprovision in prior years	**–**	(193)
	244	2,813
Deferred income tax	**272**	372
Income tax expense	**516**	3,185

Notes:

(a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced 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%. 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%.

(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.

CIT of the Group's subsidiaries in the PRC is calculated at 25% based on the assessable profits for the six months ended 30 June 2020.

One of the PRC subsidiaries of the Group was recognised as "New and High Technology Enterprises" and enjoyed 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%. Other than the above, the CIT of the Group's subsidiaries in the PRC was calculated at the rate of 25% for the six months ended 30 June 2019.

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

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share is calculated on the (loss)/profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during period ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(2,367)**	14,704
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,000,000**	1,000,000
Basic (loss)/earnings per share *(HK cents)*	**(0.24)**	1.47

(b) Diluted (loss)/earnings per share

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

Diluted loss per share is the same as basic loss per share due to the absence of dilutive potential ordinary shares for the six months ended 30 June 2020.

For the six months ended 30 June 2019, diluted earnings per share presented is the 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period		
Final dividend for 2019 paid of HK0.8 cent (2019: final dividend for 2018 paid of HK1.8 cents) per ordinary share	**8,000**	18,000
Dividend declared after the end of the interim reporting period		
Interim dividend of HK0.8 cent (2019: HK0.8 cent) per ordinary share	**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 2020.

10 TRADE AND OTHER RECEIVABLES

	Note	**As at 30 June 2020**	As at 31 December 2019
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Trade receivables	*(a)*	**117,270**	157,175
Less: allowance for impairment of trade receivables		**(1,329)**	(1,329)
Trade receivables – net		**115,941**	155,846
Other receivables		**918**	789
		116,859	156,635

Under the factoring arrangement with banks, the Group has transferred certain trade receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. The Group has legally transferred all of the risks and rewards of ownership of the discounted trade receivables to the financial institutions. The carrying amounts of the trade receivables exclude receivables which are subject to a factoring arrangement.

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 2020 and 31 December 2019, the aging analysis based on invoice date of the trade receivables is as follows:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Below 30 days	**60,876**	85,083
Between 31 and 60 days	**24,511**	37,249
Over 60 days	**31,883**	34,843
	117,270	157,175

11 TRADE AND OTHER PAYABLES

	Note	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Trade payables	(a)	**86,882**	78,640
Trust receipts		**20,939**	25,224
Accruals and other payables		**17,720**	14,643
Final dividend payable		**8,000**	–
		133,541	118,507

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 2020 and 31 December 2019, the aging analysis of trade payables based on invoice date is as follows:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Below 30 days	**38,196**	40,086
Between 31 and 60 days	**24,566**	26,975
Over 60 days	**24,120**	11,579
	86,882	78,640

12 BORROWINGS

	Note	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Term loans	(a)	**5,158**	5,822
Insurance premium loan	(a)	**4,736**	5,189
Bank overdrafts		**240**	841
		10,134	11,852

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 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Within 1 year	**2,537**	2,969
Between 1 and 2 years	**2,349**	2,221
Between 2 and 5 years	**5,174**	5,790
Over 5 years or above	**74**	872
	10,134	11,852

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 2020 and 31 December 2019, the total borrowings pledged by certain assets and their carrying values are shown below:

	As at 30 June 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Property, plant and equipment	**24,065**	24,600
Financial assets at fair value through profit or loss	**8,678**	8,621
Restricted bank deposits	**6,198**	6,186
	38,941	39,407

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 2020 *HK$'000* **(Unaudited)**	As at 31 December 2019 *HK$'000* (Audited)
Variable rates	**10,134**	11,852

13 SHARE CAPITAL

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (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

The coronavirus ("**COVID-19**") pandemic is bringing unprecedented challenges to companies across the globe. Most of the industries, if not all, are hardly immune from the challenges brought by COVID-19, and industrial electronics industry is no exception. This came at a time when the Group was already facing economic headwinds from the extended US-China trade tensions and Brexit process. The COVID-19 crisis added another vast layer of complexity to an already gravely challenging environment. The Group struggled with an immediate impact of COVID-19 as both the manufacturing facilities and supply chains were being disrupted, and customers' own operations faced similar challenges, which adversely affected the Group's revenue for the six months ended 30 June 2020 to have decreased by 29.8% to HK$281.9 million as compared with the same period of 2019. Whilst the Group gradually resumed workforce mobility and restored its production capacity after the lifting of travel restrictions in the PRC, a loss attributable to owners of the Company of HK$2.4 million was recorded for the first half of 2020, as opposed to a profit of HK$14.7 million for the same period in 2019.

In the light of this tough business environment, the Group has taken a number of initiatives to respond to the headwinds:

1. adopt conservative treasury policies in cash and financial management;

2. stay in close contact with major customers, suppliers, bankers, and business partners;

3. implement various cost control measures and close monitoring on discretionary spending;

4. diversify supply chains and customer base to mitigate dependencies on specific countries and sectors;

5. expand manufacturing facilities overseas to provide a high degree of production flexibility; and

6. invest in smart manufacturing capabilities to enhance the efficiency and the ability to adjust production levels and schedule.

The spread of COVID-19 has led to continuing uncertainties and a downturn in global economic activities. In this severe environment, the management of the Group is maintaining its financial stability, striving to better its business performance, and looking for high-quality investment opportunities to sustain the long-term business development 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 2020 and 2019, respectively:

	Six months ended 30 June			
	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Electro-mechanical products	**123,333**	**43.8**	164,298	40.9
Smart chargers	**76,268**	**27.1**	142,090	35.4
Switch-mode power supplies	**69,926**	**24.8**	89,613	22.3
Smart vending systems	**9,714**	**3.4**	61	–
Others(1)	**2,631**	**0.9**	5,375	1.4
Total	**281,872**	**100.0**	401,437	100.0

Note:

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

The Group recorded a revenue of HK$281.9 million for the first half of 2020, representing a decrease of 29.8% as compared with HK$401.4 million for the same period of 2019. The decline was mainly attributable to: (i) reduced customer demands hard hit by the rapid spread of COVID-19 across the globe; (ii) decrease in sales orders posed by adverse business and market conditions and extended US-China trade tensions; and (iii) delay in production outputs and product delivery caused by the temporary disruption of the Group's production facilities in the PRC and global supply chains. The decrease in revenue, however, was partially offset by the sales growth in smart vending systems.

The table below summarises the geographical revenue segment based on location of customers for six months ended 30 June 2020 and 2019, respectively:

	Six months ended 30 June			
	2020		2019	
	HK$'000	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)	
Europe(1)	**222,811**	**79.0**	299,661	74.6
North America(2)	**42,018**	**14.9**	69,671	17.4
South-east Asia(3)	**7,354**	**2.6**	14,675	3.7
The PRC (including Hong Kong)	**6,211**	**2.2**	9,638	2.4
Others(4)	**3,478**	**1.3**	7,792	1.9
Total	**281,872**	**100.0**	401,437	100.0

Notes:

(1) *Europe includes Austria, Denmark, France, Germany, Hungary, Ireland, Italy, the Netherlands, Sweden, Switzerland, Poland 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 continued to be major markets of the Group which in aggregate accounted for 93.9% and 92.0% of total revenue for the six months ended 30 June 2020 and 2019, respectively. While the Group's revenue reduced to HK$281.9 million for the first half of 2020, percentage of sales to the European market increased from 74.6% for the first half of 2019 to 79.0% for the same period in 2020 mainly due to the reduction in sales from North America because of escalated US-China trade tensions and increased customer demands in Europe for the application of medical and health products, renewable energy, and smart vending systems.

Cost of sales

Included in the Group's cost of sales were mainly direct materials, direct labour costs, and manufacturing overheads. Cost of sales for the six months ended 30 June 2020 amounted to HK$214.7 million, representing a reduction of 29.6% as compared with the same period in 2019. While cost of sales has moved in line with revenue, incremental costs arising from COVID-19 pandemic such as additional material arrangements, escalated freight and transportation costs, labour overtime costs, etc. have offset the decrease in cost of sales.

Gross profit and gross profit margin

The Group's gross profit was HK$67.2 million and HK$96.6 million for the six months ended 30 June 2020 and 2019, respectively. Despite the outbreak of COVID-19 and deteriorated business and market conditions depressing the Group's overall results, gross profit margin for the first half of 2020 was 23.8%, representing a slight decrease of 0.3 percentage point as compared with that of 2019. The reduced gross profit reflected the impacts of diminished revenue arisen from global economic and geopolitical uncertainties, delays in production outputs and product delivery, and accelerated costs associated with the COVID-19 pandemic.

Other income, net

Other income, net went down by 68.3% from HK$3.5 million for the first half of 2019 to HK$1.1 million for the same period in 2020. The decrease primarily resulted from the reduction in scrap material sales income and government grants and subsidies in the PRC for the six months ended June 30, 2020.

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. There was a 22.8% decrease in selling and distribution expenses from HK$7.0 million for the first half of 2019 to HK$5.4 million for the same period in 2020. The decrease was primarily driven by the reduction in (i) trip expenses due to travel restrictions and worldwide lockdowns during COVID-19 pandemic and (ii) custom duties and declaration charges following the slowdown in sales on those products exported to the US.

Administrative expenses

Administrative expenses went down by 13.4% from HK$68.2 million for the first half of 2019 to HK$59.1 million for the same period in 2020. Such decrease mainly resulted from: (i) the implementation of a number of cost control measures, including pay freeze, strict controls on number of headcounts and overtime hours, and close monitoring on discretionary expenses in view of tough business environment; (ii) concession for employers' contribution to pension funds as a part of COVID-19 relief measures in the PRC; and (iii) the absence of one-off consultancy fees in relation to Industry 4.0 certification being accredited to the Group during the first half of 2019. The reduction in administrative expenses, however, was partially offset by accelerated operating expenses derived from the expansion of production facilities in Thailand during the first half of 2020.

Other operating expenses, net

Other operating expenses, net moved upwards from HK$0.7 million for the first half of 2019 to HK$2.9 million for the same period of 2020. The increase mainly resulted from the rise in provision for impairment loss and write-off of obsolete inventories by HK$1.1 million for the period under review and the absence of reversal of provision for impairment loss on outstanding balance due from a trade receivable incurred during the first half of 2019.

Finance expenses, net

Finance expenses, net dropped by 56.8% from HK$6.2 million for the first half of 2019 to HK$2.7 million for the same period of 2020. The decrease was mainly due to the reduction in interest expenses and bank charges arisen from diminished average borrowing of the Group and lessened interest rate level in the financial market during the period under review.

Income tax expense

Income tax expense decreased by 83.8% from HK$3.2 million for the first half of 2019 to HK$0.5 million for the same period of 2020, which primarily resulted from the operating loss from some group companies and the tax effects on lease liabilities.

Loss for the period

The Group reported a loss of HK$2.4 million for the six months ended 30 June 2020, as opposed to a profit of HK$14.7 million for the same period in 2019. The loss for the period is a combined result of (i) declined sales as a result of adverse business and market conditions, (ii) temporary work suspension and reduced workforce mobility during the outbreak of COVID-19, and (iii) additional costs related to COVID-19 pandemic to secure the production and product delivery of the Group as well as to protect the health and safety of its employees.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2020, 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 2020, the Group had net current assets of HK$275.9 million (31 December 2019: HK$282.3 million), including cash and bank balances (including restricted bank deposits) of HK$142.4 million (31 December 2019: HK$103.9 million). Cash and bank balances (including restricted bank deposits) are mainly denominated in HK$, United States Dollars ("**US$**"), Renminbi ("**RMB**"), Thai Bahts ("**THB**") and Euros ("**EUR**"). The Group's current ratio (as calculated by current assets divided by current liabilities) slightly decreased from 3.0 times as at 31 December 2019 to 2.8 times as at 30 June 2020. 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 2020, the gearing ratio was not applicable ("**N/A**") to the Group (31 December 2019: 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$, RMB, THB and EUR. Foreign exchange risk arises from export sales, purchases, other future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. The management of the Company has set up a policy to require the Group to manage its foreign exchange risk. The Group does not adopt formal hedge accounting policy. It manages its foreign currency risk by closely monitoring the movements of foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arise.

No gain or loss on derivative financial instruments was incurred during the six months ended 30 June 2020, whilst a loss of HK$1.0 million was recognised for the corresponding period in 2019, as most of the forward foreign exchange contracts had expired during the year ended 31 December 2019.

As at 30 June 2020, no new forward foreign exchange contracts had been entered into by the Group (31 December 2019: 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 2020 and 2019, all bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 30 June 2020, the Group had bank borrowings of HK$10.1 million (31 December 2019: HK$11.9 million), which were primarily denominated in HK$ and US$.

Credit risk

The Group's credit risks 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 2020, the customer bases of the Group are widely dispersed despite that 18.3% (31 December 2019: 21.4%) of the trade receivables were due from the Group's largest customer and 63.7% (31 December 2019: 64.8%) were due from the five largest customers determined on the same basis.

The Group is also exposed to credit risk in relation to financial assets 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 2020, the Group had HK$5.9 million (31 December 2019: nil) 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 2020. The share capital of the Company only comprises ordinary shares.

As at 30 June 2020, the Company had 1,000,000,000 shares in issue (31 December 2019: 1,000,000,000 shares).

SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group did not hold any significant investments (31 December 2019: 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 2020 (six months ended 30 June 2019: 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 2020 (31 December 2019: nil).

TREASURY MANAGEMENT

During the six months ended 30 June 2020, 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 2020, the financial assets at fair value through profit or loss amounted to HK$8.7 million (31 December 2019: HK$8.6 million), property, plant and equipment amounted to HK$24.1 million (31 December 2019: HK$24.6 million) and bank deposits amounted to HK$6.2 million (31 December 2019: HK$6.2 million) have been pledged as security for the bank borrowings of the Group.

As at 30 June 2020, no property, plant and equipment was held under finance leases (31 December 2019: HK$0.2 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,500 as at 30 June 2020 (31 December 2019: approximately 1,700). 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 2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$72.5 million (six months ended 30 June 2019: HK$95.6 million). Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions.

The Group operates a share option scheme (the "**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 2020, the Group did not have any outstanding share options granted under the Share Option Scheme.

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 2020 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	With travel restrictions and worldwide lockdowns during the COVID-19 pandemic, regular sales and marketing activities of the Group had slowed down for the first half of 2020. Despite this, the Group had successfully obtained several new customers in Europe and the US who were looking for charging and kiosk solutions. The COVID-19 pandemic has transformed the pattern of global workforce mobility, including but not limited to remote/flexible working arrangements and social distancing practices, and hence the demands for medical and healthcare products, automation and self-service solutions, and smart charging applications are growing. Regardless of the adverse economic situation, the Group will continue to put more resources on sales and marketing activities to explore new business opportunities.
Manufacture products of higher value and/or with higher profit contribution per the resources	Whilst a number of sales and marketing campaigns reduced as a result of the outbreak of COVID-19, the Group stayed connected with customers and suppliers by way of digital and virtual channels. Sales, marketing and technical executives of the Group are always here to support each other, including but not limited to production schedules, project development, product shipment, and so on. The Group's sales in North America continued to be affected by tense US-China relations. However, the COVID-19 pandemic has redefined customer experience and stimulated the demands on "new era" products with higher value and/or higher profit contribution, like smart chargers and smart vending systems. The Group will deepen the investment on the development of these product categories to capture market trends.

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Continue to expand the operations in automatic test equipment ("**ATE**") business segment	The extended US-China trade disputes and COVID-19 pandemic curtailed the business and investment sentiment, which adversely affected customers' demands on ATEs. As such, the Group re-assigned its ATEs talents to assist the Group on other project development, product launches, system enhancement, etc. to strengthen its competitive edge in the industrial electronics industry.
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	The European offices allow the Group to gain closer access to target customers and suppliers. A new independent consultant with expertise in charging solutions joined the European team during the first half of 2020. Not only does the consultant strengthen and diversify the technical capability of the Group to serve customers in different aspects, but also broadens the Group's sales network in the worldwide power electronics industry. The European team, including six staff members and five independent consultants, will stay connected with the existing marketing teams of the Group to take part in business development activities and explore new business opportunities.
Further enhance the production efficiency and expand the production capacity	The development of new production base alongside the existing production complex in Nansha District, Guangzhou City, Guangdong Province, the PRC lagged behind the schedule primarily due to the outbreak of COVID-19. The expansion of production facilities in Ireland and Thailand encountered the similar situation, as the management personnel and technicians of the Group faced travel restrictions to enter such countries as a result of tough lockdown and quarantine measures imposed by the relevant countries. As such, the renovation works, equipment delivery and installation were unavoidably disrupted. The Group always puts the health and safety of its employees and business partners in the first priority and believes that the construction progress will pick up after the COVID-19 pandemic is alleviated.
Continue to recruit talents and professionals	As at 30 June 2020, there were nine employees working at the strategic talent centre ("**STC**") in the Guangzhou City, Guangdong Province, the PRC providing a wide range of front-end and back-end supports to the Group, including software development and upgrades, product and system innovation, and so on. The management of the Group will continue to recruit talents of necessary level and number at this STC for providing various value-added services to the Group.

USE OF PROCEEDS

On 25 October 2019, the Board resolved to change the use of the remaining unutilised net proceeds from the Listing (the "**Reallocation**"). For details of the Reallocation, please refer to the announcement of the Company dated 25 October 2019 (the "**Reallocation Announcement**"). The following table sets forth the status of use of net proceeds from the Listing as at 30 June 2020 and the expected timeline of the use of the unutilised proceeds:

Business strategies as set out in the Prospectus	The actual net proceeds prior to the Reallocation	The Reallocation	The actual net proceeds subsequent to the Reallocation	Incurred up to 30 June 2020	Balance as at 30 June 2020	Expected timeline of full utilisation of the balance as at 30 June 2020
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	
Development of new production base	77.8	–	77.8	(29.4)	48.4	end of 2023
Upgrading of existing production facilities	4.5	–	4.5	(4.3)	0.2	end of 2021
Establishment of offices in Dublin, Ireland and Paris, France	11.3	(8.3)	3.0	(3.0)	–	N/A
Establishment of the STC in Guangzhou City, Guangdong Province, the PRC	11.3	(5.0)	6.3	(4.1)	2.2	end of 2022
Working capital and other general corporate purposes	5.1	–	5.1	(5.1)	–	N/A
Business developments and operations in Europe	–	13.3	13.3	(2.9)	10.4	end of 2022
	110.0	–	110.0	(48.8)	61.2	

The unutilised net proceeds have been deposited in interest-bearing bank accounts with licensed banks in Hong Kong. The Board closely monitors the use of net proceeds with reference to those disclosed in the Prospectus and the Reallocation Announcement. Due to the uncertain economic and market conditions, driven by the rapid spread of COVID-19 and worsening US-China relations, the Group's plans for the development of new production base in the PRC and business developments and operations in Europe have been deferred. The remaining portion of the net proceeds are expected to be utilised up to the financial year ending 31 December 2023. The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions.

UPDATES ON COVID-19 PANDEMIC

The Group always puts the health and safety of its employees and business partners in the first priority. With the outbreak of COVID-19 in early 2020, the Group has taken various precautionary measures to minimise the threat of COVID-19 in its business communities and mitigate any adverse impacts on the Group and its customers.

To respond to COVID-19 public health crisis, the Group promptly adopted flexible and/or remote working arrangements amongst office-based colleagues. Protective measures have also been implemented in the Hong Kong office to reduce the risk of COVID-19 transmission, including intensified cleaning and disinfection in the workplace, provision of personal protective equipment, etc. The Group maintains essential activities in the workplace and turns the rest to digital and virtual means.

In the production base in the PRC, the Group formed a steering committee to navigate the human and business impact of COVID-19. While the Group experienced a temporary decrease in production and reduced workforce mobility due to travel restrictions and extended nationwide public holiday for the Lunar New Year, the committee put in place a number of extensive measures to comply with requirements imposed by the Chinese government and facilitate the resumption of production, such as promotion of personal and environmental hygiene, mandatory body temperature checking for every visitor and employee, maintaining good ventilation, to name but a few. Following the alleviation of COVID-19 pandemic in Guangdong Province, the PRC, staff members in the production base had gradually returned to work and the Group picked up its production capacity in the first half of 2020 through productivity improvement and working overtime.

Although the health crisis remains ongoing, the management of the Group would like to extend their heartfelt appreciation to its colleagues for their hard work, adaptability, loyal service and contributions during this challenging time.

OUTLOOK

The second half of 2020 is likely to be highly uncertain for the world, Hong Kong and the Group, and the threat of another wave of COVID-19 outbreak and worsening US-China relations will remain the major concerns globally. With these geopolitical and macroeconomic uncertainties, it is premature to estimate the time to rebound in any economic sector or, indeed, in the global economy as a whole.

Despite the unavoidable headwinds, the Group is poised to weather the storm. The COVID-19 pandemic has altered people's expectation and experience, and the global demands on medical and healthcare products, automation and self-service solutions, and smart charging applications are growing driven by social distancing measures and remote/flexible working arrangements. The Group will strive to maintain its business performance, while take a prudent but proactive approach to explore new business opportunities.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.8 cent per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK0.8 cent). The said interim dividend will be paid on or around 22 October 2020.

On 29 May 2020, a final dividend of HK0.8 cent per ordinary share for the year ended 31 December 2019, absorbing an amount of HK$8 million was approved by the shareholders of the Company (the "**Shareholders**"), and was subsequently paid on 3 July 2020.

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, 23 September 2020 to Friday, 25 September 2020, 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, 22 September 2020.

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 2020.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no other significant events affecting the Group after the six months ended 30 June 2020 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020.

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 2020.

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, 24 August 2020

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