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# TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED

## 致豐工業電子集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1710)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Trio Industrial Electronics Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019 as follows:

#### **FINANCIAL HIGHLIGHTS:**

- Revenue for the year ended 31 December 2020 decreased by 13.2% to HK\$701.7 million as compared with the corresponding period of 2019.
- Gross profit for the year ended 31 December 2020 reduced by 4.5% to HK\$182.5 million. Gross profit margin increased by 2.4 percentage points to 26.0% as compared with the corresponding period of 2019.
- Profit before income tax for the year ended 31 December 2020 went up by 55.1% to HK\$37.7 million as compared with the corresponding period of 2019.
- Profit attributable to owners of the Company for the year ended 31 December 2020 was HK\$28.9 million, representing an increase of 29.2% as compared with the corresponding period of 2019.

#### **FINAL DIVIDEND:**

- The Board has proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31 December 2020, which is subject to the approval of the Company’s shareholders (the “**Shareholders**”) at the forthcoming annual general meeting of the Company (“**AGM**”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		Year ended 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
Revenue	5	701,699	808,599
Cost of sales	6	(519,212)	(617,546)
Gross profit		182,487	191,053
Other income, net	5	3,427	5,400
Selling and distribution expenses	6	(13,098)	(22,082)
Administrative expenses	6	(121,948)	(132,378)
Other operating expenses, net	6	(6,723)	(5,930)
Profit from operations		44,145	36,063
Finance expenses, net	7	(6,450)	(11,752)
Profit before income tax		37,695	24,311
Income tax expense	8	(8,814)	(1,954)
Profit for the year		28,881	22,357
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value (losses)/gains on revaluation of land and building, net of tax		(1,650)	630
Currency translation differences		772	(40)
Other comprehensive (expense)/income for the year, net of tax		(878)	590
Total comprehensive income for the year		28,003	22,947
Earnings per share			
– Basic and diluted (HK cents)	9	2.89	2.24

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		53,678	58,375
Right-of-use assets		23,200	21,657
Financial assets at fair value through profit or loss		13,854	8,621
Prepayment		1,864	1,897
Deferred tax assets		—	214
		<u>92,596</u>	<u>90,764</u>
<b>Current assets</b>			
Inventories		132,931	145,095
Trade and other receivables	11	183,044	156,635
Prepayments and deposits		29,791	18,876
Restricted bank deposits		6,139	6,186
Bank and cash balances		99,216	97,679
		<u>451,121</u>	<u>424,471</u>
<b>Current liabilities</b>			
Trade and other payables	12	129,788	118,507
Contract liabilities		3,453	2,964
Borrowings	13	8,750	11,852
Lease liabilities – current		9,207	6,597
Finance lease payables		—	43
Current income tax liabilities		7,662	2,191
		<u>158,860</u>	<u>142,154</u>
<b>Net current assets</b>		<u>292,261</u>	<u>282,317</u>
<b>Total assets less current liabilities</b>		<u>384,857</u>	<u>373,081</u>

		As at	
		31 December	
		2020	2019
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities – non-current		<b>16,105</b>	16,492
Deferred tax liabilities		<b>3,947</b>	4,098
		<u><b>20,052</b></u>	<u>20,590</u>
<b>Net assets</b>		<u><b>364,805</b></u>	<u>352,491</u>
<b>Equity</b>			
Share capital	14	<b>281,507</b>	281,507
Reserves		<b>83,298</b>	70,984
<b>Total equity</b>		<u><b>364,805</b></u>	<u>352,491</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the manufacturing and sales of electronic products. The immediate holding company of the Company is Trio Industrial Electronics Holding Limited (“**Trio Holding**”), a company incorporated in the British Virgin Islands with limited liability.

The consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

The financial information relating to the years ended 31 December 2020 and 2019 included in this announcement does not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622, the Laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies in Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course.

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

## 2 BASIS OF PRESENTATION

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group has applied the following new standards and amendments to standards which are effective for the financial period beginning on or after 1 January 2020 and relevant to the Group:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform

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.

#### ***HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions" - Impact of adoption***

The Group has elected to early adopt the HKFRS 16 (Amendments) Leases on COVID-19-Related Rent Concessions retrospectively from 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. During the year ended 31 December 2020, the impact of relevant rent concessions recognised as other income, net was HK\$573,000.

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

#### **New and amended standards effective after 2020 which are relevant to the Group's operations and yet to be adopted**

The following are new standards and amendments to standards relevant to the Group that have been issued but are not effective for the financial period beginning on or after 1 January 2020 and are yet to be adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 (Amendments)	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKFRS 17	Insurance Contracts and the related amendments	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be Determined

## 4 SEGMENT INFORMATION

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

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business 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**”), Ireland, and Thailand, during the year ended 31 December 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 contribute over 10% of total revenue of the Group for any of the year ended 31 December 2020 are as follows:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Customer A	149,376	259,562
Customer B	<u>124,213</u>	<u>145,671</u>

### Geographical information

During the year ended 31 December 2020, the majority of revenue were sold to customers in Europe (mainly the United Kingdom (the “**UK**”), Switzerland, Ireland, Denmark and Sweden), while the remaining revenue were sold to customers in the United States of America (the “**US**”), the PRC, Malaysia, and Australia.

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

In relation to non-current assets held by the Group (primarily represented by property, plant and equipment), land and buildings with carrying values as at 31 December 2020 of HK\$21,700,000 (2019: HK\$24,600,000), are located in Hong Kong. Other property, plant and equipment are primarily located in the PRC.

## 5 REVENUE AND OTHER INCOME, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Sales of goods	<u>701,699</u>	<u>808,599</u>
Other income, net		
Commission income	76	133
Investment income	139	–
Fair value gain on financial assets at fair value through profit or loss	356	177
Government grants	4,212	2,791
Loss on foreign exchange, net	(2,961)	(855)
Scrap material sales income	539	2,014
COVID-19 related rent concessions	573	–
Sundry income	<u>493</u>	<u>1,140</u>
	<u>3,427</u>	<u>5,400</u>



## 6 EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Employee benefit expenses (including Directors' emoluments)	161,538	182,672
Auditors' remuneration		
– Audit services	1,886	1,783
– Non-audit services	367	407
Depreciation for property, plant and equipment	11,487	11,175
Depreciation on right-of-use assets	8,602	6,784
Amortisation of insurance expense	33	31
Loss on derivative financial instruments	–	2,245
Obsolete inventories written off	1,997	1,325
Operating lease payments	170	476
Loss/(gain) on disposal of property, plant and equipment	282	(252)
Bad debts written off	985	334
Provision for/(reversal of) impairment loss on trade receivables	514	(1,023)
Provision for impairment loss on inventories	2,912	3,270
	<u>2,912</u>	<u>3,270</u>

## 7 FINANCE EXPENSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
Bank interest income	874	1,245
Other interest income	–	43
<b>Finance income</b>	<u>874</u>	<u>1,288</u>
Finance expenses		
Interest on bank borrowings		
– Wholly repayable within five years	(1,567)	(5,584)
Interest on lease liabilities	(1,027)	(1,839)
Other finance expenses		
Bank charges	(4,730)	(5,617)
<b>Finance expenses</b>	<u>(7,324)</u>	<u>(13,040)</u>
<b>Finance expenses, net</b>	<u>(6,450)</u>	<u>(11,752)</u>

## 8 INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax:		
– Hong Kong	3,565	1,527
– The PRC	4,937	488
	<hr/> 8,502	<hr/> 2,015
Overprovision in prior years	(45)	(254)
Deferred income tax	357	193
	<hr/> 8,814	<hr/> 1,954
Income tax expense	<hr/> <b>8,814</b>	<hr/> <b>1,954</b>

### *Notes:*

- (a) Under The Inland Revenue (Amendment) (No. 7) Bill 2017 two-tiered profit 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.

CIT of the Group’s subsidiaries in the PRC is calculated at 25% based on the assessable profits for the year ended 31 December 2020. One of the Group’s subsidiaries in the PRC was recognised as “New and High Technology Enterprise” and enjoyed a preferential CIT rate of 15% from three financial years from 2017 to 2019. Its CIT rate for the year ended 31 December 2019 was 15%. Other than the above, the CIT of the Group’s subsidiaries in the PRC for the year ended 31 December 2019 was calculated at the rate of 25%.

- (c) No provision for CIT in other jurisdictions has been made as the Group has no assessable incomes in the relevant jurisdictions during the year ended 31 December 2020 (2019: nil).

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share is calculated on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the year ended 31 December 2020 and 2019.

	2020	2019
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>28,881</b>	22,357
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>1,000,000</b>	1,000,000
Basic earnings per share ( <i>HK cents</i> )	<b>2.89</b>	2.24

### (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.

Diluted earnings per share was the same as basic earnings per share due to the absence of dilutive potential ordinary shares for the year ended 31 December 2020.

For the year ended 31 December 2019, the diluted earnings per share presented was same as the basic earnings per share as the share options of the Company have an anti-dilutive effect.

## 10 DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend paid of HK0.8 cent (2019: 0.8 cent) per ordinary share	<b>8,000</b>	8,000
Proposed final dividend of HK1.2 cents (2019: 0.8 cent) per ordinary share ( <i>note</i> )	<b>12,000</b>	8,000
	<b>20,000</b>	16,000

*Note:*

A final dividend in respect of the year ended 31 December 2020 of 1.2 cents per ordinary share, amounting to a total dividend of HK\$12,000,000, is to be proposed at the forthcoming annual general meeting of the Company to be held on 24 May 2021.

## 11 TRADE AND OTHER RECEIVABLES

		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
	<i>Note</i>		
Trade receivables	(a)	184,350	157,175
Less: allowance for impairment of trade receivables		(1,836)	(1,329)
Trade receivables – net		182,514	155,846
Other receivables		530	789
		<b>183,044</b>	<b>156,635</b>

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 been 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 generally range from full payment before shipment to 75 days end of month. The aging analysis of the trade receivables based on invoice date at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Below 30 days	103,917	85,083
Between 31 and 60 days	49,052	37,249
Over 60 days	31,381	34,843
	<b>184,350</b>	<b>157,175</b>

## 12 TRADE AND OTHER PAYABLES

		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
	<i>Note</i>		
Trade payables	(a)	95,693	78,640
Trust receipts		14,211	25,224
Accruals and other payables		19,884	14,643
		<b>129,788</b>	<b>118,507</b>

*Note:*

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Below 30 days	42,161	40,086
Between 31 and 60 days	37,180	26,975
Over 60 days	16,352	11,579
	<u>95,693</u>	<u>78,640</u>

### 13 BORROWINGS

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Term loans	(a)	4,468	5,822
Insurance premium loan	(a)	4,282	5,189
Bank overdraft		–	841
		<u>8,750</u>	<u>11,852</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	2,327	2,969
Between 1 and 2 years	2,374	2,221
Between 2 and 5 years	4,049	5,790
Over 5 years or above	–	872
	<u>8,750</u>	<u>11,852</u>

*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 Company as current liabilities.

- (b) As at 31 December 2020 and 2019, the total borrowings pledged by certain assets and their carrying values are shown as below:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Property, plant and equipment	<b>21,700</b>	24,600
Financial assets at fair value through profit or loss	<b>8,816</b>	8,621
Restricted bank deposits	<b>6,139</b>	6,186
	<u><b>36,655</b></u>	<u>39,407</u>

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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Variable rates	<u><b>8,750</b></u>	<u>11,852</u>

#### 14 SHARE CAPITAL

	<b>2020</b>		2019
	Number of shares	Amount HK\$'000	Number of shares      Amount HK\$'000
<b>Issued and fully paid</b>			
At the beginning and the end of the year	<u><b>1,000,000,000</b></u>	<u><b>281,507</b></u>	<u>1,000,000,000</u> <u>281,507</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

Year 2020 was marked as an unprecedentedly challenging time across the globe. While the impacts arising from US-China trade tensions and Brexit negotiations towards the Group remained ongoing, the rapid spread of coronavirus disease 2019 (“**COVID-19**”) in early 2020 aggravated the situation. The Group experienced a delay in production outputs and product delivery in the first half of 2020 due to a temporary disruption of its production facilities in the PRC and global supply chains. Although the Group’s operations had gradually resumed after the lifting of local restrictions in the PRC, customer demands and product launch initiatives were hard hit by the COVID-19 pandemic and the uncertain economic environment. These resulted in the Group’s revenue for the year ended 31 December 2020 to have decreased by 13.2% to HK\$701.7 million compared with that of 2019. Profit attributable to owners of the Company for the year, however, recorded a 29.2% increase to HK\$28.9 million compared with the same period of 2019, thanks to the strict cost control measures taken by the Group, as well as receipts of various government grants, subsidies, and other concessions under the COVID-19 relief measures.

In these turbulent times of COVID-19 pandemic and global economic uncertainties, the Group will continue to take a step forward to sustain its financial performance and business growth, including but not limited to:

1. maintain robust cash flows and financial management;
2. adopt efficient cost control measures and manage non-essential expenses;
3. internationalise its talents and presences to capture more business opportunities;
4. diversify supply chains and customer bases to minimise the reliance on a few countries and sectors;
5. enhance the level of automation and digitalisation at the Group’s production bases to enhance production efficiency and capabilities; and
6. put more resources on product innovation and development to strengthen its competitive edge in power electronics industry.

COVID-19 presents challenges but also opportunities. The COVID-19 pandemic has transformed the landscape of global workforce mobility and business activity, which has accelerated digital transformation and application. The remote/flexible work arrangements and social distancing measures have stimulated the global demands on medical and health care products, automation and self-service equipment, and smart charging solutions. The Group will continue to equip itself to reinforce core competencies to seize huge business opportunities.

## 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 years ended 31 December 2020 (“FY2020”) and 2019 (“FY2019”):

	FY2020		FY2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Electro-mechanical products	<b>323,166</b>	<b>46.0</b>	323,513	40.0
Smart chargers	<b>173,965</b>	<b>24.8</b>	260,743	32.2
Switch-mode power supplies	<b>153,430</b>	<b>21.9</b>	185,607	23.0
Smart vending systems	<b>47,478</b>	<b>6.8</b>	25,939	3.2
Others <sup>(1)</sup>	<b>3,660</b>	<b>0.5</b>	12,797	1.6
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<b>701,699</b>	<b>100.0</b>	808,599	100.0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Note:*

- (1) Others include automatic testing equipment (“ATE”), power switch gear boards, and catering equipment control boards.

The Group recorded a 13.2% decrease in revenue to HK\$701.7 million for FY2020 from HK\$808.6 million for FY2019, mainly due to reduced sales orders caused by the outbreak of the COVID-19 pandemic and the uncertain economic environment. Revenue from electro-mechanical products was HK\$323.2 million for FY2020, which approximated to that of 2019. The core driver for this steady performance came from the continued demands on professional beauty and animal grooming products amid the COVID-19 pandemic. There was a 83.0% increase in revenue from smart vending systems to HK\$47.5 million for FY2020 compared with HK\$25.9 million for FY2019, which was primarily driven by growing demands on leisure and entertainment products.



The table below summarises the geographical revenue segment based on location of customers for FY2020 and FY2019:

	FY2020		FY2019	
	HK\$'000	%	HK\$'000	%
Europe <sup>(1)</sup>	553,381	78.9	592,998	73.3
North America <sup>(2)</sup>	101,590	14.5	139,908	17.3
The PRC (including Hong Kong)	30,796	4.4	21,640	2.7
South-east Asia <sup>(3)</sup>	9,763	1.4	32,491	4.0
Others <sup>(4)</sup>	6,169	0.8	21,562	2.7
Total	<u>701,699</u>	<u>100.0</u>	<u>808,599</u>	<u>100.0</u>

Notes:

- (1) Europe includes Austria, Bulgaria, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, 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, South Korea and Taiwan.

Europe and North America continued to be the Group's major markets, which in aggregate accounted for 93.4% and 90.6% of total revenue for FY2020 and FY2019, respectively. The spread of COVID-19 across Europe, North America, and South-east Asia along with extended US-China trade tensions adversely affected the Group's revenue in these regions. Revenue from the PRC (including Hong Kong) was HK\$30.8 million for FY2020, representing a 42.3% increase compared with FY2019 due to the rapid recovery of local Chinese market following the prompt prevention and control of COVID-19 pandemic by the Chinese government and continued product demands from the underlying end customers.

### Cost of sales

Cost of sales mainly represented direct materials and consumables, direct labour costs, and manufacturing overheads. There was a decrease of 15.9% in cost of sales for FY2020 to HK\$519.2 million compared with FY2019, thanks to the depreciation of Renminbi ("RMB") against other currencies in early 2020 and the implementation of cost control measures by the Group. While cost of sales has moved in line with revenue, incremental costs associated with the COVID-19 pandemic and the running of production facilities in Thailand and Ireland for part of the year under review have offset the decrease in cost of sales.

## **Gross profit and gross profit margin**

The Group's gross profit was HK\$182.5 million for FY2020, which was reduced by 4.5% from HK\$191.1 million for FY2019. The decrease in gross profit reflected the combined effect of (i) reduced revenue and additional costs arising from the outbreak of COVID-19; (ii) weak business sentiments derived from global geopolitical and economic uncertainties; and (iii) accelerated costs associated with the expansion of production facilities in Thailand and Ireland. Despite the outbreak of COVID-19 and deteriorated business and market conditions, gross profit margin for FY2020 was 26.0%, representing an increase of 2.4 percentage points compared with that of 2019. The improved gross profit margin was attributable to the decrease in cost of sales driven by effective cost control measures taken by the Group and depreciation of RMB in early 2020.

## **Other income, net**

Other income, net went down by 36.5% from HK\$5.4 million for FY2019 to HK\$3.4 million for FY2020. The reduction was primarily attributable to the decrease in scrap material sales income and loss on foreign exchange, net arising from the fluctuation of US\$ against other currencies in the second half of 2020. The decrease, however, was partly offset by the receipt of grants from the Chinese government and HKSAR government and COVID-19 related rent concessions amounting to HK\$4.2 million and HK\$0.6 million, respectively, as part of COVID-19 relief measures for FY2020.

## **Selling and distribution expenses**

Included in selling and distribution expenses were mainly freight, insurance and transportation charges, marketing and promotion expenses, and custom duties and declaration charges. There was a 40.7% decrease in selling and distribution expenses to HK\$13.1 million for FY2020 compared with FY2019. The reduction in (i) custom duties and declaration charges following the slowdown in sales on those products exported to the US; and (ii) trip expenses due to travel restrictions and worldwide lockdowns during the COVID-19 pandemic contributed to the decrease in overall selling and distribution expenses.

## **Administrative expenses**

Administrative expenses dropped by 7.9% from HK\$132.4 million for FY2019 to HK\$121.9 million for FY2020. Such decrease mainly resulted from: (i) the implementation of various cost control measures, including pay and recruitment freezes, strict control on overtime hours, and close monitoring on discretionary expenses in response to the tough business environment, and so on; (ii) concession for employers' contribution to pension funds as part of COVID-19 relief measures in the PRC; and (iii) reduced share-based compensation expenses following the cancellation of outstanding share options on 21 January 2020. The reduction in administrative expenses, however, was partially offset by accelerated operating expenses derived from the operation of production facilities in Thailand and Ireland during FY2020.

## **Other operating expenses, net**

Other operating expenses, net went up by 13.4% from HK\$5.9 million for FY2019 to HK\$6.7 million for FY2020. The increase mainly resulted from (i) the rise in impairment loss and write-off of obsolete inventories; and (ii) the absence of reversal of provision for impairment loss on outstanding balance due from a trade receivable incurred during FY2019.

## Finance expenses, net

The Group recorded a 45.1% decrease in finance expenses, net from HK\$11.8 million for FY2019 to HK\$6.5 million for FY2020. Lower interest expenses and bank charges arising from reduced average borrowing of the Group and lessened interest rate level in the financial market during the reporting period contributed to the reduction in finance expenses, net.

## Income tax expense

Income tax expense moved upwards from HK\$2.0 million for FY2019 to HK\$8.8 million for FY2020, as (i) the Group's overall operating profits for FY2020 has been improved; and (ii) the corporate income tax ("CIT") rate from one of the PRC subsidiaries of the Group returned to normal at 25% during FY2020 following the expiry of "New and High Technology Enterprise" certificate.

## Profit for the year

The Group's profit for the year increased by 29.2% from HK\$22.4 million for FY2019 to HK\$28.9 million for FY2020. The net profit margin has also been improved from 2.8% for FY2019 to 4.1% for FY2020. The better performance was the combined results of (i) the implementation of stricter cost control measures in view of uncertain business environment; and (ii) the receipt of government grants, subsidies, and other concessions under COVID-19 relief measures.

## LIQUIDITY AND FINANCIAL RESOURCES

During FY2020, 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 31 December 2020, the Group had net current assets of HK\$292.3 million (2019: HK\$282.3 million), including cash and bank balances (including restricted bank deposits) of HK\$105.4 million (2019: HK\$103.9 million). The cash and bank balances (including restricted bank deposits) are mainly denominated in HK\$, United States dollars ("**US\$**"), RMB, Euros ("**EUR**") and Thai Baht ("**THB**"). The Group's current ratio (as calculated by current assets divided by current liabilities) remained stable at 2.8 times as at 31 December 2020 (2019: 3.0 times). Gearing ratio is calculated by net debt divided by total capital as at the end of the reporting period. Net debt is calculated as total borrowings (including bank borrowings and finance lease payables) less cash and bank balances, while total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt, where applicable. As at 31 December 2020, the gearing ratio was not applicable ("**N/A**") to the Group (2019: N/A) as the Group had sufficient working capital level from the net proceeds received from the Listing.

## **FINANCIAL RISK MANAGEMENT**

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

### **Foreign exchange risk**

The Group operates mainly in Hong Kong, the PRC, Thailand, and Ireland. 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 their foreign exchange risk against its functional currencies. 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 FY2020, whilst a loss of HK\$2.2 million was recognised for the corresponding period in 2019, as the forward foreign exchange contracts had expired during FY2019.

As at 31 December 2020, no new forward foreign exchange contracts had been entered into by the Group (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.

During FY2020 and FY2019, all bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 31 December 2020, the Group has bank borrowings of HK\$8.8 million (2019: HK\$11.9 million), which are 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 profit or loss, trade and other receivables, deposits, time deposits and bank balances.

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

As at 31 December 2020, the customer bases are widely dispersed despite that 21.2% (2019: 21.4%) of the trade receivable were due from the Group's largest customer and 62.4% (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 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 forecasting 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 31 December 2020, the Group had HK\$1.5 million of capital commitments in relation to the purchase of property, plant and equipment (2019: nil).

## **CAPITAL STRUCTURE**

There has been no change in the capital structure of the Group during FY2020. The share capital of the Company only comprises ordinary shares.

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

## **SIGNIFICANT INVESTMENTS**

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

## **MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures during FY2020 (2019: nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as those disclosed in the prospectus of the Company dated 13 November 2017 (the “**Prospectus**”) or otherwise in this announcement, the Group currently has no other plan for material investments and capital assets.

## **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 31 December 2020 (2019: nil).

## **TREASURY MANAGEMENT**

During FY2020, 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 Group closely reviews trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Group closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

## **PLEDGE OF ASSETS**

As at 31 December 2020, the financial assets at fair value through profit or loss amounted to HK\$8.8 million (2019: HK\$8.6 million), property, plant and equipment amounted to HK\$21.7 million (2019: HK\$24.6 million) and bank deposits amounted to HK\$6.1 million (2019: HK\$6.2 million) have been charged as security for bank borrowings of the Group.

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

## EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,500 as at 31 December 2020 (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 FY2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK\$161.5 million (2019: HK\$182.7 million).

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

The Group operates a share option scheme (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 31 December 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 FY2020 and up to the date of this announcement:

<b>Business strategies as stated in the Prospectus</b>	<b>Actual business progress up to the date of this announcement</b>
Continue to expand the customer base in the European market and explore new markets in the PRC, the US and other Asian countries	With the multiple waves of COVID-19 pandemic throughout FY2020, regular sales and marketing activities of the Group were nearly brought to a halt. Even so, the Group stayed connected with customers by way of digital and virtual channels to maintain business growth. During the reporting period, the Group had re-structured the European team and engaged independent consultants of diversified technical expertise and geographical locations to capture potential customers and markets. Regardless of the challenges of the COVID-19 pandemic and global economic turmoil, 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 project developments and product launches were put on hold due to the multiple waves of COVID-19 outbreak, the sales, marketing, and technical executives of the Group kept close contact with customers and business partners to offer various supports, including but not limited to production schedules, product shipment, technical support, etc. The Group's sales in North America have been hit by extended US-China trade tensions. Despite the tough economic environment, business opportunities still arise. The COVID-19 pandemic has redefined customer experience and the demands for medical and healthcare products, automation and self-service solutions, and smart charging applications are increasing. The Group will continue to invest in the development of these products to capture market trends.
Continue to expand the operations in automatic test equipment ("ATE") business segment	Customers' demands on ATEs are diminishing caused by weak business sentiment. To fully utilise its resources, the Group re-assigned its ATEs talents to other project development, product launches, system enhancement, etc. to strengthen its competitive edge in the power electronics industry.
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	The Group reorganised the European team and appointed new independent consultants equipped with various expertise in power electronics during FY2020. Not only do the consultants strengthen and diversify the technical capability of the Group to serve customers in different aspects, but also broaden the Group's sales network worldwide. The European team and consultants work closely with other existing marketing teams of the Group to take part in business development activities and offer comprehensive service supports to customers.



Further enhance production efficiency and expand production capacity	<p>The development of the new production base alongside the existing production complex in Nansha District, Guangzhou City, Guangdong Province, the PRC was behind schedule mainly due to the prolonged epidemic. While travel restrictions and social distancing measures imposed by governments around the world are still in force, the setup at the production facility in Thailand is ready and is undergoing the trial run stage during early 2021. The Group's production facility in Ireland has commenced operation to cater for sample orders and certain new projects. The development of these new production facilities provide the Group with a high degree of flexibility to serve customers worldwide and to accommodate mass production on high value and heavy-duty product series once the global economy rebounds from the COVID-19 pandemic.</p>
Continue to recruit talents and professionals	<p>Talent is the key to success for research and development. The Group strives to transform the strategic talent centre (“STC”) in the Guangzhou City, Guangdong Province, the PRC as the innovation and development hub to recruit and nurture a pool of talents to conduct various innovative and technological projects, like remote working, warehouse digitalisation, cyber security, and so on. As at 31 December 2020, there were nine employees working at the STC providing a different kind of value-added services to the Group, such as software development and upgrades, product and system innovation, etc. The management of the Group will continue to recruit talents of necessary level and number at this STC for providing various supports to the Group.</p>

## 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 31 December 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 <i>HK\$' million</i>	The Reallocation <i>HK\$' million</i>	The actual net proceeds subsequent to the Reallocation <i>HK\$' million</i>	Incurred up to 31 December 2020 <i>HK\$' million</i>	Balance as at 31 December 2020 <i>HK\$' million</i>	Expected timeline of full utilisation of the balance as at
						31 December 2020
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	(4.9)	1.4	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	(6.0)	7.3	end of 2022
	<u>110.0</u>	<u>–</u>	<u>110.0</u>	<u>(52.7)</u>	<u>57.3</u>	

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 outbreak 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.

## **RESPONSE TO COVID-19**

COVID-19 has spread across the globe since early 2020 and governments around the world have been at the frontline of managing the COVID-19 health crisis. With worldwide lockdowns and strong containment measures, the Group experienced a temporary disruption of production outputs and product delivery in the first quarter of 2021 which had adversely affected its financial performance for FY2020. Regardless of these difficult times, staff members of the Group remain committed to supporting customers, suppliers, and business partners while staying healthy and safe.

Immediately after the outbreak of COVID-19, the Group put in place various measures to reduce the risk of COVID-19 transmission in the workplace, including but not limited to the implementation of remote and/or flexible work arrangements, intensified cleaning and disinfection, provision of personal protective equipment, etc. In the production base in the PRC, the Group formed a steering committee to navigate the COVID-19 prevention and control measures. The committee took a number of measures to comply with disease prevention and control requirements imposed by the Chinese government and facilitate the resumption of production following the spread of COVID-19, such as the implementation of health declaration measures in the workplace, promotion of personal and environmental hygiene, mandatory body temperature checking for every visitor and employee, and so on.

Although the health crisis of COVID-19 is still ongoing, the management of the Group would like to express gratitude to their colleagues for their hard work, great support, resilience to adversity and their dedication to the Group's customer amid these challenging times.

## **OUTLOOK**

The global economic turmoil brought by the multiple waves of COVID-19 outbreak has been devastating. The impacts caused by the pandemic have not only affected individuals, but also businesses, societies, and the world as a whole. It is difficult to estimate when the pandemic will end and global economy will recover despite the COVID-19 vaccines have been launched for widespread injection.

In the past few decades, the Group has faced and overcome many challenges, turning crises into opportunities, and thereby has developed its solid foundation in the power electronics industry. The only constant in life is change. The increased popularity of personal and public health awareness, remote/flexible work arrangements, and new energy vehicles have accelerated global demands on medical and healthcare products, automation and self-service equipment, and smart charging solutions. The Group will leverage its technical expertise and capability to explore business opportunities of such demands.

## **DIVIDENDS**

The Board has recommended a final dividend of HK1.2 cents per ordinary share of the Company for the year ended 31 December 2020 (2019: HK0.8 cent) to the Shareholders. The proposed final dividend, subject to the approval of the Shareholders at the AGM to be held on Monday, 24 May 2021, is expected to be paid on Monday, 5 July 2021 to all Shareholders whose names appear on the register of members of the Company on Wednesday, 16 June 2021. Together with the interim dividend of HK0.8 cent (2019: HK0.8 cent) per ordinary share paid on 22 October 2020, the total dividend for FY2020 will amount to HK2.0 cents (2019: HK1.6 cents) per ordinary share.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Monday, 24 May 2021, the register of members of the Company will be closed from Monday, 17 May 2021 to Monday, 24 May 2021, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 May 2021.

In order to ascertain the entitlement to the final dividend, the register of members of the Company will be closed from Friday, 11 June 2021 to Wednesday, 16 June 2021, both days inclusive. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 June 2021.

## **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 the year ended 31 December 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed above and in this announcement, there are no significant events affecting the Group after the year ended 31 December 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 Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to Shareholders.

The Company complied with all code provisions in the CG Code during the year ended 31 December 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 year ended 31 December 2020 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee was established on 27 October 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the CG Code. The Audit Committee comprises three members, namely Mr. Cheung Kin Wing, Mr. Fung Chun Chung and Mr. Wong Raymond Fook Lam. The chairman of the Audit Committee is Mr. Cheung Kin Wing. The Audit Committee has reviewed the preliminary results announcement and the consolidated financial statements of the Group for the year ended 31 December 2020. The Audit Committee has also reviewed the effectiveness of internal control system of the Group and considered the system to be effective and adequate.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY THE INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's independent auditor, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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

Hong Kong, 25 March 2021

*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.*