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 2021

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 2021, together with comparative figures for the year ended 31 December 2020 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2021 increased by 6.0% to HK$744.1 million as compared with the corresponding period of 2020.
- Gross profit for the year ended 31 December 2021 reduced by 23.7% to HK$139.3 million. Gross profit margin decreased by 7.3 percentage points to 18.7% as compared with the corresponding period of 2020.
- The Group reported a loss before income tax of HK$15.5 million for the year ended 31 December 2021 as compared with a profit before income tax of HK$37.7 million for the corresponding period of 2020.
- Loss attributable to owners of the Company for the year ended 31 December 2021 was HK$10.6 million as compared with a profit of HK$28.9 million for the corresponding period of 2020.

FINAL DIVIDEND:

- The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK1.2 cents per ordinary share).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	**Year ended 31 December 2021** *HK$'000*	2020 *HK$'000*
Revenue	*5*	**744,067**	701,699
Cost of sales	*6*	**(604,738)**	(519,212)
Gross profit		**139,329**	182,487
Other income, net	*5*	**3,153**	3,427
Selling and distribution expenses	*6*	**(16,138)**	(13,098)
Administrative expenses	*6*	**(130,093)**	(121,948)
Other operating expenses, net	*6*	**(4,903)**	(6,723)
(Loss)/profit from operations		**(8,652)**	44,145
Finance expenses, net	*7*	**(6,843)**	(6,450)
(Loss)/profit before income tax		**(15,495)**	37,695
Income tax credit/(expense)	*8*	**4,911**	(8,814)
(Loss)/profit for the year		**(10,584)**	28,881
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on revaluation of land and building, net of tax		**3,774**	(1,650)
Currency translation differences		**(1,429)**	772
Other comprehensive income/(expense) for the year, net of tax		**2,345**	(878)
Total comprehensive (loss)/income for the year		**(8,239)**	28,003
(Loss)/earnings per share			
– Basic and diluted *(HK cents)*	*9*	**(1.06)**	2.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**59,479**	53,678
Right-of-use assets		**14,378**	23,200
Financial assets at fair value through profit or loss – non-current		**11,527**	13,854
Prepayment		**1,831**	1,864
Deferred tax assets		**4,754**	–
		91,969	92,596
Current assets			
Inventories		**243,729**	132,931
Financial assets at fair value through profit or loss – current		**639**	–
Trade and other receivables	*11*	**172,239**	183,044
Prepayments and deposits		**23,530**	29,791
Tax recoverable		**578**	–
Restricted bank deposits		**6,140**	6,139
Bank and cash balances		**62,790**	99,216
		509,645	451,121
Current liabilities			
Trade and other payables	*12*	**170,372**	129,788
Contract liabilities	*13*	**45,370**	3,453
Borrowings	*14*	**10,438**	8,750
Lease liabilities – current		**7,537**	9,207
Current income tax liabilities		**10,500**	7,662
		244,217	158,860
Net current assets		**265,428**	292,261
Total assets less current liabilities		**357,397**	384,857

		As at 31 December	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Lease liabilities – non-current		**8,561**	16,105
Deferred tax liabilities		**4,169**	3,947
		12,730	20,052
Net assets		**344,667**	364,805
Equity			
Share capital	*15*	**281,507**	281,507
Reserves		**63,160**	83,298
Total equity		**344,667**	364,805

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, Hunghom, 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 2021 and 2020 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 2020 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 2021 in due course.

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

2 BASIS OF PRESENTATION

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

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

The preparation of 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

Amended standards effective in 2021 which are relevant to the Group's operations

The Group has adopted the following amended standards which are effective for the financial period beginning on or after 1 January 2021 and relevant to the Group:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early adopted the following amendment to the accounting standard for the accounting period commencing 1 January 2021:

HKFRS 16 (Amendment)	COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has assessed the impact of the adoption of these amended standards and considered that there is no significant impact on the Group's results and financial position.

New standard, amendments to existing standards and interpretation effective after 2021 and yet to be adopted

The following are the new standard, amendments to standards and interpretation that have been issued but are not effective for the accounting period beginning 1 January 2021 and are yet to be adopted:

New standard, amendments and interpretation		**Effective for accounting periods beginning on or after**
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The Directors of the Company anticipate that the application of the above new standard, amendments to standards and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

4 SEGMENT INFORMATION

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

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business 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 (loss)/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 years ended 31 December 2021 and 2020.

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 are as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**167,390**	149,376
Customer B	**100,819**	124,213

Geographical information

During the year ended 31 December 2021, majority of revenue were derived from customers in Europe (mainly the United Kingdom (the "**UK**"), Switzerland, Ireland, Denmark and Sweden), while the remaining revenue were derived from customers in North America, the PRC (including Hong Kong), South-east Asia and others (mainly Australia and Israel).

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 and right-of-use assets), land and buildings with carrying values as at 31 December 2021 of HK$24,900,000 (2020: HK$21,700,000), are located in Hong Kong. Other property, plant and equipment and right-of-use assets are primarily located in the PRC and Thailand.

5 REVENUE AND OTHER INCOME, NET

	2021 *HK$'000*	2020 *HK$'000*
Revenue		
Sales of goods	**744,067**	701,699
Other income, net		
Commission income	**222**	76
Investment income	**331**	139
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(515)**	356
Government grants	**1,525**	4,212
Loss on foreign exchange, net	**(1,493)**	(2,961)
Scrap material sales income	**1,751**	539
COVID-19 related rent concessions	**4**	573
Service income	**553**	–
Gain on lease modification	**5**	–
Sundry income	**770**	493
	3,153	3,427

6 EXPENSES BY NATURE

	2021 *HK$'000*	2020 *HK$'000*
Employee benefit expenses (including directors' emoluments)	**179,047**	161,538
Depreciation for property, plant and equipment	**12,027**	11,487
Depreciation on right-of-use assets	**8,826**	8,602
Amortisation of insurance expense	**33**	33
Auditors' remuneration		
– Audit services	**2,093**	1,886
– Non-audit services	**769**	367
Gain on derivative financial instruments	**(786)**	–
Obsolete inventories written off	**375**	1,997
Expenses related to short-term leases	**447**	170
Loss on disposal of property, plant and equipment	**29**	282
Bad debt written off	**–**	985
Provision for impairment loss on trade receivables	**–**	514
Provision for impairment loss on inventories	**5,252**	2,912

7 FINANCE EXPENSES, NET

	2021	2020
	HK$'000	*HK$'000*
Finance income		
Bank interest income	**66**	874
Finance income	**66**	874
Finance expenses		
Interest on bank borrowings		
– Wholly repayable within five years	**(1,152)**	(1,567)
Interest on lease liabilities	**(539)**	(1,027)
Other finance expenses		
Bank charges	**(5,218)**	(4,730)
Finance expenses	**(6,909)**	(7,324)
Finance expenses, net	**(6,843)**	(6,450)

8 INCOME TAX (CREDIT)/EXPENSE

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

		2021	2020
	Note	***HK$'000***	*HK$'000*
Current income tax:			
– Hong Kong	*(a)*	**4,766**	3,565
– Other jurisdictions	*(b)*	**–**	4,937
		4,766	8,502
Overprovision in prior years		**(4,833)**	(45)
Deferred tax (credit)/expense		**(4,844)**	357
Income tax (credit)/expense		**(4,911)**	8,814

Notes:

(a) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of 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%. The Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK$2 million for the years ended 31 December 2020 and 2021.

(b) No provision for corporate income tax in other jurisdictions has been made as the Group has no assessable incomes in the relevant jurisdictions for the year ended 31 December 2021. Taxation arising in other jurisdictions for the year ended 31 December 2020 was calculated at the rates prevailing in the relevant jurisdictions.

9 (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 the years ended 31 December 2021 and 2020.

	2021	2020
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(10,584)**	28,881
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,000,000**	1,000,000
Basic (loss)/earnings per share *(HK cents)*	**(1.06)**	2.89

(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)/earnings per share was the same as basic (loss)/earnings per share due to the absence of dilutive potential ordinary shares for the years ended 31 December 2021 and 2020.

10 DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Interim dividend paid of nil (2020: HK0.8 cent) per ordinary share	**–**	8,000
Proposed final dividend of nil (2020: HK1.2 cents) per ordinary share *(note)*	**–**	12,000
	–	20,000

Note:

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK1.2 cents per ordinary share).

11 TRADE AND OTHER RECEIVABLES

	Note	**2021**	2020
		HK$'000	*HK$'000*
Trade receivables	*(a)*	**172,113**	184,350
Less: Provision for impairment loss on trade receivables		**(1,846)**	(1,836)
Trade receivables – net		**170,267**	182,514
Other receivables		**1,972**	530
		172,239	183,044

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 the 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 after the end of month. The aging analysis of the trade receivables based on invoice date at the end of the reporting period is as follows:

	2021	2020
	HK$'000	*HK$'000*
Below 30 days	**75,298**	103,917
Between 31 and 60 days	**62,145**	49,052
Over 60 days	**34,670**	31,381
	172,113	184,350

12 TRADE AND OTHER PAYABLES

	Note	2021 HK$'000	2020 HK$'000
Trade payables	(a)	**124,699**	95,693
Trust receipts		**26,321**	14,211
Accruals and other payables		**19,352**	19,884
		170,372	129,788

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 the end of reporting period is as follows:

	2021 HK$'000	2020 HK$'000
Below 30 days	**54,450**	42,161
Between 31 and 60 days	**42,225**	37,180
Over 60 days	**28,024**	16,352
	124,699	95,693

13 CONTRACT LIABILITIES

Revenue recognised in relation to contract liabilities

As at 31 December 2021 and 2020, the Group has recognised the following liabilities related to contracts with customers:

	2021 HK$'000	2020 HK$'000
Contract liabilities	**45,370**	3,453

(a) Significant change in contract liabilities

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance under the contracts which are mainly from sales of goods.

(b) Revenue recognised in relation to contract liabilities

The following table shows the amounts of the revenue recognised for the years ended 31 December 2021 and 2020 which relates to carried-forward contract liabilities.

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of goods	**2,138**	1,091

(c) Unsatisfied contracts related to sales of goods

The Group has applied the practical expedient to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date for its sales contracts for electronic products as the performance obligations have an original expected duration of one year or less.

14 BORROWINGS

		2021	2020
	Note	***HK$'000***	*HK$'000*
Term loans	*(a)*	**3,055**	4,468
Insurance premium loan	*(a)*	**3,383**	4,282
Revolving loan	*(a)*	**4,000**	–
		10,438	8,750

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

	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**6,379**	2,327
Between 1 and 2 years	**2,426**	2,374
Between 2 and 5 years	**1,633**	4,049
	10,438	8,750

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 2021 and 2020, the total borrowings pledged by certain assets and their carrying values are shown as below:

	2021	2020
	HK$'000	*HK$'000*
Property, plant and equipment	**24,900**	21,700
Financial assets at fair value through profit or loss – non-current	**9,086**	8,816
Restricted bank deposits	**6,140**	6,139
	40,126	36,655

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:

	2021	2020
	HK$'000	*HK$'000*
Variable rate	**10,438**	8,750

15 SHARE CAPITAL

	2021		2020	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Issued and fully paid				
At the beginning and the end of the year	**1,000,000,000**	**281,507**	1,000,000,000	281,507

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

It has been over two years since the outbreak of coronavirus disease 2019 ("**COVID-19**") began, which wreaked tremendous havoc on lives, livelihoods, and the global economy. With the availability of COVID-19 vaccines for widespread injection, economic activities are on the path towards global recovery. While the COVID-19 pandemic remains lingering, the Group recorded a 6.0% increase in revenue to HK$744.1 million for the year ended 31 December 2021, thanks to the continued increase in customer demands and temporary alleviation of certain material supplies. Notwithstanding the foregoing, soaring material costs and escalating freight and transportation charges have put huge pressures on the Group's profitability. Gross profit margin for the year ended 31 December 2021 was 18.7%, reduced by 7.3 percentage points compared with that of 2020. The increase in labour costs and appreciation of Renminbi ("**RMB**") added another vast layer of adversity to an already gravely challenging environment and resulted in the Group to have a loss of HK$10.6 million for the year ended 31 December 2021, as opposed to a profit of HK$28.9 million for the same period of 2020.

The Group has mobilised a number of measures, including but not limited to the stock-up of certain critical components, diversification of material sourcing, use of alternative materials, early shipment booking, etc. to secure its production and order fulfilment. The COVID-19 crisis and US-China trade tensions have highlighted the importance of supply chain diversification. The production facilities in Ireland and Thailand provide the Group with a high degree of flexibility to serve customers worldwide and diversify the risk of supply chain disruption whilst the production efficiencies of these facilities have yet to attain the optimum level due to COVID-19 disruptions.

The Group's order backlog stays strong which has reflected growing demands accelerated by digital transformation and automation. The Group had successfully bid the leasing of two factory buildings alongside the existing production base in the People's Republic of China (the "**PRC**") during the reporting period. It is expected that the factory buildings will come into operations in the year ahead, which will enhance the Group's production capacities to accommodate large volume of production on high-value and heavy-duty product series once the global economy is back on track from the pandemic.

FINANCIAL REVIEW

Revenue

The following table summarises the amount of revenue generated and as a percentage of total revenue from each product category for the year ended 31 December 2021 ("**FY2021**") and 2020 ("**FY2020**"), respectively:

	FY2021		FY2020	
	HK$'000	*%*	*HK$'000*	*%*
Electro-mechanical products	**331,461**	**44.5**	323,166	46.0
Smart chargers	**173,075**	**23.3**	173,965	24.8
Switch-mode power supplies	**159,674**	**21.5**	153,430	21.9
Smart vending systems	**70,191**	**9.4**	47,478	6.8
Others*(1)*	**9,666**	**1.3**	3,660	0.5
Total	**744,067**	**100.0**	701,699	100.0

Note:

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

The Group recorded a 6.0% increase in revenue to HK$744.1 million for FY2021 from HK$701.7 million for FY2020. Revenue from electro-mechanical products was HK$331.5 million for FY2021, representing a rise of 2.6% compared with that of 2020. Such increase in revenue mainly resulted from continued increase in customer demands on security and access control systems and water filtration products. Revenue from smart vending systems for FY2021 went up by HK$22.7 million compared with that of 2020 following the temporary alleviation of supply chain challenges brought by COVID-19. The Group's revenue growth, however, has been adversely affected by severe disruption of global supply chains and prolonged material shortage, affecting its ability to meet customers' demands.

The table below summarises the geographical revenue segment based on location of customers for FY2021 and FY2020, respectively:

	FY2021		FY2020	
	HK$'000	*%*	*HK$'000*	*%*
Europe[(1)]	**616,288**	**82.8**	553,381	78.9
North America[(2)]	**91,698**	**12.3**	101,590	14.5
The PRC (including Hong Kong)	**25,246**	**3.4**	30,796	4.4
South-east Asia[(3)]	**3,074**	**0.4**	9,763	1.4
Others[(4)]	**7,761**	**1.1**	6,169	0.8
Total	**744,067**	**100.0**	701,699	100.0

Notes:

(1) Europe includes Austria, Bulgaria, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Norway, Poland, Portugal, Serbia, Slovakia, Spain, Sweden, Switzerland, the Netherlands, and the UK.

(2) North America includes the US.

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

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

Europe and North America continued to be the major markets of the Group which in aggregate accounted for 95.1% and 93.4% of total revenue for FY2021 and FY2020, respectively. Revenue from European market for FY2021 went up by 11.4% compared with that of 2020 mainly due to growing sales from smart chargers and smart vending systems following the temporary alleviation of certain material supplies. Revenue from North American and Chinese markets for FY2021, however, reduced by 9.7% and 18.0%, respectively. The decrease mostly resulted from unstable supply of materials with fluctuated prices which distorted the Group's production and product delivery.

Cost of sales

The Group's cost of sales mainly comprised direct materials, direct labour costs, and manufacturing overheads. Cost of sales for FY2021 went up by 16.5% to HK$604.7 million from HK$519.2 million for FY2020. The upsurge in cost of sales is a combination of: (i) soaring material costs arising from prolonged material shortage worldwide; (ii) higher labour costs as a result of the re-arrangement of production activities following the electricity rationing in Guangdong province, the PRC and unstable supply of materials; (iii) increased carriage inwards and delivery lead time derived from container shortages and COVID-19 control measures taken by the governments around the world; and (iv) the inclusion of operating costs from the production facility in Thailand during the reporting period.

Gross profit and gross profit margin

The Group's gross profit was HK$139.3 million for FY2021, representing a decrease of 23.7% compared with that of 2020. Gross profit margin diminished by 7.3 percentage points to 18.7% for FY2021 from 26.0% for FY2020 as the adverse impacts on cost of sales were greater than the growing revenue.

Other income, net

Other income, net was HK$3.2 million for FY2021, dropped by 8.0% compared with that of 2020. Such change primarily attributed to: (i) the reduction in government grants by HK$2.7 million from COVID-19 relief measures; and (ii) the net fair value loss of HK$0.5 million from financial assets at fair value through profit or loss. The decrease in other income, net, however, was partly offset by reduced loss on foreign exchange by HK$1.5 million and increased scrap material sales income by HK$1.2 million during the reporting period.

Selling and distribution expenses

Included in selling and distribution expenses were primarily: (i) freight, insurance, and transportation charges, (ii) custom duties and declaration charges, (iii) sales commission, and (iv) marketing and promotion expenses. There was a 23.2% increase in selling and distribution expenses to HK$16.1 million for FY2021 from HK$13.1 million for FY2020. The disruption of global supply chains distorted the material lead time and product shipment, pushing up the Group's freight and transportation charges during the reporting period.

Administrative expenses

Administrative expenses grew by 6.7% from HK$121.9 million for FY2020 to HK$130.1 million for FY2021. Such increase in administrative expenses was mainly due to: (i) the appreciation of RMB against other currencies drove up overall operating expenses; (ii) the rise in staff salaries and allowances arising from annual pay increment and additional allowances paid to the Group's staff in Hong Kong and the PRC in support of operations in Thailand; and (iii) the absorption of running expenses from the production facility in Thailand.

Other operating expenses, net

Other operating expenses, net went down by 27.1% from HK$6.7 million for FY2020 to HK$4.9 million for FY2021 mainly due to the gain on derivative financial instruments of HK$0.8 million and the absense of provision for impairment loss on trade receivables during the reporting period. The decrease in other operating expenses, net, however, was partially offset by the rise in impairment loss and write-off of obsolete inventories.

Finance expenses, net

Finance expenses, net rose by 6.1% from HK$6.5 million for FY2020 to HK$6.8 million for FY2021. A general increase in bank charges and reduction in bank interest incomes contributed to the growth in finance expenses, net during the reporting period.

Income tax (credit)/expense

There was an income tax credit of HK$4.9 million for FY2021 primarily due to the reversal of overprovision of income tax expenses in the prior years, and the recognition of deferred tax credits arising from tax losses during the reporting period.

(Loss)/profit for the year

The Group reported a loss of HK$10.6 million for FY2021, as opposed to a profit of HK$28.9 million for FY2020. The loss for the year reflected the combined impacts of (i) escalating material costs due to prolonged shortage of components worldwide; (ii) soaring freight and transportation charges derived from severe disruption of global supply chains; (iii) growing direct labour costs and staff salaries and allowances due to the multiple waves of COVID-19 and additional allowances paid to the Group's staff in Hong Kong and the PRC to support the operations in Thailand; (iv) overall increase in operating expenses driven by the appreciation of RMB; and (v) the inclusion of running costs from the production facility in Thailand.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2021, 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 2021, the Group had net current assets of HK$265.4 million (2020: HK$292.3 million), including cash and bank balances (including restricted bank deposits) of HK$68.9 million (2020: HK$105.4 million). The cash and bank balances (including restricted bank deposits) are mainly denominated in HK$, 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) decreased from 2.8 times as at 31 December 2020 to 2.1 times as at 31 December 2021. 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 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 2021, the gearing ratio was not applicable ("**N/A**") to the Group (2020: 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.

During the year ended 31 December 2021, the Group had entered into certain forward foreign exchange contracts with a bank and a gain on derivative financial instruments of HK$0.8 million (2020: nil) was recognised at the consolidated statement of comprehensive income. All forward foreign exchange contracts had expired as at 31 December 2021.

As at 31 December 2021, no new forward foreign exchange contracts had been entered into by the Group (2020: 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 FY2021 and FY2020, all bank borrowings of the Group were arranged at floating rates varied with the then prevailing market condition.

As at 31 December 2021, the Group has bank borrowings of HK$10.4 million (2020: HK$8.8 million), which are primarily denominated in HK$ and US$.

Credit risk

The Group's credit risks are primarily attributable to financial instruments, financial assets at fair value through profits or loss, trade and other receivables, deposits, 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 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 2021, the customer bases were widely dispersed despite that 13.3% (2020: 21.2%) of the trade receivable were due from the Group's largest customer and 72.2% (2020: 62.4%) 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

(a) The Group's capital expenditure on property, plant and equipment contracted for but not yet incurred as at 31 December 2021 amounted to HK$42,000 (2020: HK$1,473,000).

(b) The Group has lease contracts that are committed but have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are approximately HK$136,473,000 (2020: nil).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during FY2021. The share capital of the Company only comprises ordinary shares.

As at 31 December 2021, the Company had 1,000,000,000 shares in issue (2020: 1,000,000,000 shares).

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments (2020: 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 FY2021 (2020: 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 2021 (2020: nil).

TREASURY MANAGEMENT

During FY2021, 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 the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Group 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 31 December 2021, the financial assets at fair value through profit or loss amounted to HK$9.1 million (2020: HK$8.8 million), property, plant and equipment amounted to HK$24.9 million (2020: HK$21.7 million) and bank deposits amounted to HK$6.1 million (2020: HK$6.1 million) had been charged as security for the bank borrowings of the Group.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,500 as at 31 December 2021 (2020: approximately 1,500). The Group's employee benefit expenses mainly included salaries, overtime payment and discretionary bonus, other staff benefits and contributions to retirement schemes.

For FY2021, the Group's total employee benefit expenses (including Directors' emoluments) amounted to HK$179.0 million (2020: HK$161.5 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. No share options were granted, exercised or lapsed under the Share Option Scheme during FY2021. As at 31 December 2021, the Group did not have any outstanding share options granted under the Share Option Scheme (2020: nil).

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 FY2021 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	Despite physical sales and marketing activities were put on hold due to travel restrictions amidst COVID-19, the Group's marketing team made all-out effort to explore potential markets and support existing customers through digital and virtual means to maintain organic growth. The COVID-19 pandemic has accelerated digital transformation and automation, stimulating the global demands on medical and health care products, automation and self-service equipment, and smart charging solutions. The Group successfully approached related customers in Europe and the US, some of which have placed trial orders and mass productions are expected to materialise in the year ahead. The Group will continue to put more resources on sales and marketing activities to capture these business opportunities.

Manufacture products of higher value and/or with higher profit contribution per the resources	The Group's profitability and order fulfillment has been hit by an upsurge in production costs driven by material shortages, supply chain disruption and increased labour costs. The Group has put in place various measures to mitigate the adverse effects, but remained vulnerable to higher material prices with limited supplies. In response, price adjustments have been made to alleviate its cost pressures, if possible.
Continue to expand the operations in ATE business segment	Multiple waves of COVID-19 and uncertain economic environment have adversely affected the business sentiment, curtailing customers' demands for ATEs. Some companies, if not all, have become more conservative on project development and put on hold their capital investment. As such, the Group continued to re-assign its ATEs talents to support its existing businesses and strengthen its capability in power electronics.
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	With travel restrictions, the Group's European team could only resolve to digital and virtual means for marketing and promotion. Even so, they worked closely with existing marketing teams in Hong Kong and the PRC to offer various service supports to customers and prepare for a rebound from the COVID-19 pandemic.

Further enhance the production efficiency and expand the production capacity	As disclosed in announcements of the Company dated 23 April 2021, 22 June 2021, 15 December 2021 and 18 March 2022, and the circular of the Company dated 26 July 2021, the Group had on 8 May 2021 and 30 June 2021, respectively, entered into tenancy agreements with Shiji Cooperative Economic Association of Dongchong Town, Nansha District, Guangzhou City, Guangdong Province* (廣東省廣州市南沙區東涌鎮石基股份合作經濟聯合社) (the "**Landlord**") (collectively, the "**Tenancy Agreements**") for the leasing of two respective factory buildings situated at No. 17 and No. 37, Dongchong Section, Shinan Highway. Shiji Village, Dongchong Town, Nansha District, Guangzhou City, Guangdong Province, the PRC* (中國廣東省廣州市南沙區東涌鎮石基村市南公路東涌段17及37號) (collectively, the "**Factory Buildings**"). The entering into of the Tenancy Agreements will allow the Group to increase its production capacity by expanding its production plant at the Factory Buildings. The expansion plan to be implemented in its existing production base would create synergy, minimise logistics and administrative costs and maximise production efficiency. Since the Landlord required additional time to obtain requisite approvals, permits and certificates for the Factory Buildings, the date of delivery was extended to on or before 28 February 2022. As disclosed in the announcement dated 18 March 2022, the Landlord was still actively processing the necessary procedures and the date of delivery would be further extended to on or before 30 April 2022. The respective rent-free renovation periods under the Tenancy Agreements would also be further extended to end on a date which is 1.5 months from the actual date of delivery accordingly. Details of the leasing of the Factory Buildings are set out in the announcements of the Company dated 23 April 2021, 22 June 2021, 15 December 2022, and 18 March 2022, respectively, and the circular of the Company dated 26 July 2021.

On the one hand, the Group's production facility in Ireland was still brought to a standstill by COVID-19. On the other hand, the production facility in Thailand had commenced operations in the first half of 2021 but the production efficiency remained behind the expected levels due to COVID-19. Despite this, the Group will continue to allocate resources in support of these production facilities to enhance production efficiency and capabilities.

Continue to recruit talents and professionals

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 2021, there were ten employees working at STC to provide a wide range of value-added services to the Group. The management of the Group will continue to recruit talents of the necessary level and number at STC for providing various supports to the Group.

USE OF PROCEEDS

The following table sets forth the status of use of net proceeds from the Listing as at 31 December 2021 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 approved by the Board on 25 October 2019 (the "Reallocation")	The Reallocation	The actual net proceeds subsequent to the Reallocation	Incurred up to 31 December 2021	Balance as at 31 December 2021	Expected timeline of full utilisation of the balance as at 31 December 2021
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	
Development of new production base	77.8	–	77.8	(33.8)	44.0	End of 2023
Upgrading of existing production facilities	4.5	–	4.5	(4.5)	–	N/A
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	(6.3)	–	N/A
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	(13.2)	0.1	End of 2022
	110.0	–	110.0	(65.9)	44.1	

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 announcement of the Company dated 25 October 2019 as to the change in use of proceeds from the Listing. Due to the uncertain economic and market conditions, driven by the multiple waves of COVID-19 and geopolitical uncertainties, 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.

OUTLOOK

The global economy showed signs of slight recovery in 2021 following the growing take-up rate of COVID-19 vaccines plus booster shots. Worldwide material shortage, supply chain disruption, and fluctuation of RMB remain the Group's major concerns in the year ahead and ever. The rapid spread of new COVID-19 variants across the world and the recent Russia-Ukraine conflict aggravated soaring material prices, longer lead times, and currency shocks, which cast considerable doubts about the sustainability of global recovery going forward. The COVID-19-induced contraction in economic activities and geopolitical uncertainties have distorted global product supplies and demands, driving up overall price levels. This poses a dilemma for the global monetary authorities whether to raise the interest rates to tackle the surge in inflation or keep interest rates steady to safeguard the recovery.

Regardless of the unavoidable headwinds, the Group will stay in close contact with suppliers and customers to mitigate the adverse effects brought by aforesaid challenges. What does not kill us, makes us stronger. The Group will continue to maintain its positive vibes to address these issues and enhance its core competencies to pave the way for future business opportunities.

DIVIDENDS

No interim dividend was paid during the year ended 31 December 2021 (2020: HK0.8 cent per share).

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK1.2 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Friday, 27 May 2022, the register of members of the Company will be closed from Monday, 23 May 2022 to Friday, 27 May 2022, 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, 20 May 2022.

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 2021.

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 2021 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 2021.

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 2021 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 2021. 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 2021 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, 24 March 2022

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.