TRIO INDUSTRIAL ELECTRONICS GROUP LIMITED
致豐工業電子集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1710)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Trio Industrial Electronics Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024, together with comparative figures for the six months ended 30 June 2023 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2024 decreased by 31.2% to approximately HK$389.2 million as compared with the corresponding period of 2023.

- Gross profit for the six months ended 30 June 2024 decreased by 43.2% to approximately HK$67.6 million, while gross profit margin decreased by 3.6 percentage points to 17.4% as compared with the corresponding period of 2023.

- The Group reported a loss before income tax of approximately HK$28.4 million for the six months ended 30 June 2024 as compared with a profit before income tax of approximately HK$27.7 million for the corresponding period of 2023.

- Loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately HK$25.9 million, as compared with a profit of approximately HK$21.7 million for the corresponding period of 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**389,249**	565,855
Cost of sales	*5*	**(321,607)**	(446,811)
Gross profit		**67,642**	119,044
Other income	*4*	**1,272**	2,443
Selling and distribution expenses	*5*	**(8,320)**	(9,741)
Administrative expenses	*5*	**(89,657)**	(81,329)
Other operating income, net	*6*	**4,858**	2,462
(Loss)/profit from operations		**(24,205)**	32,879
Finance expenses, net	*7*	**(4,168)**	(5,191)
(Loss)/profit before income tax		**(28,373)**	27,688
Income tax credit/(expense)	*8*	**2,521**	(5,948)
(Loss)/profit for the period attributable to owners of the Company		**(25,852)**	21,740
Other comprehensive expense for the period, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**(1,032)**	(1,927)
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(26,884)**	19,813
(Loss)/earnings per share			
– Basic and diluted (HK cents)	*9*	**(2.59)**	2.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**79,064**	76,006
Right-of-use assets		**95,182**	100,467
Financial assets at fair value through profit or loss		**3,399**	3,345
Prepayments and deposits		**1,667**	1,581
Deferred tax assets		**2,677**	–
		181,989	181,399
Current assets			
Inventories		**175,943**	205,612
Trade and other receivables	*11*	**173,521**	202,564
Prepayments and deposits		**19,015**	15,241
Tax recoverable		**335**	204
Financial assets at fair value through profit or loss		**264**	258
Restricted bank deposits		**16,532**	16,543
Cash and cash equivalents		**103,591**	60,949
		489,201	501,371
Current liabilities			
Trade and other payables	*12*	**122,284**	123,498
Contract liabilities		**26,958**	16,865
Borrowings	*13*	**26,925**	20,657
Lease liabilities		**6,569**	7,116
Current income tax liabilities		**6,927**	4,730
		189,663	172,866
Net current assets		**299,538**	328,505
Total assets less current liabilities		**481,527**	509,904
Non-current liabilities			
Lease liabilities		**93,983**	95,633
Deferred tax liabilities		**3,637**	3,536
		97,620	99,169
Net assets		**383,907**	410,735
Equity			
Share capital	*14*	**281,507**	281,507
Reserves		**102,400**	129,228
Total equity		**383,907**	410,735

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Trio Industrial Electronics Group Limited (the "**Company**") is a limited liability company incorporated in Hong Kong and listed 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, a company incorporated in the British Virgin Islands with limited liability.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 ("**Interim Financial Information**") is presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Information, which does not constitute the Group's statutory financial statements, has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and in compliance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 December 2023 that is included in the Interim Financial Information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as described below, the accounting policies used in the preparation of the Interim Financial Information are consistent with those set out in the annual report for the year ended 31 December 2023.

New and amended standards effective in 2024 which are relevant to the Group's operations

The Group has adopted the following new and amended standards which are effective for the financial period beginning on or after 1 January 2024 and relevant to the Group:

- Amendments to HKAS 1 on Classification of Liabilities as Current or Non-current
- Hong Kong Interpretation 5 (2020) on Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKAS 1 on Non-current Liabilities with Covenants
- Amendments to HKFRS 16 on Lease Liability in a Sale and Leaseback
- Amendments to HKAS 7 and HKFRS 7 on Supplier Finance Arrangements

The adoptions listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for the annual period beginning on 1 January 2024 and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 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**"), Thailand and Ireland during the six months ended 30 June 2024 and 2023.

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

Information about major customers

External customers contribute over 10% of total revenue of the Group for the six months ended 30 June are as follows:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**96,393**	58,287
Customer B	**60,447**	N/A
Customer C	**60,294**	92,718
Customer D	**50,120**	177,855

Geographical information

The table below summarises the geographical revenue segment based on location of customers for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Europe	**335,560**	495,654
North America	**30,434**	50,132
The PRC	**10,640**	7,528
South-east Asia	**3,912**	3,865
Hong Kong	**2,166**	2,321
Others	**6,537**	6,355
Total	**389,249**	565,855

During the six months ended 30 June 2024, the majority of revenue was 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 the United States of America (the "**US**"), the PRC, South-east Asia, Hong Kong and others (mainly Australia and Brazil).

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 30 June 2024 of HK$22,297,000 (31 December 2023: HK$22,900,000) are located in Hong Kong. Other property, plant and equipment and right-of-use assets are primarily located in the PRC and Thailand.

4 REVENUE AND OTHER INCOME

	Note	Six months ended 30 June 2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Revenue			
Sales of goods	*(a)*	**389,249**	565,855
Other income			
Commission income		**50**	111
Government grants		**6**	828
Investment income		**71**	87
Rental income		**15**	141
Scrap material sales income		**872**	879
Service income		**–**	57
Sundry income		**258**	340
		1,272	2,443

Note:

(a) Revenue from the sale of goods is recognised at a point in time.

5 EXPENSES BY NATURE

Expenses included in "Cost of sales", "Selling and distribution expenses", and "Administrative expenses" are analysed as follows:

	Six months ended 30 June 2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Cost of inventories	**266,751**	379,171
Employee benefit expenses (including Directors' remuneration)	**98,965**	109,654
Auditors' remuneration	**1,631**	2,465
Depreciation for property, plant and equipment	**8,561**	6,181
Depreciation for right-of-use assets	**7,055**	6,356
Expenses related to short-term leases	**576**	1,019
Freight and transportation expenses	**5,304**	5,300
Utilities expenses	**3,783**	3,874

6 OTHER OPERATING INCOME, NET

	Six months ended 30 June 2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Gain on foreign exchange, net	**3,676**	3,124
Reversal of impairment loss on trade receivables	**1,146**	176
Reversal of impairment loss on inventories	**70**	1,381
Obsolete inventories written off	**(92)**	(658)
Fair value gain/(loss) on financial assets at fair value through profit or loss	**60**	(33)
Gain on disposal of property, plant and equipment	**–**	16
Others	**(2)**	(1,544)
	4,858	2,462

7 FINANCE EXPENSES, NET

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**1,127**	508
Finance expenses		
Interest on bank borrowings	**(615)**	(815)
Interest on lease liabilities	**(2,374)**	(2,277)
Bank charges	**(2,306)**	(2,607)
	(5,295)	(5,699)
Finance expenses, net	**(4,168)**	(5,191)

8 INCOME TAX CREDIT/(EXPENSE)

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

		Six months ended 30 June	
		2024	2023
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Current income tax:			
– Hong Kong	*(a)*	**–**	(27)
– The PRC		**–**	(6,121)
Deferred tax credit		**2,521**	200
Income tax credit/(expense)		**2,521**	(5,948)

Note:

(a) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of estimated assessable 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 six months ended 30 June 2024 and 2023.

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 six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(25,852)**	21,740
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,000,000**	1,000,000
Basic (loss)/earnings per share *(HK cents)*	**(2.59)**	2.17

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share due to the absence of dilutive potential ordinary shares for the six months ended 30 June 2024 and 2023.

10 DIVIDENDS

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period Final dividend for 2023 of nil (final dividend for 2022: HK1.2 cents) per ordinary share	**–**	12,000
Dividend declared after the end of the interim reporting period Interim dividend of nil (interim dividend for 2023: HK0.8 cent) per ordinary share	**–**	8,000

Notes:

A final dividend in respect of the year ended 31 December 2022 of HK1.2 cents per ordinary share, amounting to a total dividend of HK$12,000,000, was declared and recognised as distribution in the six months ended 30 June 2023.

An interim dividend in respect of the six months ended 30 June 2023 of HK0.8 cent per ordinary share totalling HK$8,000,000 was paid to the shareholders of the Company (the "**Shareholders**") on 20 October 2023.

The Board did not recommend any final dividend for the year ended 31 December 2023 and interim dividend for the six months ended 30 June 2024.

11 TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Trade receivables	*(a)*	**169,819**	201,358
Less: Provision for impairment loss on trade receivables		**(1,446)**	(3,813)
Trade receivables – net		**168,373**	197,545
Other receivables		**5,148**	5,019
		173,521	202,564

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 excluded receivables which were subject to the factoring arrangement.

Note:

(a) Trade receivables

Trade receivables arise 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. As at 30 June 2024 and 31 December 2023, the aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Below 30 days	**66,497**	45,654
Between 31 and 60 days	**58,789**	45,472
Over 60 days	**44,533**	110,232
	169,819	201,358

12 TRADE AND OTHER PAYABLES

	Note	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Trade payables	*(a)*	**96,011**	102,959
Bills payable		**360**	–
Accruals		**24,083**	18,743
Other payables and provisions		**1,830**	1,796
		122,284	123,498

Note:

(a) Aging analysis of trade payables

The credit terms of trade payables granted by the vendors generally range from full payment before shipment to net 180 days. As at 30 June 2024 and 31 December 2023, the aging analysis of trade payables based on invoice date is as follows:

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Below 30 days	**40,191**	36,688
Between 31 and 60 days	**32,839**	25,201
Over 60 days	**22,981**	41,070
	96,011	102,959

13 BORROWINGS

	Note	As at 30 June 2024 *HK$'000* (Unaudited)	As at 31 December 2023 *HK$'000* (Audited)
Secured bank borrowings	*(a)*	**26,925**	20,657

The Group's borrowings were repayable as follows (without taking into account the repayment on demand clause as detailed in note (a) below):

	As at 30 June 2024 *HK$'000* (Unaudited)	As at 31 December 2023 *HK$'000* (Audited)
Within 1 year	**10,842**	13,157
Between 1 and 2 years	**10,333**	5,000
Between 2 and 5 years	**5,750**	2,500
	26,925	20,657

Notes:

(a) Repayment on demand clause

As these borrowings include a clause that gives the lender the unconditional right to call the borrowings 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", these borrowings were classified by the Group as current liabilities.

(b) Pledge of assets

As at 30 June 2024 and 31 December 2023, the total borrowings were secured by certain assets and their carrying amounts are shown below:

	As at 30 June 2024 *HK$'000* (Unaudited)	As at 31 December 2023 *HK$'000* (Audited)
Property, plant and equipment	**22,297**	22,900
Financial assets at fair value through profit or loss	**1,909**	1,870
Restricted bank deposits	**16,532**	16,543
	40,738	41,313

The borrowings were also secured by the an indemnity for an unlimited amount executed by the Company.

(c) Interest rate

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

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Variable rates	**26,925**	20,657

The fair values of borrowings approximates their carrying amounts, as the impact of discounting is not significant.

The effective interest rate of bank borrowings is 6.34% per annum for the period ended 30 June 2024 (31 December 2023: 7.82% per annum).

14 SHARE CAPITAL

	As at 30 June 2024 (Unaudited)		As at 31 December 2023 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Issued and fully paid				
At beginning and the end of period/year	**1,000,000,000**	**281,507**	1,000,000,000	281,507

Ordinary shares are classified as equity.

15 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**3,087**	4,823

(b) Lease commitments – as a lessee

The Group has recognised right-of-use assets and lease liabilities for all leases, except for short-term leases with original lease term of less than one year.

The total future minimum lease payments under non-cancellable leases for which no lease liabilities have been recognised by the Group as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**237**	152

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading Electronic Manufacturing Services ("**EMS**") provider specialising in customised industrial electronic components and products, the Group has solidified its position in the industry. Headquartered in Hong Kong with production facilities situated in the PRC, Thailand and Ireland, the Group has solidified its presence in the market.

The Group's expertise lies in manufacturing and sale of a diverse range of industrial electronic products, including electro-mechanical products, smart chargers, switch-mode power supplies and smart vending systems. These products find broad applications across sectors such as gaming and entertainment, medical and healthcare, renewable energy, telecommunications, commercial freight, security, and access control systems.

In the first half of 2024, Europe and North America faced economic growth slowdowns caused by challenging business conditions, including high interest rates, currency depreciation, and geopolitical tensions. Customers in these regions struggled to manage surplus inventories, requiring extended efforts to reduce them amid stagnant end-user sales. Moreover, improvements in supply chain logistics and shorter delivery times in post-covid era encouraged customers to scale back surplus inventory levels, thereby reducing product demand.

Consequently, the Group's revenue dropped by approximately HK$176.6 million during the six months ended 30 June 2024, primarily due to reduced sales of smart vending systems, switch-mode power supplies, and electro-mechanical products in Europe and North America.

During this challenging period, the Group strategically allocated additional resources to explore new opportunities in the new energy sector. The Group's involvement in new energy initiatives included the production of essential electronic components for solar and wind power applications, as well as the development of electric vehicle chargers under its self-owned renowned "Deltrix" brand. Concurrently, in alignment with China's influential "Belt and Road" initiative, the Group actively expanded its presence in Central Asia, notably inaugurating its first electric vehicle charging station in Almaty, Kazakhstan. The accompanying rise in administrative costs associated with the development of new energy business contributed to an increase in the Group's administrative expenses.

For the six months ended 30 June 2024, the loss attributable to owners of the Company amounted to approximately HK$25.9 million, as opposed to a profit of approximately HK$21.7 million for the same period of 2023.

With a global trend toward health awareness, digital evolution, and the transition towards sustainable energy becoming increasingly prominent, the demand for the Group's products continues to increase steadily. Foreseeing a gradual recovery of the global economy, the Group expects a revitalisation in the Group's revenue and profitability, driven by these prevailing industry dynamics.

FINANCIAL REVIEW

Revenue

The following table summarises the amount of revenue generated and as a percentage of total revenue from each product category for the six months ended 30 June 2024 and 2023, respectively:

	Six months ended 30 June					
	2024		2023		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)		(Unaudited)	
Electro-mechanical products	**147,332**	**37.8**	173,514	30.7	(26,182)	-15.1
Smart chargers	**98,031**	**25.2**	59,903	10.6	38,128	+63.6
Switch-mode power supplies	**90,644**	**23.3**	148,357	26.2	(57,713)	-38.9
Smart vending systems	**50,133**	**12.9**	179,278	31.7	(129,145)	-72.0
Others[1]	**3,109**	**0.8**	4,803	0.8	(1,694)	-35.3
Total	**389,249**	**100.0**	565,855	100.0	(176,606)	-31.2

Note:

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

Revenue for the six months ended 30 June 2024 decreased by approximately HK$176.6 million compared to the same period in 2023. This decline was primarily attributed to decreased sales of smart vending systems, electro-mechanical products, switch-mode power supplies and other products, reflecting a drop in demand for the Group's products as discussed in the "Business Review" section above. This decrease was partially offset by the growth in sales of smart chargers.

The table below summarises the geographical revenue segment based on location of customers for six months ended 30 June 2024 and 2023, respectively:

	Six months ended 30 June					
	2024		2023		Changes	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)		(Unaudited)	
Europe[(1)]	**335,560**	**86.2**	495,654	87.6	(160,094)	-32.3
North America[(2)]	**30,434**	**7.8**	50,132	8.9	(19,698)	-39.3
The PRC (including Hong Kong)	**12,806**	**3.3**	9,849	1.7	2,957	+30.0
South-east Asia[(3)]	**3,912**	**1.0**	3,865	0.7	47	+1.2
Others[(4)]	**6,537**	**1.7**	6,355	1.1	182	+2.9
Total	**389,249**	**100.0**	565,855	100.0	(176,606)	-31.2

Notes:

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

(2) North America includes the US.

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

(4) Others include Australia, Brazil, Kazakhstan, Israel and Japan.

Europe and North America continued to be the major markets for the Group, accounting for 94.0% and 96.5% of the Group's total revenue for the six months ended 30 June 2024 and 2023, respectively. During the six months ended 30 June 2024, sales to customers in Europe had a significant decrease of 32.3%, and sales to customers in North America also reduced by 39.3% compared to the same period in 2023. These decreases were a result of the decline in demand for the Group's products in these regions, as discussed in the "Business Review" section above.

Cost of sales

The cost of sales primarily consisted of direct materials, direct labour costs, and manufacturing overheads. During the six months ended 30 June 2024, the cost of sales decreased by 28.0%, primarily attributable to the decrease in material costs and direct labour costs in line with the drop in revenue.

Gross profit and gross profit margin

As a result of the aforementioned factors, the Group's gross profit for the six months ended 30 June 2024 was approximately HK$67.6 million, representing a decrease of 43.2% as compared to the corresponding period in 2023. Gross profit margin also decreased by 3.6 percentage points to 17.4% for the six months ended 30 June 2024, as compared with 21.0% for the corresponding period in 2023.

Other income

Other income primarily comprises scrap material sales income, investment income, commission income, rental income and government grants and subsidies received in the PRC. The Group recorded other income of approximately HK$1.3 million for the six months ended 30 June 2024, representing a decrease of approximately HK$1.2 million compared with the corresponding period of 2023. The decrease was primarily driven by decrease in income from the receipt of government grants and subsidies.

Selling and distribution expenses

Selling and distribution expenses primarily consist of freight and transportation expenses, inspection fee, business trips expenses, advertising and promotion expenses, marine insurance expenses and sales commission expenses. Selling and distribution expenses went down from approximately HK$9.7 million for the six months ended 30 June 2023 to approximately HK$8.3 million for the same period in 2024, mainly reflecting lower commissions to sales agents due to the decrease in sales.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses (including directors' remuneration), depreciation for property, plant and equipment and right-of-use assets, staff welfare and messing expenses, legal and professional fees, auditors' remuneration and other general administrative expenses. Administrative expenses grew from approximately HK$81.3 million for the six months ended 30 June 2023 to approximately HK$89.7 million for the same period in 2024. The increase in administrative expenses was mainly due to the rising salaries and allowances for sales and administrative staff within the Group and depreciation for property, plant and equipment.

Other operating income, net

Other operating income, net mainly consists of net gain on foreign exchange, reversal of impairment loss on trade receivables, reversal of impairment loss on inventories, fair value gain/(loss) on financial assets at fair value through profit or loss and obsolete inventories written off. Other operating income, net increased from approximately HK$2.5 million for the six months ended 30 June 2023 to approximately HK$4.9 million for the same period in 2024, which was primarily resulted from the increase in reversal of impairment loss on trade receivables and the decrease in obsolete inventories written off.

Finance expenses, net

Finance expenses, net represent interest on lease liabilities and bank borrowings, bank charges and interest income on bank deposits. Finance expenses, net went down from approximately HK$5.2 million in the six months ended 30 June 2023 to approximately HK$4.2 million in the same period of 2024. The decrease was mainly attributable to the following factors: (i) an increase in bank interest income; and (ii) a decrease in bank charges and interest expenses on bank borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2024, 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 shares of the Company on the Main Board of the Stock Exchange on 23 November 2017 (the "**Listing**") and bank borrowings. As at 30 June 2024, the Group had bank borrowings of approximately HK$26.9 million (31 December 2023: approximately HK$20.7 million), which were classified as current liabilities and primarily denominated in Hong Kong Dollars ("**HK$**") and United States Dollars ("**US$**"). In addition, as at 30 June 2024, the Group had undrawn banking facilities of approximately HK$234.0 million (31 December 2023: approximately HK$220.4 million) and restricted bank deposits and cash and cash equivalents of approximately HK$120.1 million (31 December 2023: approximately HK$77.5 million), which were mainly denominated in HK$, US$, Renminbi ("**RMB**"), Thai Baht ("**THB**") and Euros ("**EUR**").

As at 30 June 2024, the Group had net current assets of approximately HK$299.5 million (31 December 2023: approximately HK$328.5 million). The Group's current ratio, calculated by dividing current assets by current liabilities, decreased from 2.9 times as at 31 December 2023 to 2.6 times as at 30 June 2024. The Group's gearing ratio, determined by dividing net debt by total capital at the end of the reporting period, was not applicable ("**N/A**") as at 30 June 2024 (31 December 2023: N/A) since the Group maintained a positive net cash position (cash and cash equivalents minus borrowings). Net debt is calculated as bank borrowings less cash and cash equivalents, while total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt, where applicable.

FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: (i) market risk (including foreign exchange risk, price risk and cash flow 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 US$, RMB, THB and EUR. Foreign exchange risk arises from export sales, purchases, other future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The management of the Company has set up a policy to require the Group to manage its foreign exchange risk against its functional currencies. It manages its foreign currency risk by closely monitoring the movements of foreign currency rates and may enter into forward foreign exchange contracts to mitigate the exposure should the need arises.

During six months ended 30 June 2024 and 2023, the Group did not enter into any forward foreign exchange contract.

Price risk

The Group is exposed to equity securities price risk from equity instruments held by the Group which is classified in the interim condensed consolidated statement of financial position as financial assets at fair value through profit or loss. The Group mitigates its price risk exposure by maintaining a portfolio of investments with different risk and return profiles, and ensuring the investment portfolio is frequently reviewed and monitored.

Cash flow 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 in banks at variable rates. The Group does not adopt any interest hedging strategy.

For the six months ended 30 June 2024 and 2023, all borrowings of the Group were arranged at floating rates varied with prevailing market condition.

As at 30 June 2024, the Group had bank borrowings of approximately HK$26.9 million (31 December 2023: approximately HK$20.7 million), primarily denominated in HK$ and US$.

Credit risk

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

In respect of time deposits and cash held in 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 conducts periodic assessment on the recoverability of trade and other receivables based on historical payment records, the duration of the overdue period, the financial strength of the debtors and the presence of any disputes with the debtors. According to the Group's historical experience in collection of trade and other receivables, the irrecoverable trade and other receivables fall within the recognised allowances and the management is of the opinion that adequate provision for uncollectible receivables has been made in the interim condensed consolidated financial statements.

As at 30 June 2024, the Group had concentration of credit risk as 27.7% (31 December 2023: 49.0%) and 84.9% (31 December 2023: 81.0%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

Liquidity risk

Cash flow forecasts are performed for the operating entities of the Group. These forecasts consider the Group's debt financing plans, covenant compliance and any applicable external regulatory or legal requirements, such as currency restrictions.

The Group manages liquidity through various sources, including orderly realisation of short-term financial assets and receivables and long-term financing including long-term borrowings. The Group strives to maintain funding flexibility by keeping sufficient bank balances, available committed credit lines and interest-bearing borrowings. These measures enable the Group to sustain its business in the foreseeable future.

COMMITMENTS

Details of the Group's commitments as at 30 June 2024 are set out in note 15 to the condensed consolidated interim financial information.

CAPITAL STRUCTURE

There had been no change in the capital structure of the Group during the six months ended 30 June 2024. The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

As at 30 June 2024, the Company had 1,000,000,000 shares in issue (31 December 2023: 1,000,000,000 shares).

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the six months ended 30 June 2024 and 2023.

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 the six months ended 30 June 2024 and 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 June 2024 (31 December 2023: nil).

TREASURY MANAGEMENT

During the six months ended 30 June 2024, there had been no material change in the Group's funding and treasury policies. The Group maintains an adequate level of cash and banking facilities to support its normal business operations.

The Group's capital management objectives are to ensure the continuity of the Group as a going concern while maximising the return to the Shareholders through an optimal balance of debt and equity. The Group manages the amount of capital in proportion to risk and makes adjustments to its overall capital structure. The management of the Group closely monitors the trade receivable balances for 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 and effectively manage liquidity risk.

PLEDGE OF ASSETS

As at 30 June 2024, the financial assets at fair value through profit or loss amounted to approximately HK$1.9 million (31 December 2023: approximately HK$1.9 million), property, plant and equipment amounted to approximately HK$22.3 million (31 December 2023: approximately HK$22.9 million), restricted bank deposits amounted to approximately HK$16.5 million (31 December 2023: approximately HK$16.5 million) and an indemnity for an unlimited amount executed by the Company were pledged as security for the bank borrowings of the Group.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were approximately 1,470 as at 30 June 2024 (31 December 2023: approximately 1,560). The Group's employee benefit expenses mainly included salaries, overtime payment, discretionary bonus, directors' remuneration, other staff benefits and contributions to retirement schemes.

For the six months ended 30 June 2024, the Group's total employee benefit expenses (including Directors' remuneration) amounted to approximately HK$99.0 million (six months ended 30 June 2023: approximately HK$109.7 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.

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress for the six months ended 30 June 2024 and up to the date of this announcement:

Business strategies as stated in the Prospectus	**Actual business progress up to the date of this announcement**
Continue to expand the customer base in the European market and explore new markets in the PRC, the US and other Asian countries	The ongoing global trends towards digital advancement and sustainable energy transitions have led to a sustained need for medical and healthcare devices, smart charging solutions, electric vehicle chargers, energy-efficient equipment, and self-service kiosks. Through the concerted efforts of the Group's marketing team, the Group has successfully expanded its customer base across Europe, the US, the PRC (including Hong Kong), and other Asian countries. To take advantage of these emerging opportunities, the Group will continue to allocate more resources to enhance its sales and marketing activities.
Manufacture products of higher value and/or with higher profit contribution per the resources	The Group specialises in the manufacturing and sale of customised industrial electronic components and products. The Group's diverse product range includes electro-mechanical products, switch-mode power supplies, smart chargers, and smart vending systems. These products have a variety of applications across industrial and commercial sectors, including medical and healthcare devices, sustainable energy systems, telecommunication systems, commercial freight equipment, security and access control systems, as well as gaming and entertainment systems. The Group's industrial electronic products are renowned for their exceptional quality, technical precision, and their ability to deliver high value and make significant profit contributions.

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Continue to expand the operations in ATE business segment	The global economic slowdown and uncertain business environment have prompted the Group's customers in the ATE business to adopt a cautious approach towards project development and capital investment, leading to a decline in demand for ATEs. In light of this, the Group has decided to suspend its expansion plans in the ATE business and instead reallocate its resources to strengthen its capabilities in its core business of industrial electronic manufacturing services. This strategic reallocation allows the Group to navigate the challenging economic landscape, optimise operational efficiency, and maintain its dedication to delivering high-quality industrial electronic solutions.
Strengthen the sales and marketing efforts in the industrial electronic manufacturing services sector	The Group prioritise maintaining strong relationships with customers and partners through regular visits, fostering better cooperation and project development. Additionally, the Group actively collaborates with customers, design houses, and industry participants to drive innovation and explore new products. By actively participating in industry exhibitions, trade fairs and promotional campaigns, the Group stays informed about market developments, connect with potential customers and seize emerging opportunities. To enhance the Group's online presence, significant emphasis has been placed on enriching the content of its website. This includes providing timely corporate news and updates, showcasing our state-of-the-art smart manufacturing processes and highlighting its superior quality industrial electronic products. Through these efforts, the Group aims to strengthen its reputation and solidify its position as a leading provider of customised industrial electronic components and products.

Business strategies as stated in the Prospectus	**Actual business progress up to the date of this announcement**
Further enhance production efficiency and expand production capacity	As disclosed in the Company's announcements dated 23 April 2021, 22 June 2021, 15 December 2021, 18 March 2022, and 13 May 2022, along with the circular dated 26 July 2021, the Group entered into tenancy agreements with the Shiji Cooperative Economic Association of Dongchong Town, Nansha District, Guangzhou City, Guangdong Province* (廣東省廣州市南沙區東涌鎮石基股份合作經濟聯合社) to lease two factory buildings. These facilities became operational in 2023, with one building serving as a warehouse and the other as a production facility. Moreover, in 2023, the Group leased an additional factory building in close proximity to its existing production facility in Thailand, which will be fully operational in the second half of 2024. These new production facilities are equipped with advanced production lines featuring automation and digital technology, enhancing production efficiency. This expansion allows the Group to further enhance its production capacity and meet the evolving needs of its customers. With these initiatives in place, the Group is confident in its ability to strengthen its position as a leading provider of industrial electronic manufacturing services.
Continue to recruit talents and professionals	To maintain its competitive edge in the industrial electronics manufacturing industry, the Group has implemented a strategic approach that focuses on recruiting and developing skilled professionals. As part of its commitment to high value-added solutions and the integration of new technologies, the Group has transformed its strategic talent centre ("**STC**") in Guangzhou City, Guangdong Province, China into an innovation and software application development center. This transformation aims to attract and cultivate technological talents, enhance the Group's infrastructure, and drive the application of advanced technologies and innovation across operations. As at 30 June 2024, the STC employed ten individuals to provide a wide range of value-added services for the Group. Looking ahead, management of the Company remains dedicated to continuously attract and recruit talented individuals of the highest caliber and scale for the STC. This ensures that they can provide essential support to the Group's ongoing operations and contribute to the Group's continued growth and success in the industry.

* *for identification purpose only*

USE OF PROCEEDS

The following table sets forth the status of use of net proceeds from the Listing as at 30 June 2024 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 on 25 October 2019 (the "First Reallocation") *HK$' million*	The First Reallocation *HK$' million*	The reallocation on 22 December 2023 (the "Second Reallocation") *(Note)* *HK$' million*	The actual net proceeds subsequent to the First Reallocation and the Second Reallocation *HK$' million*	Utilised net proceeds up to 31 December 2023 *HK$' million*	Unutilised net proceeds as at 1 January 2024 *HK$' million*	Utilised net proceeds during the six months ended 30 June 2024 *HK$' million*	Balance as at 30 June 2024 *HK$' million*	Expected timeline of full utilisation of the balance as at 30 June 2024
Development of new production base	77.8	–	–	77.8	(53.6)	24.2	(17.4)	6.8	
– installation of SMT production lines, interchangeable PCB assembly production lines and other machineries and equipment in the Group's new production bases in the PRC and Thailand (the "**Sub-item 1**") *(note)*	54.2	–	(13.3)	40.9	(29.8)	11.1	(7.0)	4.1	End of 2024
– advance payment of rental deposit, electricity installation charges and rental prepayment in respect of the Group's new production base	14.4	–	–	14.4	(14.4)	–	–	–	–
– configuration of the Group's new production bases including leasehold improvements (the "**Sub-item 3**") *(note)*	9.2	–	13.3	22.5	(9.4)	13.1	(10.4)	2.7	End of 2024
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	(13.3)	–	–	–	N/A
	110.0	–	–	110.0	(85.8)	24.2	(17.4)	6.8	

Note: Having taken into account the latest business development of the Group and the business needs, the Board resolved to change the use of the unutilised net proceeds by (i) reallocating HK$13.3 million from the Sub-item 1 to the Sub-item 3; and (ii) inclusion of the new production base in Thailand in the Sub-item 1 and the Sub-item 3. Please refer to the announcement of the Company dated 22 December 2023 for further details in relation to the change of use of proceeds.

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 announcements of the Company dated 25 October 2019 and 22 December 2023 as to the change in use of proceeds from the Listing. The remaining portion of the net proceeds are expected to be utilised up to the financial year ending 31 December 2024. 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 management of the Company stays cautiously optimistic about the challenges ahead for the rest of this year. The Group is dedicated to staying vigilant as it navigates the tough business environment. The Group's order backlog indicates strong demand for its products, driven by a growing emphasis on health awareness, digital transformation, and the transition to sustainable energy. To leverage these trends, the Group will allocate additional resources to strengthen its sales and marketing efforts, enabling it to explore new business opportunities. Additionally, the Group will continue to invest in cutting-edge technologies to enhance production efficiencies and capabilities in its production facilities.

In alignment with the increasing global emphasis on sustainable energy, the Group will expand its presence in Central Asia in alignment with China's "Belt and Road" initiative. By establishing more electric vehicle charging stations in Almaty, Kazakhstan, the Group aims to create an ecosystem that includes electric vehicle charging facilities, advertising services, intelligent e-commerce, car washes and convenience stores at these locations.

The Group's strategic focus also extends to establishing a solid presence in Uzbekistan, Hong Kong, and Southeast Asia by providing comprehensive solutions for electric vehicle charging. The Group's overarching vision is to develop a "Greater Asia Sustainable Energy Business Circle", fostering collaboration and sustainable growth across the region. Through these focused initiatives, the Group aims to strengthen its market position, harness industry growth, and uphold its dedication to excellence while meeting the diverse needs of its stakeholders.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK0.8 cent per ordinary share).

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 six months ended 30 June 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, there are no significant events affecting the Group after the six months ended 30 June 2024 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 C1 to the Listing Rules. The Company is committed to ensuring a quality Board and its transparency and accountability to its Shareholders. The Company complied with all code provisions in the CG Code, and adopted the recommended best practices of the CG Code insofar as they are relevant and practical during the six months ended 30 June 2024.

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 C3 to the Listing Rules (the "**Model Code**") as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and there were no events of non-compliance during the six months ended 30 June 2024.

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 C.4 and paragraph D.3 of the CG Code. As at the date of this announcement, the Audit Committee comprises three members, namely Ms. Law Ying Wai Denise, Mr. Hau Siu Laam and Mr. Kan Pak Cheong. The chairperson of the Audit Committee is Ms. Law Ying Wai Denise.

The Audit Committee has reviewed this preliminary interim results announcement and the unaudited Interim Financial Information.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the independent auditor will be included in the interim report to be sent to the Shareholders.

On behalf of the Board
Trio Industrial Electronics Group Limited
Wong Sze Chai
Chairman and executive Director

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Wong Sze Chai (Chairman), Mr. Tai Leung Lam and Mr. Lo Ka Kei Jun as executive Directors, Mr. Kwan Tak Sum Stanley as non-executive Director, Mr. Hau Siu Laam, Ms. Law Ying Wai Denise and Mr. Kan Pak Cheong as independent non-executive Directors.