TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8346

Placing

Sole Sponsor

RHB Capital Hong Kong Limited

Sole Lead Manager

RHB Securities Hong Kong Limited

Joint Bookrunners

RHB Securities Hong Kong Limited

Opus Capital Limited 創富融資有限公司

平安證券有限公司 Ping An Securities Limited

* for identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent legal advice.

TEM Holdings Limited
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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**150,000,000 Shares**
Placing Price	**:**	**Not more than HK$0.55 per Placing Share and not less than HK$0.45 per Placing Share, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**8346**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Placing Price is currently expected to be fixed by an agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) on the Price Determination Date, which is scheduled on or about Wednesday, 4 May 2016 (Hong Kong time), or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)). If the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Placing Price by Wednesday, 4 May 2016 (Hong Kong time) (or such later time and/or date as agreed by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)), the Placing will not become unconditional and will lapse immediately.

Prospective investors of the Placing should note that the Underwriter(s) is/are entitled to terminate its obligations under the Underwriting Agreement by giving a notice in writing to, among others, our Company upon the occurrence of any of the events set out in the section headed "Underwriting — Grounds for termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Lead Manager (on behalf of the Underwriter(s)) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will not proceed and will lapse.

* *For identification purpose only*

29 April 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE(Note 1)

Expected Price Determination Date on(Note 2) .... Wednesday, 4 May 2016

Announcement of the determination of the Placing Price,
the level of indication of interest in the Placing
and the basis of allocation of the Placing
to be published on the Stock Exchange's website
at **www.hkexnews.hk** and our Company's website
at **ir.tem-group.com**(Note 3) on or before .... Tuesday, 17 May 2016

Allotment of the Placing Shares on or before .... Tuesday, 17 May 2016

Despatch of share certificates for the Placing Shares into CCASS
on or before(Note 4 and Note 5)... Tuesday, 17 May 2016

Dealings in the Shares on GEM expected to commence
at 9:00 a.m. on(Note 6) .... Wednesday, 18 May 2016

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. If there is any change to the above expected timetable, we will make an appropriate announcement on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **ir.tem-group.com** to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

(2) The Price Determination Date is expected to be on or about Wednesday, 4 May 2016 (or such later date as agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s))). If the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.

(3) None of our Company's website or any of the information contained in the website forms part of this prospectus.

(4) The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on Tuesday, 17 May 2016 for credit to the relevant CCASS Participants' stock accounts designated by the Underwriter(s)), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.

(5) All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

(6) For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners and the Underwriter(s) have not authorised anyone to provide you with information that is different with what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners and the Underwriter(s), any of their respective directors, officers, employees, affiliates and/or representatives or any other persons or parties involved in the Placing.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a manufacturer and a supplier of wire/cable harnesses and power supply cords assembled products with our manufacturing operations in Malaysia and the PRC and have more than 20 years experience in the wire/cable harnesses industry. We also sell terminals and connectors. Our customers are generally global brand name home/consumer appliances manufacturers and OEMs in the home appliances, consumer appliances and industrial products industries that are mainly based in the Asia Pacific Region.

A wire/cable harness is an assembly of wires/cables and other components and materials, such as timers, relays, thermistors, moulded plastic and stamped metal parts, that are connected to the wire/cable harness or an electrical wiring system, and is used to electrically connect electronic devices and electrical components mounted in home/consumer appliances and machinery for supplying power, sending sensor signals and transmitting information on operations. They support the key functions of home/consumer appliances and machinery. For power supply cords assembled products, we assemble terminals or connectors to power supply cords which are used to supply electricity to home/consumer appliances. According to Euromonitor Report, wire harness manufacturers with RAST and IDC design capabilities, such as our Group, are gaining international acceptance and meeting the demands of multinational consumer appliances brands.

We work closely with our customers in each stage of a product's life cycle, including design, prototyping and production. Our business model enables us to offer customised wire harness for different applications and electrics designs. Our products are customised and made-to-order in accordance with the specific technical requirements of our customers, which are appliance manufacturers and OEMs.

Our revenue amounted to approximately HK$136.6 million and HK$131.3 million for the years ended 30 June 2014 and 30 June 2015, respectively, and approximately HK$47.2 million and HK$46.4 million for the four months ended 31 October 2014 and 31 October 2015, respectively.

The table below illustrates our revenue breakdown by business segments during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	Revenue		Revenue		Revenue		Revenue	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Manufacturing								
— Wire/cable harnesses	103,411	75.7	107,924	82.2	37,378	79.2	39,457	85.1
— Power supply cords assembled products	14,221	10.4	15,240	11.6	6,675	14.2	4,316	9.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Terminals and connectors	10,355	7.6	7,259	5.5	2,235	4.8	2,579	5.6
— Other *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

The table below illustrates our revenue breakdown by major countries/regions to which we billed our customers during the Track Record Period which represented over 5% of our total revenue in any of the periods/years during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
PRC	28,194	20.6	35,274	26.9	11,499	24.4	13,123	28.3
Thailand	52,425	38.4	61,863	47.1	21,475	45.5	23,365	50.4
Malaysia	10,440	7.6	11,556	8.8	4,763	10.1	3,583	7.7
Singapore	6,206	4.5	6,883	5.3	2,486	5.3	1,644	3.6
Switzerland	4,401	3.2	8,290	6.3	2,536	5.4	2,948	6.4
USA	21,832	16.0	3,317	2.5	2,272	4.8	665	1.4
Other countries/regions *(Note)*	13,065	9.7	4,105	3.1	2,122	4.5	1,024	2.2
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other countries/regions include Australia, Hong Kong, Indonesia, New Zealand, Taiwan, Germany, Italy, Austria and Brazil. The revenue contributed from Brazil relates only the Brascabos Group Transaction.

COMPETITIVE STRENGTHS

Our principal competitive strengths are:

- Strong relationship with global brand name home/consumer appliances manufacturers and OEMs in home appliances, consumer appliances and industrial products industries as well as our key suppliers;
- High standard and commitment to quality control;
- Strong customised production platform; and
- Experienced management team with extensive knowledge of the manufacturing industry where we operate.

BUSINESS STRATEGIES

Our aim is to maintain our strong position in the strategically locations of our business. We plan to implement to achieve our aim by pursuing the following strategies:

- Upgrade and increase our production capacity;
- Strengthen established customer relationship and continue to diversify customer base;
- Enhance our manufacturing, information technology and human resources management capabilities to improve our overall operational efficiency; and
- Strengthen our sales and marketing efforts.

PRODUCTS

We are principally engaged in the manufacture and sale of wire/cable harnesses and power supply cord assembled products in a variety of specifications which are used in a wide range of applications, including:

- home appliances or white goods;
- consumer appliances such as coffee makers, electric kettles, irons and vacuum cleaners; and
- industrial products including power tools such as hammer drills and electric saws.

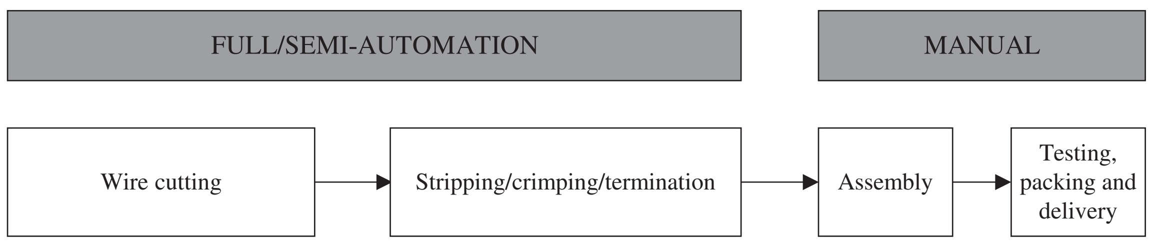
In addition, we sell terminals and connectors, manufactured by, and under the brand name of, Supplier A.

PRODUCTION CAPACITIES

For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the utilisation rates of our production facilities at (i) the Malaysia Factory were approximately 67.2%, 66.1% and 65.5%, respectively, and (ii) the PRC Factory were approximately 88.5%, 95.5% and 95.0%, respectively.

PRODUCTION PROCESS

The production process for our principal products, namely wire/cable harnesses and power supply cords assembled products, is set out below:



CUSTOMERS, SALES AND MARKETING

Our customers are mainly global brand name home/consumer appliances manufacturers and OEMs that are mainly based in the Asia Pacific Region, which typically incorporate our products into their products or systems.

Our customers generally purchase our products based on purchase orders which contain terms such as specifications, quantities and delivery time and are sent to us approximately one month before we deliver the products. We will agree with our customers on the final terms relating to the quantities, price and any other terms.

Our five largest customers, which are Independent Third Parties, accounted for approximately 74.8%, 77.1% and 78.8% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while our largest customer accounted for approximately 53.2%, 48.3% and 49.3% of our total revenue during the same period, respectively.

Our sales and marketing personnel solicit and collect feedback from our customers on our products. We manage our relationship with our key customers through frequent visits to our customers' offices and/or factories or through our customers' visits to our factories. Apart from our suppliers' and customers' referrals, our sales and marketing personnel participate in industry trade fairs exhibitions, such as Electronica, and seminars related to our target markets, to solicit new customers and explore new business opportunities.

SUPPLIERS

Our major raw materials include connectors, terminals, PVC and silicon wires and power supply cords. Other raw materials include plastic materials and components such as relays, timers and thermistors. We mainly source wires from a total of less than 10 suppliers in Malaysia and the PRC, and connectors/terminals from suppliers in Europe and the US, that are Independent Third Parties. Apart from entering into a written agreement with Supplier A, we do not enter into any framework agreement or long term agreement with any of our suppliers. Instead, we make our purchases based on the requirement of each particular contract and the customer orders we have on hand. For our reliance on the business strategy of Supplier A, please refer to the section headed "Risk Factors — We rely on the business strategy of Supplier A" on page 30 of this prospectus.

Our five largest suppliers, which are Independent Third Parties, accounted for approximately 60.3%, 57.8% and 55.5% of our total purchases for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while our largest supplier accounted for approximately 22.7%, 20.4% and 22.3% of our total purchases during the same period, respectively.

SUMMARY OF KEY OPERATIONAL AND FINANCIAL INFORMATION

Summary of combined statements of profit or loss and other comprehensive income

The following sets out selected items of our combined statements of profit and total comprehensive income for the Track Record Period (with comparative information for the four months ended 31 October 2014) which are extracted from the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 30 June		Four months ended 31 October	
	2014	2015	2014	2015
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	136,563	131,288	47,153	46,352
Gross profit	35,639	36,203	11,583	14,991
Selling and distribution costs	(3,059)	(2,943)	(860)	(1,100)
Administrative expenses	(14,231)	(16,463)	(5,206)	(5,251)
Profit before taxation	19,260	21,184	5,660	6,696
Profit for the year/period	14,610	16,419	3,920	3,318
Other comprehensive expense for the year/period	(796)	(7,495)	(1,301)	(7,773)
Total comprehensive income (expense) for the year/period	13,814	8,924	2,619	(4,455)

Our Group's revenue represents the total revenue generated from our two business segments, namely (i) the manufacturing of wire/cable harnesses and power supply cords assembled products, and (ii) the sale of terminals and connectors.

Other comprehensive expenses increased by approximately HK$6.7 million or 8.4 times from approximately HK$0.8 million for the year ended 30 June 2014 to approximately HK$7.5 million for the year ended 30 June 2015. The significant increase was mainly contributed by the exchange difference arising from the translation effect of Ringgit, being the functional currency of TEM Malaysia, against HK$, being the presentation currency of our Group. For the year ended 30 June 2015, Ringgit had depreciated significantly against HK$ by approximately 12.0%, led to the translation effect of currency of approximately HK$7.6 million as contributed by TEM Malaysia.

Other comprehensive expenses increased by approximately HK$6.5 million or 5.0 times from approximately HK$1.3 million for the four months ended 31 October 2014 to approximately HK$7.8 million for the four months ended 31 October 2015. The significant increase was mainly contributed by the exchange difference arising from the translation effect of Ringgit, being the functional currency of TEM Malaysia, against HK$, being the presentation currency of our Group. For the four months ended 31 October 2015, Ringgit had depreciated significantly against HK$ by approximately 14.9%, led to the translation effect of currency of approximately HK$6.6 million as contributed by TEM Malaysia.

Negative operating cashflow during the Track Record Period

During the Track Record Period, our Group recorded negative operating cashflow for (i) the year ended 30 June 2014, and (ii) the four months ended 31 October 2015. Net cash used in operating activities for the year ended 30 June 2014 was approximately HK$0.8 million, which was mainly attributable to increase in trade and other receivables of approximately HK$6.7 million primarily due to extended credit period granted to Customer A who is one of our major customers, and decrease in trade and other payables of approximately HK$9.8 million primarily due to an one-off settlement of other payable in relation to machines purchased for the Malaysia Factory which was brought forward from previous year.

Net cash used in operating activities for the four months ended 31 October 2015 was approximately HK$3.5 million, which was mainly attributable to increase in inventories of approximately HK$4.4 million primarily resulting from increase in purchase of raw materials in order to meet up with expected sales, increase in trade and other receivables of approximately HK$1.5 million primarily due to increase in trade receivables which resulted from increase in sale orders from Customer F who is one of our major customers based in the PRC and decrease in trade and other payables of approximately HK$3.1 million primarily due to decrease in purchase of raw materials from Supplier C.

Increase in direct labour costs in Malaysia and the PRC

Competition for skilled labour in Malaysia and the PRC has been more intense in recent years. Our direct labour costs increased by approximately HK$2.7 million or 17.6% from approximately HK$15.3 million for the year ended 30 June 2014 to approximately HK$18.0 million for the year ended 30 June 2015 owing to upward salary adjustment in compliance with the minimum wage requirements in the PRC and Malaysia. According to the Euromonitor Report, the average labour cost in Malaysia and the PRC has been on an increasing trend due to higher cost of living and the implementation of the Minimum Wages Order 2012 in Malaysia and the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》in the PRC. We expect our direct labour costs in both Malaysia and the PRC will further increase in future and cannot assure that we will be able to recruit and retain sufficient workforce in a timely manner or that our labour cost will remain stable in the future. For details, please refer to the section headed "Risk Factors — We may experience labour shortage or unrest or may incur high labour costs" in this prospectus on page 35.

Summary of combined statements of financial position

The following sets out the principal components of our assets and liabilities as at 30 June 2014, 30 June 2015 and 31 October 2015:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	8,387	10,960	10,287
Current assets	99,331	108,802	96,108
Current liabilities	20,185	23,638	19,764
Net current assets	79,146	85,164	76,344
Total equity attributable to owners of our Company	87,234	96,142	86,649

Key combined statements of cash flows

The following sets out selected items of our key combined statements of cash flows for the Track Record Period (with comparative information for the four months ended 31 October 2014):

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	(847)	12,308	(3,637)	(3,541)
Net cash generated from/(used in) investing activities	(12,060)	(14,437)	(9,475)	5,350
Net cash generated from/(used in) financing activities	(300)	936	—	(5,890)
Net increase/(decrease) in cash and cash equivalents	(13,207)	(1,193)	(13,112)	(4,081)
Cash and cash equivalents at beginning of the year/period	**42,213**	**28,703**	**28,703**	**25,242**
Effect of foreign exchange rate changes, net	(303)	(2,268)	(154)	(1,596)
Cash and cash equivalents at end of the year/period	**28,703**	**25,242**	**15,437**	**19,565**

KEY FINANCIAL RATIOS

	As at/For the year ended 30 June 2014	As at/For the year ended 30 June 2015	As at/ For the four months ended 31 October 2015
Current ratio	4.9 times	4.6 times	4.9 times
Quick ratio	3.3 times	3.1 times	3.0 times
Gearing ratio	N/A	1.0%	N/A
Return on total assets	13.6%	13.7%	9.3%
Return on equity	16.7%	17.1%	11.4%
Gross profit margin	26.1%	27.6%	32.3%
Net profit margin	10.7%	12.5%	7.2%

Further information on our Group's financial information during the Track Record Period is set out in the section headed "Financial Information" in this prospectus.

PLACING STATISTICS

	Based on a Placing Price of HK$0.45 per Placing Share	Based on a Placing Price of HK$0.55 per Placing Share
Market capitalisation *(Note 1)*	HK$270,000,000	HK$330,000,000
Unaudited pro forma adjusted combined net tangible asset per Share *(Note 2)*	HK$0.23	HK$0.25

Notes:

(1) The calculation of the market capitalisation of the Shares is based on the respective Placing Price of HK$0.45 and HK$0.55 per Placing Share and 600,000,000 Shares in issue immediately after completion of the Placing.

(2) The unaudited pro forma adjusted combined net tangible asset per Share has been arrived at after the adjustments referred to Appendix II to this prospectus, the respective Placing Price range of HK$0.45 and HK$0.55 per Placing Share and on the basis of 600,000,000 Shares in issue immediately following completion of the Placing.

LISTING EXPENSES

For the years ended 30 June 2014 and 30 June 2015, respectively, we did not incur any Listing expenses. For the four months ended 31 October 2015, we incurred Listing expenses of approximately HK$4.8 million. We expect to incur total Listing expenses of approximately HK$23.0 million for the year ending 30 June 2016, of which (i) approximately HK$4.8 million has been recognised in the income statement, (ii) approximately HK$11.4 million is expected to be recognised in the income statement, and (iii) HK$6.8 million is expected to be recognised as a deduction in equity directly for the year ending 30 June 2016. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and result of operations for the four months ended 31 October 2015 has been, and the year ending 30 June 2016 will be, significantly and adversely affected by the expenses in relation to the Listing.

RECENT DEVELOPMENT

Subsequent to 31 October 2015, we have continued to focus on our business operations and expansion. Our Directors expect that our Group continues to maintain our pricing terms with our customers in general as well as gross profit margin for the year ending 30 June 2016, although we have encountered weaker market conditions mainly as a result of slowdown in the growth of the global market, the possible further increase in interest rate by the US Federal Reserves. According to the Euromonitor Report, the estimated retail sales value of consumer appliance in the Asia Pacific Region is estimated to grow over the period between 2015 to 2019. The demand for our wire/cable harnesses and power cords will continue to be driven by the sale and growth of consumer appliance in the Asia Pacific Region. Notwithstanding the weakening of the global economy, the wire/cable harness and power cords market can benefit from the continuous urbanisation in China, the increase in consumerisms on consumer appliances from rural consumers in Thailand and the growing demand of energy efficient consumer appliances from Malaysia. Given the above, our Directors confirm that there have not been any material adverse changes in our financial and trading position and prospects subsequent to the Track Record Period and up to the Latest Practicable Date.

Our Group's unaudited financial information for the eight months ended 28 February 2015 and 29 February 2016, prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which was reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

According to the unaudited management accounts of our Group, (i) our unaudited revenue amounted to approximately HK$82.9 million for the eight months ended 29 February 2016, representing a decrease of approximately 5.7% compared to approximately HK$87.9 million for the eight months ended 28 February 2015; and (ii) our unaudited gross profit amounted to approximately HK$23.9 million for the eight months ended 29 February 2016, representing an increase of approximately 3.9% compared to approximately HK$23.0 million for the eight months ended 28 February 2015. We have maintained a stable gross profit margin for the eight months ended 29 February 2016 as the unaudited gross profit margin slightly increased from approximately 26.2% for the eight months ended 28 February 2015 to approximately 28.9% for the eight months ended 29 February 2016.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income.

Our Group is expected to record a decrease in profit for the year ending 30 June 2016, which is mainly due to (i) the non-recurring and non-tax deductible expense in relation to the Listing has been/to be incurred, and (ii) the expected increase in administrative expenses (including remuneration of our Directors, additional staff in administration, accounting and finance department and professional fees) of our Group. For details, please refer to the section headed "Risk Factors — Our future financial performance will be negatively affected by the Listing expenses incurred in connection with the Listing" on pages 36 and 37 of this prospectus.

MATERIAL ADVERSE CHANGE

The financial performance of our Group for the year ending 30 June 2016 are expected to be materially affected, in particular it is expected that our Group will record a net loss for the year ending 30 June 2016 as compared to a net profit for the year ended 30 June 2015, which is mainly due to the non-recurring and non-tax deductible expense in relation to the Listing of approximately HK$16.2 million to be charged in the income statement for the year ending 30 June 2016. Our Directors would like to emphasise that such estimate is a current estimate for reference only and the final amount to be recognised in the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 30 June 2016 will be subject to adjustments based on an audit and the then changes in variables and assumptions.

Save for the listing expenses to be recognised in the year ending 30 June 2016, our Directors confirm that (i) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospect of our Group since 31 October 2015, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report set out in Appendix I to this prospectus, and up to the date of this prospectus, and (ii) no event has occurred since 31 October 2015 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DIVIDENDS

During the Track Record Period, the dividends declared and paid by our Group was approximately HK$5.0 million for the four months ended 31 October 2015. Save and except for the declaration of the above dividends, as at the Latest Practicable Date, we had no intention to pay dividends prior to the Listing.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;

- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors our Board may deem relevant.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which also requires the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared, if any. For the limitations subjected to and other details, please refer to the section headed "Financial information — Dividends" on pages 233 and 234 of this prospectus. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

NON-COMPLIANCE

Our material non-compliances during the Track Record Period comprised (i) the failure to complete environmental protection acceptance procedures by TEM Jiangmen, and (ii) the failure to make certain housing provident fund contributions by TEM Jiangmen. We have implemented internal control measures to minimise future reoccurrence of such non-compliances. For details, please refer to the sections headed "Business — Non-compliance" and "Business — Internal Control" from pages 134 and 135, and from pages 136 and 137, respectively, of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

As we continue to grow and expand our business and with a view to maintaining our strong position in the strategically targeted locations of our business and, we consider the enhancement of, and expansion in, our production capacity by acquiring new machinery and equipment as one of our business strategies. We believe that the increase in production capacity will provide us with additional cost-saving advantages from economies of scale as well as allow us to meet the additional demand for our products. To ensure the successful implementation of our business and growth strategies, we consider that our ability to attract and retain experienced and motivated employees at all levels is important and accordingly, we plan to recruit additional engineering talent to enhance our capability in process application and development, training engineers and technical staff. In view of the above, as part of our future plan to implement our business objectives and business strategies, we plan to, among others, to upgrade and increase our production capacity and enhance our human resources management capabilities.

Please refer to the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus for our business strategies and future plans.

Assuming a Placing Price of HK$0.50 per Placing Share, being the mid-point of the indicative Placing Price range of HK$0.45 to HK$0.55 per Placing Share, the net proceeds from the Placing are estimated to be approximately HK$52.0 million, after deducting underwriting fees and estimated expenses paid or payable of our Company in connection thereto. Such net proceeds are intended to be used as follows:

- approximately HK$37.7 million or 72.4% of the net proceeds for upgrading and increasing our production capacity;

- approximately HK$4.2 million or 8.0% of the net proceeds for enhancing our manufacturing, information technology and human resources management capabilities to improve our overall operational efficiency;

- approximately HK$5.7 million or 11.0% of the net proceeds for strengthening our sales and marketing efforts; and

- approximately HK$4.4 million, or 8.6% of the net proceeds for our Group's general working capital.

For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

REASONS FOR THE PLACING

According to the implementation plan as disclosed in the section headed "Future Plans and Use of Proceeds" in this Prospectus, the total expenditure for the implementation plan (the "**Total Expenditure**") is estimated to be approximately HK$47.6 million during the period from the Latest Practicable Date and up to 30 June 2018, which will be entirely financed by the net proceeds from the Placing. For details, please refer to the section headed "Future Plans and Use of Proceed — Implementation Plan" in this prospectus.

As at 29 February 2016, being the date for determining our Group's indebtedness, our Group's cash and cash equivalent was approximately HK$26.0 million. Our Directors consider that, it is necessary to maintain a cash level to support our Group's existing operations and growth through continuing organic expansion, given that the expected cash outflow in the near future, includes: (i) the repayment of the amount due to a related company as at the Latest Practicable Date of approximately HK$5.0 million before the Listing, and (ii) the maximum net working capital cash outflow of approximately HK$15.8 million during the Track Record Period. According to the Accountants' Report set out in Appendix I to this prospectus, our Group had sufficient cash to sustain its daily operation during the Track Record Period, with the maximum net working capital cash outflow exposure of approximately HK$15.8 million for the year ended 30 June 2014 and with the average net working capital cash outflow of approximately HK$9.5 million during the Track Record Period. Movement of net working capital cash outflow of approximately HK$15.8 million, HK$3.8 million and HK$9.0 million were noted for the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, respectively. In view of the above, our Directors consider that the net proceeds from the Placing are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

In addition, our Directors believe that the Listing of our Company is to gain access to the capital market for future growth with opportunities to raise funds not only at Listing but also at a later stage. Assuming a Placing Price of HK$0.50 per Placing Share, being the mid-point of the indicative Placing Price range of HK$0.45 to HK$0.55 per Placing Share, the gross proceeds for the Placing are estimated to be approximately HK$75.0 million, and the net proceeds from the Placing are estimated to be approximately HK$52.0 million, after deducting underwriting fees and estimated expenses paid or payable of our Company in connection thereto.

Despite the considerable expenses for the Listing, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of the debt financing because our Directors are in the views that to maintain low level of gearing ratio throughout the Track Record Period would benefit to our Group and Shareholders as a whole. Our Directors also believe that the Listing will (i) allow our Group to establish a platform with ability to access the Hong Kong equity market for funding the development and expansion of its business, and (ii) and enhance our Group's corporate image. In addition, given that (i) the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), and (ii) borrowing rate in the PRC is relatively high, our Directors believe that our Group's financial performance and liquidity may be negatively affected due to its principal and interest payments, if it proceeds with debt financing to fund its business expansion.

The net proceeds is particularly relevant to our Group's future plan to upgrade and increase its production capacity in the PRC Factory as the utilisation rate has already reached approximately 88.5%, 95.5% and 95.0% for the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, respectively.

Our Directors believe that the Listing will enhance our Group's profile and recognition as well as enable us to implement the future plans set out in the section headed "Future Plans and Use of Proceeds — Implementation Plan" in this prospectus. Further, the Listing and the Placing will provide us with access to the capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this prospectus. As different investors may have different interpretations and criteria when determining the significant of a risk, you should read the section headed "Risk Factors" in this prospectus in its entirety before you decide to invest in the Placing Shares.

A summary of certain of these risk factors is set out below. Any of the following developments may have a material and adverse effect on our business, financial conditions and results of operations.

- We rely upon a number of major customers for a substantial portion of our revenues.
- We rely on the business strategy of Supplier A.
- Fluctuations in the prices of our major raw materials could materially and adversely affect our business, financial conditions and results of operations.

- Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations.

- We generate a significant amount of overseas sales. Conducting business in overseas markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced overseas sales and reduced profitability associated with such sales.

- Our business, financial conditions and results of operations are adversely affected by economic cycles, including the global financial and economic crisis.

- We may not be able to develop, manufacture and introduce new and technologically enhanced products that meet our customers' requirements consistently.

- We face significant competition in our business and our inability to compete effectively would be detrimental to our business and prospects for future growth.

- The fluctuation of exchange rate may have a material effect on our business and performance.

RISK MANAGEMENT

Our management has designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, financial risks and legal risks. Our Group is currently exposed to (i) foreign exchange risks; and (ii) price fluctuation of raw materials (e.g. wires). We currently do not have any hedging policy to eliminate such risks exposures. However, our Directors will closely monitor the related exposures to foreign currency and price fluctuations of raw materials. Our Group has adopted internal control procedures to mitigate the risks related to foreign exchange and the price fluctuations of raw materials. For details, please refer to the section headed "Business — Risk Management" in this prospectus.

COMPETITIVE LANDSCAPE

According to the Euromonitor Report, the wire/cable harnesses and power cords manufacturing industry in China is highly fragmented with various sizes of manufacturers vying for a share. The industry is consolidated in Malaysia. In 2014, the market size of wire/cable harnesses and power cords in China and Malaysia is estimated to be approximately US$16 billion and US$550 million, respectively, with the our Group's revenue accounted for less than 0.1% of the combined market share. The connectors trading industry in Singapore is also highly fragmented in terms of the number of players operating, according to the Euromonitor Report. There are more than 100 firms involved in the trading of connectors in Singapore, with more than 10 of them being major global players and the rest made up by smaller European and Chinese makers and various distributors.

Our Group (i) manufactures and sells wire/cable harnesses and power supply cords assembled products in Malaysia and the PRC, (ii) has customers who are generally global brand name home/ consumer appliances manufacturers and OEMs (in the home appliances, consumer appliances and industrial products industries) that are mainly based in the Asia Pacific Region, and (iii) sells terminals and connectors in Singapore. Given the fragmented markets in which we operate coupled with our unique business model, there is no meaningful and specific statistics on particular players who are directly comparable to our business model in the public domain.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), Mr. Lau, through Jumbo Planet, will own 75% interest in the enlarged issued share capital of our Company and hence will, together with Jumbo Planet, be our Controlling Shareholders after Listing. Save as mentioned above, there is no other person who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be directly or indirectly interested in more than 30% or more of the Shares in issue.

THE SHARE OPTION SCHEME

In order to incentivise our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we have conditionally adopted the Share Option Scheme on 20 April 2016. The principal terms of the Share Option Scheme are summarised in the section headed "E. Share Option Scheme" in Appendix IV to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms have the following meanings. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, adopted on 20 April 2016, a summary of which is set out in Appendix III to this prospectus, and as amended or supplemented from time to time
"Asia Pacific Region"	Asia Pacific region comprising, among others, the PRC, Hong Kong, Malaysia, Singapore, India, Indonesia, Thailand, the Philippines, Korea, Japan, Taiwan, Australia and New Zealand
"Audit Committee"	the audit committee of our Board
"BAP Trading"	BAP Trading Company Limited (formerly known as Pacific Way Enterprises Limited 泰偉企業有限公司 and Brascabos Asia Pacific Company Limited), a company incorporated in Hong Kong with limited liability on 18 June 2007, an indirect wholly-owned subsidiary of our Company
"Board"	our board of Directors
"Branch Share Registrar"	Boardroom Share Registrars (HK) Limited
"Brascabos Group"	Brascabos International and its subsidiaries or any of them
"Brascabos Group Transaction"	the related party transaction as described and defined in the section headed "Financial Information" in this prospectus
"Brascabos International"	Brascabos International Group Limited (formerly known as Universal Asia Enterprises Limited 環亞企業有限公司 and Brascabos Asia Pacific Company Limited), a company incorporated in BVI with liability limited by shares on 21 February 2006, a wholly-owned subsidiary of New Universe
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally opened for normal banking business
"BVI"	the British Virgin Islands
"BVI BC Act"	the BVI Business Companies Act, 2004, as amended, supplemented or otherwise modified from time to time

"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 449,999,907 Shares to be made upon capitalisation of the share premium account of our Company as referred to in the paragraph headed "A. Further Information about our Company — 4. Written Resolutions of our Shareholder" in Appendix IV to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
"Chairman"	the chairman of the Board, namely Mr. Lau
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"Company"	TEM Holdings Limited (創新電子控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 October 2015. The expression "we", "us" and "our Company" may be used to refer to our Company or our Group as the context may require
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Controlling Shareholder(s)"	has the meaning given to it under the GEM Listing Rules, being Mr. Lau and Jumbo Planet, and each of them is directly or indirectly interested in 75% of the shareholding in our Company immediately after the Capitalisation Issue and the Placing (but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme)
"Deed of Indemnity"	the deed of indemnity from each of the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) dated 20 April 2016
"Deed of Non-competition"	the deed of non-competition from each of the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) dated 20 April 2016
"Director(s)"	the director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law of the PRC《中華人民共和國企業所得稅》, promulgated on 16 March 2007 by the National People's Congress of the PRC and became effective on 1 January 2008
"ERP system"	the enterprise resource planning system, an application system to achieve integration of business and technical information with the aim of improving business processes, including both front office and back office functions
"EU"	European Union
"EURO"	Euros, the lawful currency of the member states of the EU
"Euromonitor"	Euromonitor International Ltd., a company established in England, being an Independent Third Party and a professional market research company
"Euromonitor Report"	a report dated 29 April 2016 prepared by Euromonitor in relation to the wire/cable harnesses, power supply cords, connectors and terminals industry
"FY"	financial year
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended, supplemented or otherwise modified from time to time)

"Glory Sun"	Glory Sun Developments Limited (信輝發展有限公司#), a company incorporated in BVI with liability limited by shares on 3 January 2006, a direct wholly-owned subsidiary of our Company
"Group"	our Company and its subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses operated by its present subsidiaries or (as the case may be) their predecessors
"GST"	goods and services tax
"HKFRSs"	Hong Kong Financial Reporting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Independent Third Party/Parties"	a person or persons which is or are independent of, and not connected with, any directors, chief executive or substantial shareholders (within the meaning under the GEM Listing Rules) of our Company or any of its subsidiaries or any of their respective associate(s)
"Issue Mandate"	the general unconditional mandate given to our Directors relating to the issue of new Shares, further details of which are set out in the section headed "A. Further information about our Group — 4. Written resolutions of our Shareholders" in Appendix IV to this prospectus
"Joint Bookrunners"	RHB Securities, Opus Capital Limited and Ping An Securities Limited as joint bookrunners of the Placing
"Jumbo Planet"	Jumbo Planet Group Limited, a company incorporated in BVI with liability limited by shares on 10 April 2015 and directly wholly-owned by Mr. Lau, one of our Controlling Shareholders

"Latest Practicable Date"	20 April 2016, being the latest practicable date before the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the listing of our Shares on GEM
"Listing Date"	the date, expected to be on or about 18 May 2016, on which our Shares are listed on GEM
"Listing Division"	the Listing Division of the Stock Exchange
"LME"	London Metal Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Malaysia"	The Federation of Malaysia
"Malaysia Factory"	our production facilities located at Lot A99, Lot A101 and Lot A102 of Jalan 2A, Kawasan Perusahaan Sungai Lalang, 08000 Sungai Petani, Kedah Darul Aman, Malaysia, and 43 Jalan Sungai Tukang 2, 08000 Sungai Petani, Kedah Darul Aman, Malaysia
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company, adopted on 20 April 2016, a summary of which is set out in Appendix III to this prospectus, and as amended or supplemented from time to time
"Mr. Ho"	Mr. Vincent Ho Pang Cheng, our executive Director and chief executive officer
"Mr. Kan"	Mr. Kan Wai Kee, our executive Director
"Mr. Lau"	Mr. Lau Man Tak, our executive Director, Chairman and a Controlling Shareholder
"MYR", "Ringgit" or "RM"	Ringgit Malaysia, the lawful currency of Malaysia
"New Universe"	New Universe Industries Limited (formerly known as New Universe Investments Limited), a company incorporated in BVI with liability limited by shares on 8 May 2009, a direct wholly-owned subsidiary of Perfect Asset
"Nomination Committee"	the nomination committee of our Board

"Optimum Electronics"	Optimum Electronics Sdn. Bhd., a company incorporated in Malaysia with limited liability on 25 February 2014 and is owned as to 85% by Glory Sun and 15% by Mr. Lee Khoon Hwa, a director of Optimum Electronics
"Perfect Asset"	Perfect Asset Investments Limited, a company incorporated in BVI with liability limited by shares on 5 November 2009, a company wholly-owned by Mr. Lau
"Placing"	the conditional placing of 150,000,000 Placing Shares by the Underwriter(s) on behalf of our Company for cash at the Placing Price, as further described in the section headed "Structure and Conditions of the Placing" in this prospectus
"Placing Price"	the final price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), to be determined in the manner described in the section headed "Structure and Conditions of the Placing" in this prospectus
"Placing Shares"	the Shares being offered for subscription pursuant to the Placing
"PRC" or "China"	People's Republic of China and for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Factory"	our production facility located at Building 9, Block M of Shachong Wei Factory, 173 Jianshe 3rd Road, Jiangmen City, Jiangmen, the PRC* and Building 10, Block N of Shachong Wei Factory, 173 Jianshe 3rd Road, Jiangmen City, Jiangmen, the PRC*
"PRC Government"	the central government of the PRC, including all governmental subdivision (including provincial, municipal and other regional or local government entities, and their instrument abilities or where the context requires, any of them)
"PRC Legal Adviser"	Deheng Law Offices (Shenzhen)
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) on or about the Price Determination Date to record and fix the Placing Price
"Price Determination Date"	the date on which the Placing Price will be fixed, which is expected to be on or around 4 May 2016
"Real", "Reais" or "R$"	Real, the lawful currency of Brazil

"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, as described in the section headed "History, Reorganisation and Group Structure" in this prospectus and the paragraph headed "A. Further Information about our Company — 5. Corporate Reorganisation" in Appendix IV to this prospectus
"Repurchase Mandate"	the general unconditional mandate relating to the repurchase of the Shares granted to our Directors, further details of which are set out in the paragraphs headed "A. Further Information about our Company — 4. Written Resolutions of our Shareholder" and "A. Further Information about our Company — 7. Repurchase of our Company's Securities" in Appendix IV to this prospectus
"RHB Capital" or "Sole Sponsor"	RHB Capital Hong Kong Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the sole sponsor of the Listing
"RHB Securities"	RHB Securities Hong Kong Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, being the Sole Lead Manager and one of the Joint Bookrunners of the Placing
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SAFE"	PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"SEAP Trading"	SEAP Trading Pte. Ltd. (formerly known as Stocko Electronics Asia Pacific Pte Ltd), a company incorporated in Singapore with limited liability on 12 December 1998, an indirect wholly-owned subsidiary of our Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"SGD" or "S$"	Singapore dollars, the lawful currency of Singapore
"Share(s)"	ordinary share(s) with a nominal or par value of HK$0.01 each in our share capital
"Shareholder(s)"	holder(s) of Shares

"Share Option"	option(s) granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, a summary of the principal terms are set out in the paragraph headed "E. Share Option Scheme" in Appendix IV to this prospectus
"SIC Qingdao"	青島創新科電業有限公司 (SIC Electronics Co Ltd*), a WFOE established in the PRC with limited liability on 14 May 2004, was a direct wholly-owned subsidiary of TEM Group before its dissolution on 19 June 2015
"Singapore"	The Republic of Singapore
"sq. ft."	square feet
"Sole Lead Manager"	RHB Securities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplier A"	a key supplier of connectors, terminals, housing and IDC of our Group which is headquartered in Germany
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as amended, supplemented or otherwise modified from time to time
"TEM Group"	TEM Group Limited (formerly known as South Glory Management Limited), a company incorporated in BVI with limited liability on 2 January 1998, a direct wholly-owned subsidiary of our Company
"TEM Jiangmen"	江門創新科電業有限公司 (TEM Electronics (Jiangmen) Co Ltd*), a WFOE established in the PRC with limited liability on 23 July 2008, an indirect wholly-owned subsidiary of our Company
"TEM Malaysia"	TEM Electronics (M) Sdn. Bhd. (formerly known as Honjin Plastic Sdn. Bhd. and Todaiji Electronics (M) Sdn. Bhd.), a company incorporated in Malaysia with limited liability on 31 October 1995, an indirect wholly-owned subsidiary of our Company
"THB"	Thai Baht, the lawful currency of Thailand
"Track Record Period"	the financial years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015

"Underwriter(s)"	the underwriter(s) of the Placing named in the paragraph headed "Underwriter(s)" in the section headed "Underwriting" in this prospectus
"Underwriting Agreement"	the underwriting agreement entered into on 28 April 2016 among our Company, our executive Directors, our Controlling Shareholder(s), the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners and the Underwriter(s) relating to the Placing, details of which are summarised in the section headed "Underwriting" in this prospectus
"United States" or "US"	the United States of America
"US dollars" or "US$"	United States dollars, the lawful currency of the United States
"WFOE"	wholly foreign owned enterprise
"%"	per cent

The terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "significant shareholder", "subsidiary" and "substantial shareholder" have the meanings given to such terms under the GEM Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, certain amounts denominated in Reais and US dollars have been translated into Hong Kong dollars at an exchange rate of R$1.00 = HK$1.92 and US$1.00 = HK$7.80, respectively, in each case for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Reais or US dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

This prospectus contains explanations and definitions of certain terms used in connection with our Group's business. The terms and their meanings used in this prospectus may not correspond to standard industry meaning or usage of these terms. As there is no official industry classification, the classification of our products is determined based on our Directors' knowledge and experience.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.

* for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

for identification purposes only. To the extent there is any inconsistency between the English name of the entity and its Chinese translation, the English name shall prevail.

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"connector"	a device used to join two electronic ports to transmit power or signal
"crimping"	a process where strands of wires are compressed in a metal plate or other materials, such as a terminal, so as to hold the wires to the metal plate or other materials such as a terminal
"global brand name home/ consumer appliances manufacturers"	well-known manufacturers of major home appliances or white goods, consumer appliances and industrial products with global presence
"IDC"	insulation-displacement connector, an electrical connector
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"ISO 14001"	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
"OEM(s)"	original equipment manufacturer(s)
"power supply cords assembled products"	finished products assembled with power cords purchased and processed with crimping/termination
"power supply cords products"	power cords
"PVC"	polyvinyl chloride, a synthetic plastic polymer
"RAST"	Raster Anschluβ Steck Technik or "pitch connection plug technology"
"terminal"	a device at which an electrical device ends and connects to an external circuit

"white goods"	large household electrical goods, such as refrigerators, washing machines and dishwashers, which are traditionally white in colour
"wire/cable harness"	an assembly of wires/cables bound together with straps, cable ties and electrical tapes to transmit signals or electrical power

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES.

This prospectus contains forward-looking statements that are based on various assumptions regarding our Group's present and future business strategy and the environment in which our Group will operate in the future and are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures and initiatives to implement them;
- our future business development and various business opportunities that we may pursue;
- fluctuations in general business conditions globally, particularly in the PRC, Hong Kong, Malaysia and Singapore;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in the political, economic, legal and social conditions globally, particularly in the PRC, Hong Kong, Malaysia and Singapore;
- costs of bank loans and other forms of financing, and our ability to secure adequate financing for our business operations;
- our financial conditions;
- our dividend policy;
- our ability to enter into new geographic markets and expand our operations;
- our ability to obtain permits and licences to carry on our business;
- changes in foreign exchange rates;
- the other factors referenced in this prospectus, including without limitation, under the sections headed "Risk Factors", "Business" and "Financial Information"; and
- other factors beyond our control.

The words "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "with a view to" and similar expressions and the negative of these words, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Purchasers of our Placing Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the section headed "Risk Factors" in this prospectus, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that its plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial conditions may be materially and adversely affected and actual outcomes may differ materially from those described in this prospectus as anticipated, believed, estimated or expected.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Potential investors should carefully consider all information set out in this prospectus and, in particular, should consider all the risks and uncertainties described below before making any investment decision in relation to our Company. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial conditions and operating results of our Group. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

Our Directors consider that there are certain risks and uncertainties involved in our Group's operations, some of which are beyond its control, that may materially and adversely affect our Group's business, financial conditions and results of operations. Our Group has categorised these risks and uncertainties into: (i) risks relating to our business, (ii) risks relating to the industry, (iii) risks relating to conducting business in the countries where we operate, (iv) risks relating to the Placing and our Shares, and (v) risks relating to the statements made in this prospectus. These risks are summarised as follows:

RISKS RELATING TO OUR BUSINESS

We rely upon a number of major customers for a substantial portion of our revenues.

We derive a substantial portion of our revenues from a number of major customers. During the Track Record Period, a total of six customers constituted our five largest customers of each period. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, our five largest customers accounted for approximately 74.8%, 77.1% and 78.8% of our total revenues, respectively, while the largest customer accounted for approximately 53.2%, 48.3% and 49.3% of our total revenue, respectively, for the same periods. The concentration of our sales among a number of major customers exposes us to a variety of risks that could have a material adverse impact on our revenues and profitability, including the reduced demand from a single major customer for our products or loss of a single major customer's business could result in a significant decrease in our revenues.

In addition, any fluctuations in demand from our major customers may materially and adversely affect our business, financial conditions and results of operations.

Our customers primarily place purchase orders with us based on their production needs. While we may enter into non-exclusive framework agreements with some of our key customers, these framework agreements can be terminated with or without prior notice. Please refer to the section headed "Business — Customers and Sales" in this prospectus for further information relating to the principal terms of the above framework agreements. As a result, our business, financial conditions and results of operations may materially and adversely affected if one or more of our major or other customers:

- do not submit additional purchase orders;
- do not enter into new agreements with us; or
- elect to terminate their relationship with us.

We rely on the business strategy of Supplier A.

We purchase Supplier A's products, such as terminals, connectors and other products, for use in our manufacturing and/or for sale to third parties. We have entered into an agreement with Supplier A where Supplier A appointed us to market and sell Supplier A's products, such as terminals, connectors and other products, in the Asia Pacific Region. Please refer to the section headed "Business — Products" in this prospectus for further information relating to the above arrangement. Our purchase from Supplier A accounted for approximately 22.7%, 20.4% and 22.3% of our total purchases, respectively, for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015. As our sale of the abovementioned products of Supplier A is dependent on the business strategy of Supplier A, if Supplier A changes its business strategy, such as (i) sell by itself, and/or (ii) appoint third parties as its agents to sell the above products in the Asia Pacific Region, this may reduce the supply of its products to us, or terminate our engagement as its authorised agent in the Asia Pacific Region. Accordingly, we cannot assure you that we can successfully put in place any key product brand in substitution. If this occurs, our business, financial conditions and results of operations may be materially and adversely affected.

Fluctuations in the prices of our major raw materials could materially and adversely affect our business, financial conditions and results of operations.

Some of our raw materials are subject to price volatility as a result of changes in levels of global demand, supply disruptions and other factors. In particular, connectors and terminals, which constitute a large portion of our raw materials requirements and are made of metal and plastic that are considered as commodities. According to the Euromonitor Report based on the World Bank's Commodity Markets Outlook Report published in January 2016, which is publicly available, the copper price (i) had increased by 17.2% on a year-on-year from 2010 to 2011, (ii) had declined over the period between 2011 and 2014 with a negative CAGR of 8.0%, and (iii) is estimated to have a very slight increase over the period between 2015 to 2019.

We cannot assure you that we will be able to effectively manage the risk of price fluctuations of wire at all times. If there is an increase in the prices of copper, wires, terminals, connectors, plastic materials and other raw materials that we require for our production, in particular the future copper price fluctuates higher than that estimated in the above World Bank's Commodity Markets Outlook Report, we are not able to shift such corresponding price increase to our customers in a timely manner, and this may have a material and adverse effect on our business, financial conditions and results of operations.

We reported negative operating cash flows for the year ended 30 June 2014 and the four months ended 31 October 2015. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.

During the Track Record Period, we incurred net cash used in operating activities of approximately HK$0.8 million and HK$3.5 million for the year ended 30 June 2014 and the four months ended 31 October 2015, respectively, and net cash from operating activities of approximately HK$12.3 million for the year ended 30 June 2015.

Net cash used in operating activities for the year ended 30 June 2014 was approximately HK$0.8 million, which was mainly attributable to increase in trade and other receivables of approximately HK$6.7 million primarily due to extended credit period granted to Customer A who is one of our major customers, and decrease in trade and other payables of approximately HK$9.8 million primarily due to an one-off settlement of other payable in relation to machines purchased for the Malaysia Factory which was brought forward from previous year.

Net cash used in operating activities for the four months ended 31 October 2015 was approximately HK$3.5 million, which was mainly attributable to increase in inventories of approximately HK$4.4 million primarily resulting from increase in purchase of raw materials in order to meet up with expected sales, increase in trade and other receivables of approximately HK$1.5 million primarily due to increase in trade receivables which resulted from increase in sale orders from Customer F who is one of our major customers based in the PRC and decrease in trade and other payables of approximately HK$3.1 million primarily due to decrease in purchase of raw materials from Supplier C.

Negative operating cash flows may reduce our financial flexibility and our ability to obtain additional borrowings from banks. We cannot assure you that we will be able to record positive operating cash flow in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

An unanticipated or prolonged interruption of operations at production facilities would have a material and adverse effect on our business, financial conditions and results of operations.

Our business is dependent on the continued and uninterrupted performance of our production facilities. However, these facilities are subject to operating risks, including equipment failures, failures to comply with applicable regulations, disruptions in power supply, industrial accidents, labour shortages, strike, fire, earthquake or other natural calamities, and acts of sabotage. If any unanticipated or prolonged interruption of operations at any of our production facilities occurs as a result of any of the foregoing or other risks or factors, we may not be able to deliver our products to our customers in a timely manner or at all. Consequently, our business reputation and customer relationship may be damaged, we may be subject to compensation claims from customers and our ability to attract new businesses may be adversely affected.

Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations.

We rely on third-party suppliers to meet our raw materials requirements. The principal types of raw materials in the manufacturing of our products consist of PVC and silicon wires, power supply cords, plastic materials, connectors, terminals and various other components such as relays, timers and thermistors. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, purchases from our five largest suppliers together accounted for approximately 60.3%, 57.8% and 55.5% of our total purchases, respectively, while the largest supplier accounted for approximately 22.7%, 20.4% and 22.3% of our total purchases, respectively, for the same periods.

If any of our major suppliers is unable to deliver raw materials according to such schedule or in such volume as is required for our production, and we fail to purchase from other suppliers in a timely and cost-effective manner, our manufacture and delivery of products required by our customers could be delayed. In addition, we may sometimes need to purchase raw materials, components and other supplies in the market at higher prices to meet our production deadlines if the delivery of the raw materials and components that we ordered is delayed. Our relationships with our customers could be adversely affected as a result of any of such delays or increases of our selling price due to an increase in purchase prices of raw materials and other supplies, which may materially and adversely affect our business, financial conditions and results of operations.

We generate a significant amount of overseas sales. Conducting business in overseas markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced overseas sales and reduced profitability associated with such sales.

We generated a significant amount of overseas sales, which principally consisted of our sales to customers located mainly in the Asia Pacific Region. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, our revenue generated from our customers in the Asia Pacific Region was approximately HK$101.4 million, HK$118.5 million and HK$42.6 million, respectively, representing approximately 74.2%, 90.3% and 91.9% of our total revenue, respectively. We believe that overseas risks and uncertainties could lead to reduced overseas sales and reduced profitability associated with such sales, which would reduce our overall sales and profits.

We have utilised and expected to continue to utilise subcontractors for manufacturing of a portion of our products. If any of our subcontractors fail or are unwilling to meet our production criteria, quality or delivery requirements, our production plan may be adversely affected.

We have outsourced the manufacturing of a portion of the production of our wire/cable harnesses to selected subcontractors in Malaysia. Subcontracting costs for the years ended 30 June 2014 and 30 June 2015, and for the four months ended 31 October 2015 amounted to approximately HK$3.1 million, HK$2.3 million and HK$0.7 million, respectively, representing approximately 3.1%, 2.5% and 2.3% of our total cost of sales, respectively. As a result, we are subject to risks associated with the utilisation of subcontractors, including their failure or unwillingness to meet our production criteria and quality or delivery requirements. If any of these risks materialise, our production plan for a particular period may be materially and adversely affected.

If we fail to effectively implement our production plan or our inventories become obsolete, our future performance and operating results will be adversely affected.

We plan our production primarily based on our projection and orders received from our customers. However, we cannot guarantee that our internal projections of the demand are accurate. If our projections for orders are inaccurate, we may build up raw materials of our products in excess of actual demand. Our inventory mainly comprises raw materials, components and finished products. Raw materials mainly comprise connectors, terminals, PVC and silicon wires, power supply cords and other materials and components, such as relays, timers and thermistors, used in the production of our products. Our inventories may become obsolete as a result of adverse changes in industry standards and emergence of new or substitute products in our industry. If we fail to effectively manage our production and inventory levels or otherwise have significant levels of obsolete or excessive inventories, our business, financial conditions and results of operations may be materially and adversely affected.

Our key managerial and technical personnel are critical to the success of our business and losing their services could adversely affect our business.

We depend, to a significant extent, on the efforts and abilities of our Directors and senior management, particularly Mr. Lau and our other executive Directors, set out in the section headed "Directors and Senior Management — Directors", and other senior technicians for our future growth and success, as they have contributed their in-depth industry experience and technical knowledge to us. Specifically,

- Mr. Lau, our Chairman and executive Director, has been instrumental in the formulation and execution of our business and expansion strategies and his forward-looking growth strategies and management concepts are essential to our rapid growth in recent years.

- Mr. Ho, our executive Director, chief executive officer and the general manager of our Group, who has approximately more than 20 years of experience in the manufacturing industry and has been with our Group since 1999.

We believe that our Directors and members of our senior management team are also critical in developing and maintaining relationships with many of our key customers. In addition, we are dependent on other qualified managerial marketing personnel and technicians for our manufacturing, marketing, sales, and research and development operations. Competition for qualified personnel is intense in our industry. If we lose the services of our key managerial and technical personnel or fail to attract and retain additional qualified managerial, technical and marketing personnel, our business, financial conditions and results of operations could be adversely affected.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to the design and other technologies for our products involve complex scientific, legal and factual questions and analysis and, therefore, the validity and scope of our technology, know how and other intellectual property may be highly uncertain. Our competitors may bring intellectual property infringement claims against us for the purposes of gaining competitive advantages over us. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the effort and resources of our technical and management personnel. If any claim is adversely determined against us in any of such potential litigation or proceedings, we could be subject to significant liabilities to third parties. As a result, we may be required to seek licenses from third parties, pay ongoing royalties and also redesign our products. We could further be subject to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and reputation.

We rely on a combination of trademark and copyright laws as well as non-disclosure agreements and other methods to protect our intellectual property rights. It could be difficult and expensive to police unauthorised use of intellectual property. The steps we have taken may be inadequate in preventing misappropriation of our technologies, trademarks, trade names or other intellectual property. Our inability to prevent others from unauthorised use of our intellectual property could harm our business, reputation and competitive positions. Further, we may have to enforce our intellectual property rights through litigation. Such potential litigation may result in substantial costs and diversion of resources and management attention.

Failure to comply with applicable environmental regulations and safety standards could harm our business.

We are required to comply with various environmental laws and regulations in the PRC and Malaysia. Our production operations are also subject to periodic monitoring by the relevant local government environmental protection authorities in these countries. For details about our non-compliance with the environmental laws and regulations in the PRC during the Track Record Period, please refer to the section headed "Business — Non-compliance" on page 134 of this prospectus. There is no assurance that there will not be any non-compliance in this area in the future. Further, if more stringent environmental protection laws, regulations and standards are introduced, we may need to utilise significant financial resources to ensure compliance, which will result in an increase in our operating costs and have a material and adverse effect on our business, financial conditions and results of operations.

We may be subject to civil and criminal liabilities for our defective products and any significant product liability claim could have a material and adverse effect on our financial condition.

The jurisdictions where we operate may be liable for loss and injury caused by defective products we manufacture and sell. We have taken up and maintained product liability insurance for our products, business interruption insurance, third-party liability insurance for personal injuries. While there were no complaints or claims against us for losses or injuries due to defective products during the Track Record Period, there is no assurance that we will not receive any complaints or claims against us pursuant to, including but not limited to, any of the above-mentioned laws in the future, which may adversely affect our reputation and the operation of our Group. We may also be liable for loss and injury due to defective products sold in other jurisdictions where we operate and the above insurance coverage may not be sufficient. As such, it may have a material and adverse effect on our business, financial conditions and results of operations.

Failure to renew our current leases or to locate desirable alternatives for our production facilities may materially and adversely affect our business.

Our production facilities, offices and warehouses are presently located on leased premises. At the end of each lease term, we may not be able to negotiate an extension of the lease and may therefore be forced to move to a different location, or the rent we pay may increase significantly. This could disrupt our operations and adversely affect our profitability. In addition, we may not be able to obtain new leases at desirable locations on acceptable terms to accommodate our future growth, which could materially and adversely affect our business, financial conditions and results of operations.

We may experience labour shortage or unrest or may incur high labour costs.

Some of our production processes, such as assembly of parts and components, are labour intensive. During recent years, labour shortages have frequently occurred in Malaysia and some areas in China, in particular, Guangdong province, where the PRC Factory is located. While we have not experienced any significant labour shortages in the past, we cannot assure you that we will not face such problems in the future. In addition, as a result of changes in the labour market conditions or industry practices or otherwise, we may be required to increase the wages for our workers.

We expect the salary levels of our employees and contract workers will continue to be determined according to the prevailing market wage rates in relevant locations as well as the performances of such employees and contract workers in the foreseeable future in order for us to remain competitive. However, we cannot assure you that we will not face labour unrest or we will not raise wages for our employees and contract workers whether due to labour unrest in our Group or as a result of the wage rise of other manufacturing companies in Malaysia and China. Labour unrest will disrupt our production and the higher wages will result in increased labour costs for us. If we cannot increase our product prices to offset the additional labour costs in a timely manner or in a sufficient amount or if we experience labour shortage or labour unrest, our business, financial conditions and results of operations may be materially and adversely affected.

We may require additional capital in the future, which may not be available or may only be available on unfavourable terms.

We use various machinery and equipment, including automated cutting, stripping and crimping machines, in our production facilities. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, our capital expenditure amounted to approximately HK$2.7 million, HK$5.8 million and HK$0.9 million, respectively, which were primarily used to increase our production capacity and purchase machineries and equipment. Our future capital requirements may be substantial as we seek to expand our operations and production capacity, including purchasing new machinery and equipment.

There is no assurance that we will have adequate internal and external resources to fund our future capital requirements. We may from time to time need to raise additional funds to meet such capital requirements. However, any equity or debt financing, if available at all, may be on terms that are not favourable to us. A large amount of bank borrowings and other debts may result in a significant increase in interest expenses while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution to the shareholding of our shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our Shares. If we fail to obtain necessary funding on acceptable terms or at all, we may be forced to delay capital investment projects, research and development activities, potential acquisitions and investments or otherwise curtail or cease operations.

We may fail to achieve or manage future growth and expansions.

We have experienced significant business growth and expansion in the past few years. We plan to further strengthen our sales and marketing operations and our human resources management capabilities and to upgrade or expand our existing production facilities. However, there are significant risks and uncertainties involved in such expansion plans, including, among others, lack of financial resources, inability to implement and execute the expansion plans in a timely and cost-effective manner, cost overruns and failure to achieve the anticipated benefits. We may also make other acquisitions or equity investments in the future if suitable opportunities arise. Acquisitions or significant equity investments involve a variety of risks and uncertainties, including, among others:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve the intended objective or benefits;
- costs and difficulties of managing the expanded operations; and
- diversion of resources and management attention.

If we fail to address the foregoing risks and uncertainties associated with our future acquisitions, equity investments and other expansion plans, our business, financial conditions and results of operations may be materially and adversely affected.

Our financial performance during the Track Record Period is not indicative of our future financial performance and our operating results may fluctuate significantly.

We experienced growth in net profit for the year ended 30 June 2015 as compared with the year ended 30 June 2014. While our net profit has increased for the year ended 30 June 2015, the improved financial results are not indicative of our future financial performance. Our growth depends on a number of factors, including but not limited to the market trend and demand of our products, our business relationship with our customers, the implementation of our business strategies, the competitive landscape of the industry where we operate as well as the general economic conditions in the PRC, Hong Kong, Malaysia, Singapore and elsewhere in the world. Historical figures or past results should not be relied on as indicators of our performance. We cannot assure you that our growth will continue in the near future or at all.

Our future financial performance will be negatively affected by the Listing expenses incurred in connection with the Listing.

Our financial results for the year ending 30 June 2016 will be affected by non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately HK$23.0 million. Our Group expects to recognise approximately HK$16.2 million in the consolidated statement of comprehensive income and to deduct the remaining of approximately HK$6.8 million from our Company's capital.

Regardless whether the Listing eventually occurs, a major portion of the Listing expenses will have been incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing were to be postponed due to market conditions, we would also need to incur additional Listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our business, financial conditions and results of operations are adversely affected by economic cycles, including the global financial and economic crisis.

Our business is highly correlated with the trend and development of the global home and consumer appliances industry. The demand for our products relies on the market condition of such industry which might fluctuate over time. If the global demand for our products in such industry falls as a result of adverse economic cycles, the demand for our products may also fall, which would have a material and adverse effect on our business, financial conditions and results of operations.

There are significant uncertainties and risks that may adversely affect the continued recovery of the global economy. There is no assurance that the global economy will continue to grow at a stable pace or at all, or will not experience a recession in the future. If the global economy grows at a lower than expected rate or experiences a recession in the future, demand for our products will decrease and our business, financial conditions and results of operations would be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

We may not be able to develop, manufacture and introduce new and technologically enhanced products that meet our customers' requirements consistently.

The markets for our products are characterised by rapid changes caused by the frequent emergence of new technologies. This requires us to anticipate and respond rapidly to changes in industry standards and customer needs and to develop, manufacture and introduce new and enhanced products on a timely and cost effective basis. Failure to anticipate and respond to customers' changing needs and emerging technological trends timely and accurately, to develop, manufacture and introduce products that meet the evolving needs of our customers could adversely affect our relationships with our customers, thus resulting in our loss of market share. If this occurs, it may have a material and adverse effect on our business, financial conditions and results of operations.

Our products are required to meet industry technical standards or governmental safety requirements and our customers place significant emphasis on product quality and reliability in selecting their suppliers. As a result, if our products experience quality deficiency issues, our business, financial conditions and results of operations could be materially and adversely affected.

Our business depends on delivering products of consistently high quality. Many of our products are subject to industry technical standards set by various authorities and organisations, such as the Restriction of Hazardous Substances Directive of the EU, as well as the specifications required by our customers. Further, we are required to meet product safety and other requirements imposed by the relevant government authorities in countries that our products or the end-products of our customers are sold to and our customers place significant emphasis on product quality and reliability in selecting us as their supplier.

To ensure high quality standards, our products are inspected and tested for quality by our quality control personnel in accordance with our internal procedures. There is no assurance that our quality inspection and testing procedures may be effectively complied with at all times. Failure to comply with such quality inspection and testing procedures by our employees could result in faulty or defective products being delivered to our customers. In addition, our quality testing procedures may not always be sufficient. Any changes in the relevant industry technical standards or governmental safety requirements will affect our sales if our products do not meet such new standards or requirements. There is no assurance that such problems will not occur in the future. Significant quality defects of our products may result in damage of our reputation and loss of customers and future sales, and may subject us to potential compensation claims by affected customers.

We face significant competition in our business and our inability to compete effectively would be detrimental to our business and prospects for future growth.

We operate in a highly competitive industry where the entry barrier is low. As such, we face significant competition in our business. The industry and markets for our products are characterised by factors such as rapid technological change and new product development, rapid product obsolescence, evolving industry standards and significant price erosion over the life of a product. We primarily compete on the following bases:

- product functionality, quality and reliability;
- design, technical and manufacturing capabilities;
- ability to meet customers' delivery schedules;
- customer relationships and services; and
- product price.

There can be no assurance that we will maintain our competitiveness in any of these areas with respect to any of our products. Many of our existing and potential competitors may have significantly greater financial, manufacturing, sales, marketing and other resources than we have. If we fail to compete effectively in the future, our business and prospects for future growth would be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE COUNTRIES WHERE WE OPERATE

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;

- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilisation of market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial conditions and results of operations.

The PRC's legal system embodies uncertainties that could adversely affect our business, financial conditions and results of operations.

Our operations in the PRC are generally affected by, and subject to, the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite these legal developments, the PRC's legal system is not yet complete. Even where adequate law exists in the PRC, the enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but may have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner.

Our Company is a Cayman Islands holding company and our operations are conducted through our subsidiaries in Malaysia and the PRC. Please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus. The ability of our PRC operating subsidiary to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, each of our PRC operating subsidiary may only pay dividends after 10% of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profits available for distribution from our PRC operating subsidiary are determined in accordance with generally accepted accounting principles in the PRC. This calculation may differ if it were performed in accordance with relevant accounting principles and financial regulations applicable to companies established in the PRC. As a result, we may not have sufficient distributions from our PRC operating subsidiary to enable necessary profit distributions to our shareholders in the future, which would be based upon our financial statements prepared under relevant accounting principles and financial regulations applicable to companies established in the PRC.

Distributions by our PRC operating subsidiary to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC operating subsidiary, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approving authorities. These limitations on the free flow of funds between us and our PRC operating subsidiary could restrict our ability to act in response to changing market conditions in a timely manner.

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered according to the Foreign Exchange Administration Rules as promulgated by the Central Bank of Malaysia. The foreign exchange policies apply to both residents and non-residents. Under the current Foreign Exchange Administration Rules issued by the Central Bank of Malaysia, non-residents are free, at any time, to repatriate any amount of investment proceeds, including capital, divestment proceeds, profits, dividends, or any income arising from investments in Malaysia, subject to the applicable reporting requirements and any withholding tax, provided that repatriation of funds must be made in a foreign currency.

If the Central Bank of Malaysia introduces any new foreign exchange policies which restrict such proceeds from being repatriated in the future, the ability to repatriate dividends or distributions to our Company may materially and adversely affect our business, financial conditions and results of operations.

Our Company may be subject to withholding tax on dividends received from our subsidiaries.

We were incorporated in the Cayman Islands, and substantially all of our income will come from dividends that we receive from our subsidiaries in Malaysia, Singapore and the PRC.

Before the EIT Law came into effect, dividends derived from our business operations in the PRC were not subject to income tax under PRC law. Under the EIT Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise reduced by PRC laws, rules and regulations or through agreements between the PRC Government and the government of other countries or regions. Under EIT Law, equity investment income from sources within the PRC or a foreign territory, such as dividends and bonuses, will be recognised by reference to the locations in which the enterprises that distributed the dividends and bonuses are located. As a result, dividends payable to our foreign investors may be deemed as income derived from sources within the PRC.

The fluctuation of exchange rate may have a material effect on our business and performance.

A substantial portion of our revenue is denominated in US$ but our Group expects to incur substantial expenses on the manufacturing of its products in (i) the PRC which are denominated in Renminbi and (ii) Malaysia which are denominated in Ringgit as well as the conduct of our trading business in Singapore. Due to the depreciation of Ringgit against the Hong Kong dollars, our other comprehensive expenses increased by approximately HK$6.7 million or 8.4 times from approximately HK$0.8 million for the year ended 30 June 2014 to approximately HK$7.5 million for the year ended 30 June 2015 and by approximately HK$6.5 million or 5.0 times from approximately HK$1.3 million for the four months ended 31 October 2014 to approximately HK$7.8 million for the four months ended 31 October 2015. These amounts mainly represent the translation of our financial information from our functional currency of TEM Malaysia into our presentation currency of Hong Kong dollars. Whether we will incur an exchange gain or loss from other comprehensive income associated with exchange difference arising on translation of foreign operations in the future will depend on the movement in the exchange rates of the Renminbi and Ringgit, Singapore dollar and/or the Hong Kong dollar (which is pegged to the US$) against the US$. Fluctuations in the exchange rate of the Renminbi, Rinngit, Singapore dollar and/or Hong Kong dollar will have a direct impact on our finance cost, depreciation expense, other comprehensive income or profitability and may lead to an increase in our Group's operating costs in respect of our business in the PRC, Malaysia and Singapore, respectively. Any exchanges losses could have a material and adverse effect on our business, results of operations and financial condition.

To date, our Group has not entered into any agreements to hedge its exchange rate exposure. If our Group enters into such hedges in the future, their effectiveness may be limited and our Group may be unable to hedge its exposure successfully, or at all.

An outbreak of Severe Acute Respiratory Syndrome (SARS), Avian Flu (H5N1), Influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our business, financial conditions, results of operations and the price of our Shares.

In recent years, certain Asian countries, including the PRC, have encountered incidents of SARS, Avian Flu or Influenza A. If any of our employees is identified as a possible source of spreading SARS, Avian Flu, Influenza A or any other similar epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. While we are not directly affected by the epidemic, an outbreak of SARS, Avian Flu, Influenza A or other similar epidemic, whether inside or outside the PRC, could restrict the level of economic activity generally, which could in turn adversely affect our business, financial conditions, results of operations and our share price.

We are subject to other risks operating in Singapore and other jurisdictions.

In addition to Malaysia and the PRC, where we generate a majority of our revenue and net profit, we conduct operations in Singapore, and are subject to the laws and regulations, government policies and economic, social and political conditions of Singapore.

Furthermore, our future growth depends significantly on our ability to expand into markets outside of the PRC, Malaysia and Singapore.

We are exposed to a number of additional risks by operating outside the PRC, Malaysia and Singapore markets and seeking to expand to additional markets, including, among others:

- exposure to local economic and political conditions;
- unexpected changes in laws and regulations (or the interpretations thereof), government policies, trade or monetary or fiscal policies, including interest rates, foreign currency exchange rates, changes in the rate of inflation, foreign investment, company organisation and management, business, tax and trade;
- social plans that prohibit or increase the cost of certain restructuring actions;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- difficulty of enforcing agreements, collecting receivables and protecting assets;
- reduced intellectual property protections;
- limitations on repatriation of earning;
- withholding or other taxes on remittances and other payments by subsidiaries, or industry-specific taxes and fees;
- investment restrictions or requirements;
- violence and civil unrest;
- changing labour conditions and difficulty in staffing our international operations;
- differences in consumer preferences;
- legal and regulatory differences and the burdens and costs of our compliance with a variety of foreign laws;
- increases in taxes which we are obliged to pay and other differences in applicable tax laws; and
- political events, domestic or international acts of terrorism and hostilities or complications due to natural or nuclear disasters.

These uncertainties may have a material and adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO THE PLACING AND OUR SHARES

As there has been no prior public market for our Shares before the Listing, the liquidity and market price of our Shares following the Listing may be volatile.

Before the Listing, there has been no public market for our Shares. The Placing Price for our Shares will be the result of negotiations between the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) and us, which may differ from the market prices of our Shares after the Listing. We have applied to GEM for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing or in the future or, if it does develop, that it will be sustained after the Listing or that the market price of our Shares will not decline below the Placing Price. The market price, liquidity and trading volume of our Shares may be volatile and may result in substantial losses for investors purchasing the Placing Shares in the Placing.

Factors that may affect the volume and price at which our Shares will be traded include, among other things:

- variations in our revenue, earnings and cash flows;
- changes in our pricing policies as a result of the presence of competitors;
- changes in our senior management personnel;
- our new investments;
- investors' perception of us and our future business plans;
- changes in laws, regulations and rules in Hong Kong;
- actual or potential litigation or regulatory investigations; and
- general economic and market conditions or other developments and factors affect us and our industry in Hong Kong.

We can give no assurance that these developments will not occur in the future.

Investors of the Placing Shares in the Placing will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

To expand our business, we may consider offering and issuing additional Shares in the future. If additional funds are raised through the issue of new Shares or other equity limited securities other than on a pro-rata basis to the existing Shareholders the shareholding of the Shareholders in our Company may be diluted.

Any actual or perceived sale of Shares in the future by our existing Shareholders may have a material adverse effect on our Share price.

Future sales by our existing Shareholders of a substantial number of our Shares in the public markets after the Listing may materially and adversely affect the market price of our Shares prevailing from time to time. Only a limited number of our Shares currently outstanding will be available for sale immediately after the Listing due to contractual and regulatory restrictions on re-sale. Please refer to the section headed "Underwriting — Undertakings" in this prospectus for a description of some of the contractual and regulatory restrictions on re-sale. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of a substantial number of our Shares, or the perception that these sales may occur, may materially and adversely affect the market prices of our Shares and our ability to raise equity capital in the future.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands laws, and the laws of the Cayman Islands relating to the protection of minority shareholders may be different in certain respects from those under the laws of Hong Kong or other jurisdictions.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by, among other things, our Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may differ in some respects from those under statutes or judicial precedents in Hong Kong, or other jurisdictions where investors may be located. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions.

Please refer to the section headed "Summary of the Constitution of our Company and the Cayman Islands Company Law — Cayman Islands Company Law" in Appendix III to this prospectus for further information.

Historical dividends are not indicative of our Group's future dividends.

During the Track Record Period, the dividend declared by our Group for the four months ended 31 October 2015 was approximately HK$5.0 million. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, our Directors' discretion, having taken into account the substantial capital requirements of our Group in the foreseeable future, the availability of distributable profits, our Group's earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as our Group.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, some of which may not be consistent with information contained in this prospectus.

We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the media. To the extent that any such statements are inconsistent with, or in conflict with, the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You may not place undue reliance on information derived from the research report set out in this prospectus.

Our Directors believe that the source of information derived from the research report set out in this prospectus is an appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners, the Underwriter(s), nor any of their or our Directors, affiliates, advisers or any other parties involved in the Placing and no representation is given as to its accuracy.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners and the Underwriter(s), any of their respective directors, officers, employees, affiliates and/or representatives or any other persons involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sole Sponsor and lead managed by the Sole Lead Manager. The Placing Shares will be fully underwritten by the Underwriter(s) pursuant to the Underwriting Agreement. For further information about the Placing and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) and our Company on the Price Determination Date, which is currently scheduled to be on or around Wednesday, 4 May 2016, or such other date as the parties may agree. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure and conditions of the Placing" in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Placing Shares will be required to confirm, or by his or her acquisition of the Placing Shares be deemed to confirm, that he or she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective subscribers for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

STRUCTURE OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing. Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has not been applied for before the third day after the first issue of this prospectus or if the permission has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALINGS AND SETTLEMENT

Dealings in the Shares are expected to commence on Wednesday, 18 May 2016. Shares will be traded in board lots of 10,000 Shares and are freely transferable. The GEM stock code for the Shares is 8346. Our Company will not issue any temporary document of title.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered on our Company's branch share register to be maintained in Hong Kong by the Branch Share Registrar and transfer office, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong.

Dealings in the Shares registered in the branch share register of our Company will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of the Shares will be paid to our Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at our Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to, the Placing Shares. None of our Company, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners, the Underwriter(s), any of their respective directors, officers, employees, affiliates and/or representatives or any other persons involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Lau Man Tak (劉文德) *(Chairman)*	Apartment 25, 6/F St. George's Court 83 Kadoorie Avenue Kowloon Hong Kong	Chinese
Mr. Vincent Ho Pang Cheng (何鵬程)	89 Bloxhome Drive Singapore 559783	Singaporean
Mr. Kan Wai Kee (簡偉奇)	104 Po On House Kam On Court Shatin New Territories Hong Kong	Chinese
Ms. Koay Lee Chern	60, Jalan Lagenda Indah Taman Lagenda Indah 08000 Sungai Petani Kedah Darul Aman Malaysia	Malaysian
Independent Non-executive Directors		
Mr. Lum Chor Wah Richard (林楚華)	Block A, Flat 4, 19/F Kingsfield Tower 73–83 Bonham Road Hong Kong	British
Mr. Ma Yiu Ho Peter (馬遙豪)	Flat C, 8/F Tower 3 1 Yuk Tai Street Sausalito Ma On Shan New Territories Hong Kong	Chinese

Mr. Lee Hon Man Eric (李翰文)	Flat D, 20/F Block 20, Baguio Villa 555 Victoria Road Pok Fu Lam Hong Kong	Chinese

Please also refer to the section headed "Directors and Senior Management" of this prospectus for further details of our Directors.

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	**RHB Capital Hong Kong Limited** 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
Sole Lead Manager	**RHB Securities Hong Kong Limited** 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*
Joint Bookrunners	**RHB Securities Hong Kong Limited** 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)* **Opus Capital Limited** 18/F Fung House 19–20 Connaught Road Central Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*

Ping An Securities Limited
Unit 02, 2/F
China Merchants Building
152–155 Connaught Road Central
Hong Kong
(A licensed corporation carrying on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

Legal advisers to our Company

As to Hong Kong law:
Eversheds
21st Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Malaysia Law:
Mah-Kamariyah & Philip Koh
3A07, Block B, Phileo Damansara II
15 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Malaysia

As to Singapore Law:
Dentons Rodyk & Davidson LLP
80 Raffles Place
#33–00 UOB Plaza 1
Singapore 048624

As to PRC Law:
Deheng Law Offices (Shenzhen)
Storey 11, Section B, Anlian Plaza
No. 4018, Jintian Road
Futian District, Shenzhen
Guangdong Province
The PRC

As to Cayman Islands law:
Appleby
2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Kwok Yih & Chan** Suites 2103–5, 21/F 9 Queen's Road Central Hong Kong
Reporting accountants	**Deloitte Touche Tohmatsu** 35/F, One Pacific Place 88 Queensway Hong Kong
Internal control consultant	**CT Partners Consultants Limited** Unit 1601A, 16th, Tower 6 China Hong Kong City 33 Canton Road Tsim Sha Tsui Hong Kong
Industry consultant	**Euromonitor International Ltd.** 11 Keppel Road #06-00 ABI Plaza Singapore 089057

CORPORATE INFORMATION

Registered office in the Cayman Islands	**Estera Trust (Cayman) Limited** PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Suite 1706, Tower 1 China Hong Kong City 33 Canton Road Tsim Sha Tsui Hong Kong
Company Secretary	Mr. Wong Yiu Hung (黃耀雄) *(CPA)* Flat A, 15/F, Block 2 29 Lyttelton Road Mid-Levels Hong Kong
Compliance officer	Mr. Kan Wai Kee (簡偉奇) 104 Po On House Kam On Court Shatin New Territories Hong Kong
Audit committee	Mr. Ma Yiu Ho Peter (馬遙豪) *(Chairman)* Mr. Lum Chor Wah Richard (林楚華) Mr. Lee Hon Man Eric (李翰文)
Remuneration committee	Mr. Lum Chor Wah Richard (林楚華) *(Chairman)* Mr. Lau Man Tak (劉文德) Mr. Vincent Ho Pang Cheng (何鵬程) Mr. Ma Yiu Ho Peter (馬遙豪) Mr. Lee Hon Man Eric (李翰文)
Nomination committee	Mr. Lee Hon Man Eric (李翰文) *(Chairman)* Mr. Lau Man Tak (劉文德) Mr. Vincent Ho Pang Cheng (何鵬程) Mr. Lum Chor Wah Richard (林楚華) Mr. Ma Yiu Ho Peter (馬遙豪)

Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Lau Man Tak (劉文德) Apartment 25, 6/F St. George's Court 83 Kadoorie Avenue Kowloon Hong Kong Mr. Kan Wai Kee (簡偉奇) 104 Po On House Kam On Court Shatin New Territories Hong Kong
Principal share registrar and transfer office in the Cayman Islands	**Estera Trust (Cayman) Limited** PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	**Boardroom Share Registrars (HK) Limited** 31/F, 148 Electric Road North Point Hong Kong
Compliance adviser	**RHB Capital Hong Kong Limited** 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
Principal banker	**The Hongkong and Shanghai Banking Corporation** No. 1 Queen's Road Central Hong Kong
Company's website	ir.tem-group.com *(information contained in this website does not form part of this prospectus)*

This section contains information, statistics and data derived from various official government or publicly available source as well as the market research report we commissioned from Euromonitor. The information that appears in this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. We believe that the sources of such information are appropriate and have taken reasonable care in reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Lead Manager, the Joint Bookrunners, the Underwriter(s) or any other party involved in the Placing and no representations is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

We commissioned Euromonitor, an independent market research company to conduct an analysis of the wire/cable harnesses, power cords market in the PRC and Malaysia, the connectors and terminals market in Singapore, and the consumer appliances products market in the Asia Pacific Region and Thailand, at a total fee of approximately HK$671,000. Founded in 1972, Euromonitor is a research company focusing on strategy research for consumer and industrial markets.

Euromonitor primarily undertook primary and secondary research in preparing the Euromonitor Report. Primary research involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates. Secondary research involved the review of published sources, including national statistics and official sources, such as the National Bureau of Statistics of China, the Department of Statistics of Malaysia and the World Bank, company reports including audited financial statements (where available), independent research reports, and data based on Euromonitor International's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.

All primary and secondary research sources were cross-checked with a view to building all final estimates, including the size, shape, drivers and future trends of in the PRC, Malaysia and Singapore markets and preparing the Euromonitor Report.

The bases and assumptions for the projections in the Euromonitor Report include the following:

- the economy of the PRC, Malaysia and Singapore is expected to maintain steady growth over the forecast period;
- the social, economic, and political environment of the PRC, Malaysia and Singapore is expected to remain stable in the forecast period;
- there will be no external shock, such as financial crisis or raw materials shortage that affects the demand and supply of wire/cable harnesses in the PRC, Malaysia and of connectors and terminals in Singapore during the forecast period;

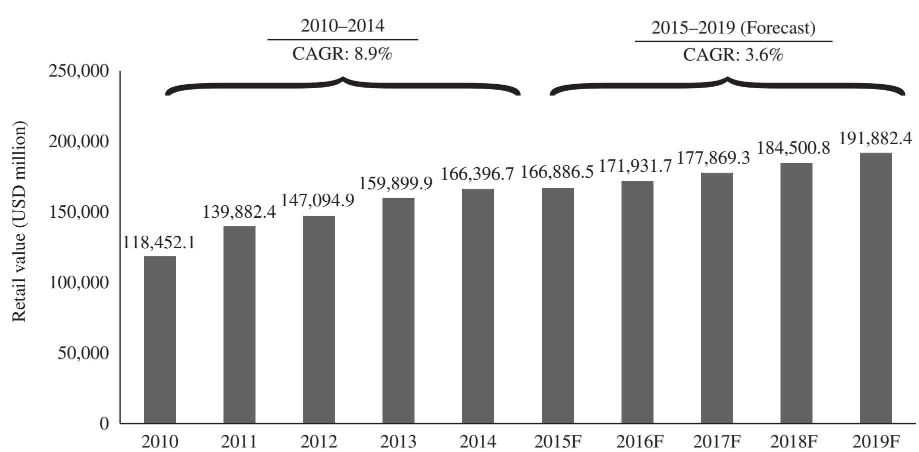
- the key market drivers, such as green technology and export demands, are expected to boost the development of the PRC and Malaysia markets; and

- the key drivers, including technological advancements, are likely to drive the future growth of the PRC and Malaysia markets.

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

CONSUMER APPLIANCE MARKET IN THE ASIA PACIFIC REGION

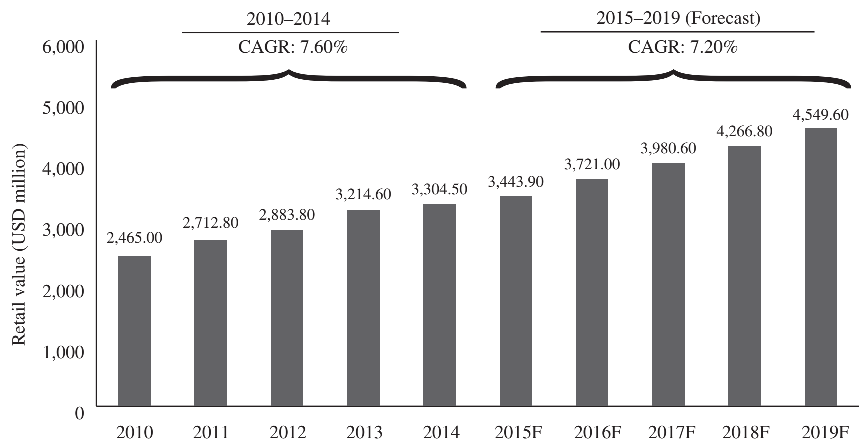
According to the Euromonitor Report, driven by strong economic growth, rising disposable incomes and strong domestic demand in regional economies in the Asia Pacific Region, the sale of consumer appliances in the Asia Pacific Region has grown over the period between 2010 and 2014 with a CAGR of 8.9% in terms of retail sales value with a retail sale value of approximately US$166.4 billion recorded in 2014. According to the Euromonitor Report, the retail sales value of consumer appliances in the Asia Pacific Region is estimated to grow over the period between 2015 to 2019 with a CAGR of 3.6%, reaching approximately US$191.9 billion in annual sales by 2019. The chart below sets out the historical (2010–2014) and forecast (2015–2019) of the sales revenue of consumer appliances in the Asia Pacific Region, respectively:



Source: Euromonitor International Passport — Consumer Appliances 2016 edition

CONSUMER APPLIANCE MARKET IN THAILAND

According to the Euromonitor Report, the sale of consumer appliances in Thailand has grown from approximately US$2.5 billion in 2010 to approximately US$3.3 billion in 2014 in terms of retail sales value with a CAGR of 7.6%. According to the Euromonitor Report, the retail sales value of consumer appliances in Thailand is estimated to grow over the period between 2015 to 2019 with a CAGR of approximately 7.2%, reaching approximately US$4.5 billion in annual sales by 2019. The chart below sets out the historical (2010–2014) and forecast (2015–2019) of the sales value of consumer appliances in Thailand:



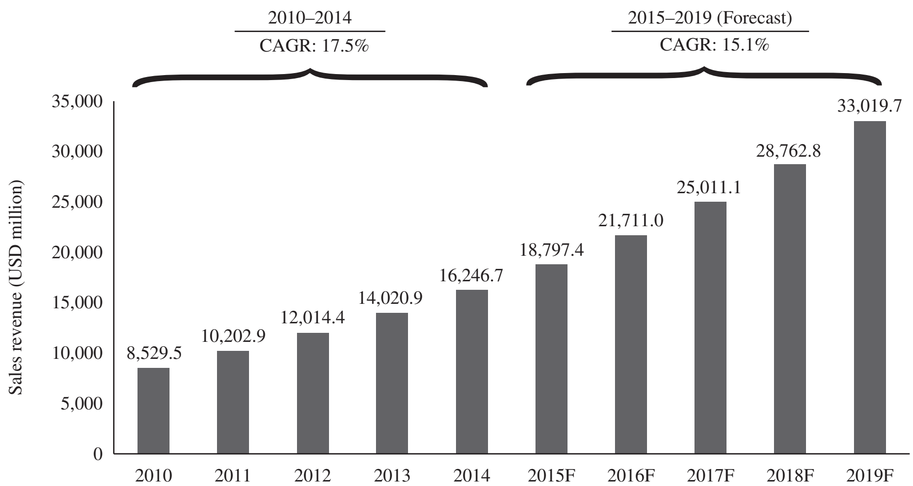
Source: Euromonitor International Passport — Consumer Appliances 2016 edition

The growth in the sale of consumer appliances is mainly driven by rising disposable incomes and strong domestic demand, which is consistent with the factors driving the growth of the sale of consumer appliances in the Asia Pacific Region as mentioned above. According to the Euromonitor Report, the consumer appliance industry in Thailand will be driven by increasing consumerism from rural consumers and millennials. Rural consumers improved accessibility to power sources and accordingly, a shift in lifestyle towards safer food-storing and household hygiene is expected to result in increased sales of consumer appliances such as refrigerators, washing machines and vacuum cleaners. As wire/cable harnesses are primarily used in these consumer appliances, our Company will benefit from an increase in the sale of these consumer appliances. On the other hand, the increasing awareness of environmental impact of consumer appliances and increased energy use on the part of millennials are expected to drive the growth in the purchase of energy efficient consumer appliances by the millennials.

WIRE/CABLE HARNESSES AND POWER CORDS MARKETS IN CHINA AND MALAYSIA

Wire/cable harnesses and power cords market in China

According to the Euromonitor Report, the sales value of wire/cable harnesses and power cords in China increased from approximately US$8.5 billion in 2010 to approximately US$16.2 billion in 2014 with a CAGR of 17.5% during this period and is estimated to reach approximately US$33.0 billion in 2019 with a CAGR of 15.1% between 2015 and 2019. This growth of wire/cable harnesses was fuelled by the buoyant demand for automobiles, consumer appliances and electronics appliances both in the domestic and export markets. The chart below sets out the historical (2010–2014) and forecast (2015–2019) of the sales revenue of wire/cable harnesses and power cords in China:



Source: Euromonitor estimates from trade interview and desk research

Key market trends and drivers

- Robust domestic demand for wire/cable harnesses and power cords

Due to the steady development of the domestic economy in China and an increase in urbanisation in China, disposable incomes for both urban and rural residents in China have improved which, in turn, has supported the rising market demand for consumer appliances. With consumer appliances being one of the major application fields of wire/cable harnesses and power cords, the increase in the demand for those products has had a cascading effect on the demand for wire/cable harnesses. In addition, urbanisation has played an important role in promoting the wire/cable harnesses market.

- Consumer appliances are key applications of wire/cable harnesses

Wire/cable harnesses have a role to play in all consumer appliances. A wire/cable harness for major consumer appliances could be highly complex and have as many as 50 terminations. However, unlike wire/cable harnesses used in the automotive sector which are generally heavier and accordingly, costly to export, wire/cable harnesses used in consumer appliances are lighter which drives the manufacturing and sale of wire/cable harnesses in China not only for the domestic market in China but also the export markets, such as the EU, the US and Japan.

- Technological advances open up opportunities

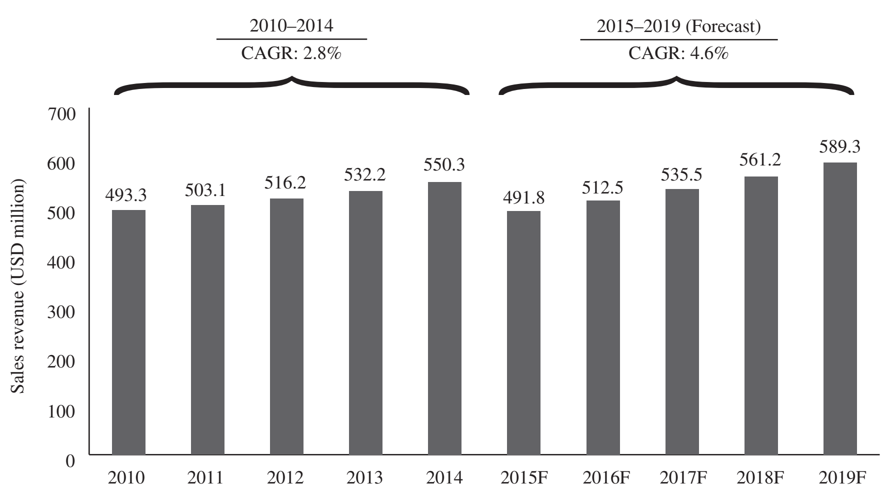
With the growing trend of consumers upgrading to products with better features and a shorter replacement cycle, consumer appliances are expected to provide further impetus to the wire/cable harnesses and power cords industry. Higher standards of products require better quality wire/cable harnesses and power cords and this offers opportunities and drives the growth of the wire/cable harnesses and power cords industry in China.

- Changing technologies

In the consumer appliances sector, wire/cable harnesses with RAST and IDC designs are gaining international acceptance and meeting the demands of multinational consumer appliances brands. The wire/cable harness manufacturers that are capable of RAST and IDC designs will have the opportunity to approach these international consumer appliance manufacturers and build long-term client relationships with them.

Wire/cable harnesses and power cords market in Malaysia

Sales of wire/cable harnesses and power cords were contributed by both domestic and overseas demand. The sale of wire/cables harnesses and power cords grew at a CAGR of 2.8% between the period from 2010 and 2014. The total revenue increased from approximately US$493.3 million in 2010 to approximately US$550.3 million in 2014. Such growth was attributed to the recovery of the domestic economy of Malaysia and the global economy from the 2008 global financial crisis. The decline of sales revenue in 2015 in comparison to 2014 is due to the depreciation of Ringgit against USD. According to the Euromonitor Report, the sales revenue of wire/cable harnesses and power cords in Malaysia are estimated to grow over the period between 2015 to 2019 by a CAGR of 4.6%. The chart below illustrates the historical (2010–2014) and forecast (2015–2019) of the sales revenue of wire/cable harnesses and power cords in Malaysia:



Source: Euromonitor estimates from trade interview and desk research

Key market trends and drivers

- Malaysia as a manufacturing hub for high-tech consumer electronics and appliances

As a global high-tech manufacturing hub, Malaysia plays a pivotal role in designing and developing the latest consumer electronics and appliances of the world. Since 2010, manufacturing of consumer electronics and appliances has been gradually focusing on high-tech products, with a greater emphasis on capital intensive operations. Local wire/cable harness manufacturers are in a good position to leverage on their strengths and offer competitive and quality wire/cable harness solutions to these emerging industries.

- Revitalizing the consumer electronics and appliances sector

Demand for wire/cable harnesses and power cords in Malaysia is dependent on the demand for end-consumer products such as consumer electronics and appliances, medical devices and automotive. At present, the demand for locally-produced wire/cable harnesses in the consumer electronics and appliances sector is growing slowly since the market is relatively mature. However, such slow growth in the demand is expected to be temporary as the focus of Malaysia's consumer electronics and appliances manufacturing is gradually shifting towards high-tech and green technology products. The demand for quality wire/cable harnesses in the consumer electronics and appliance sector is expected to increase as the research and production of high-tech and green technology consumer electronics and appliances begin to ramp up.

- Growing demand for green technologies affecting the industry

The increase in the global demand for green technology in consumer appliances, electronics and other sectors creates an opportunity for wire/cable harness manufacturers in Malaysia to leverage on this by improving the quality of their products and abiding to green standards in their manufacturing process. The implementation of green technology is increasingly important as regional cooperatives, such as the EU and ASEAN attempt to reduce pollution in the manufacturing and distribution of electronic products. This opportunity may encourage local wire/cable harnesses and power cord manufacturers to set green standards in their production process and appeal to a wide range of business segments to supply lead-free consumer electronics and energy-efficient consumer appliances.

- Exports of electrical wiring with connectors have seen strong growth in the historic period

Export figures for electrical wiring with connectors grew significantly over the historical period. Export value increased from approximately US$41.3 million in 2010 to approximately US$56.3 million in 2014, at a CAGR of 8.0%. The growth in export value signalled the industry's gradual shift towards export. As the domestic market becomes increasingly saturated, electrical and electronics companies seeking long-term growth are encouraged to expand their export operations into emerging economies such as Indonesia, Thailand, Philippines and India and developed countries such as Singapore, Japan and Australia.

COSTS OF MANUFACTURING WIRE/CABLE HARNESSES IN CHINA AND MALAYSIA

Wages

According to the Euromonitor Report:

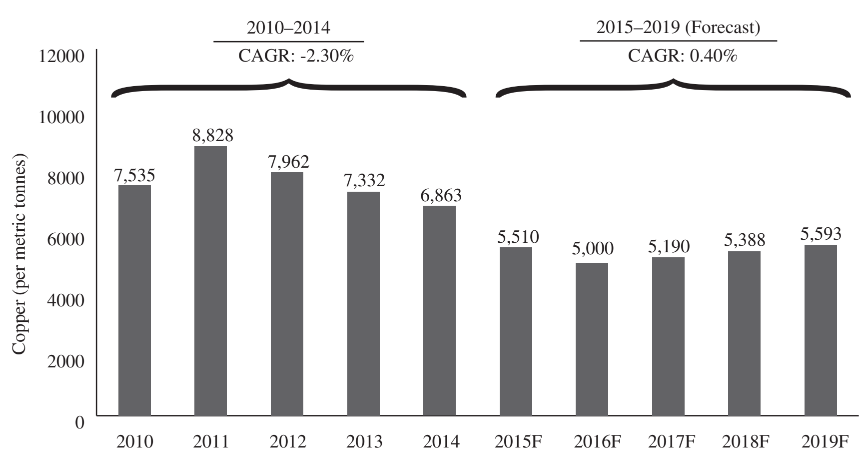
- the average hourly wages for the manufacturing sector in China has increased from approximately US$1.8 per hour in 2010 to approximately US$3.3 per hour in 2014 with a CAGR of 17% during this period due to rapid economic growth and strong demand for labour in the labour-intensive manufacturing industries; and

- the average hourly wages for the manufacturing sector in Malaysia has increased from approximately US$4.0 per hour in 2010 to approximately US$4.9 per hour in 2014 with a CAGR of 5.3% during this period mainly due to the expansion of the manufacturing industry, particularly in 2011 and 2012, and the implementation of the minimum wage order in 2013.

Raw materials

According to the Euromonitor Report, trade sources estimated that majority (more than 50%) of the wire/cable harnesses' cost is determined by the price of copper. The remaining costs depend on the requirements/specifications such as the thickness of the wire, the choice of PVC and silicon insulation set by the clients. Copper price experienced a decline during the period from 2011 to 2014 which reflected the gradual slowdown of the manufacturing industries as copper is a key component in manufacturing from electronics to cars and other industrial goods. According to the Euromonitor Report, the copper price (i) had increased by 17.2% on a year-on-year from 2010 to 2011, (ii) had declined over the period between 2011 and 2014 with a negative CAGR of 8.0% and (iii) is estimated to have a very slight increase over the period between 2015 to 2019.

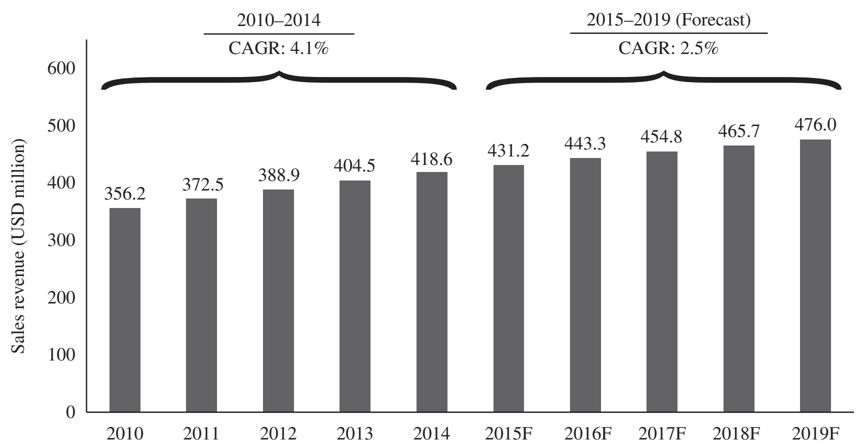
The table below sets out the historical (2010–2014) and forecast (2015–2019) of copper price:



Source: The World Bank, Price forecast for 2015–2019 are in nominal USD.

CONNECTORS AND TERMINALS MARKET IN SINGAPORE

The connectors and terminals trading industry in Singapore is highly dependent on the demand from downstream industries, especially manufacturing plants in the automotive and consumer appliances and electronics sectors. The majority of connectors and terminals traded from Singapore are sold to the end users in the PRC, Thailand and Vietnam, where they serve as one of the most important inputs in numerous manufacturing processes. The size of the market for connectors and terminals in Singapore in 2014, measured by the sales of connectors and terminals were approximately US$418.6 million. The chart below sets out the historical (2010 to 2014) and forecast (2015–2019) of the sales revenue of connectors and terminals in Singapore:



Source: Euromonitor estimates from trade interview and desk research.

Key market trends and drivers

- Relocation of trading operations by connector suppliers

In recent years, the rapid increase in demands from consumers, particularly the demand for consumer appliances and electronics in the PRC, has become a key growth driver in the connector industry in Singapore. However, with the economic slowdown in the PRC, it is expected that the PRC consumers will scale down their expenditure on consumer goods in the next few years. As a result, the connector market in Singapore is expected to undergo a period anemic growth in demand.

- Minimal regulation of trading activities

In general, there are no specific regulations relating to the trading of connectors and terminals in Singapore, other than those pertaining to the payment of applicable taxes, either on any relevant import and export activities or on trading profits. As a result, the barriers of entry to this market is relatively low.

COMPETITIVE ANALYSIS

Competitive landscape

The wire/cable harnesses and power cord manufacturing industry in China is highly fragmented with various sizes of manufacturers vying for a share, according to the Euromonitor Report. The industry is consolidated in Malaysia. In 2014, the market size of wire/cable harnesses and power cords in China and Malaysia is estimated to be approximately US$16 billion and US$550 million, respectively, with the our Group's revenue accounted for less than 0.1% of the combined market share. The connectors and terminals trading industry in Singapore is also highly fragmented in terms of the number of players operating, according to the Euromonitor Report. There are more than 100 firms involved in the trading of connectors and terminals in Singapore, with more than 10 of them being major global players and the rest made up by smaller European and Chinese makers and various distributors.

Our Group (i) manufacture and sell wire/cable harnesses and power supply cords assembled products in Malaysia and the PRC, (ii) has customers who are generally global brand name home/ consumer appliances manufacturers and OEMs (in the home appliances, consumer appliances and industrial products industries) that are mainly based in the Asia Pacific Region, and (iii) sell terminals and connectors in Singapore. Given the fragmented markets in which we operate coupled with our unique business model, there is no meaningful and specific statistics on particular players who are directly comparable to our business model in the public domain.

Barriers of entry

- ***Labour and capital requirements vary with the size of the company.*** The wire/cable harnesses and power cords industry is both labour and capital intensive. Small and medium sized manufacturers prefer manual operation to benefit from the low labour costs in China while large sized manufacturers will tend to use computer-controlled, semi-automatic or fully-automatic machines to ensure precision in production. In terms of upgradability, each machine has different upgrading priorities. Machines involved in the cutting and wire stripping processes are estimated to be upgraded once every five years whereas machines involved in the testing process are upgraded once every 10 to 15 years. Small and medium sized manufacturers of wire/cable harnesses in China tend to use the machines until they are broken down whereas large sized manufacturers often upgrade their computer-controlled semi-automatic and fully-automatic machines according to the improvements in technology to meet the needs of their clients. Such regular frequencies of upgrading machinery are a barrier for some small and medium-sized manufacturers.

- ***Strong business network.*** Leading wire/cable manufacturers are highly competitive in the domestic market space due to their strong partnerships with local customers in various sectors which allows wire/cable harnesses and power cords manufacturers to have exclusive access to their customers and provide a reliable supply of quality wire/cable harnesses and power cords. As a result, new entrants face difficulty in securing supply contracts with local and multinational companies. In addition, connector customers evaluate their connector suppliers based on criteria such as the standards of support, delivery and product performance. Generally, when connector customers have approved certain connector suppliers based on the above criteria, they tend to establish long-term business relationship with them. This forms a formidable barrier to entry to the connector industry in Singapore.

Key opportunities

- ***Strong opportunities in the consumer and appliances sector.*** Local wire/cable harness manufacturers are capitalising on growing demand for high quality wire/cable harnesses in both developing and emerging markets such as the US and Indonesia. Some wire/cable harness manufacturers are taking export channels further by exploring partnerships with overseas suppliers, distributors and customers in Thailand and Philippines as a strategy to expand their business and maximise their market share in these countries.

- ***Increasing purchasing power.*** Driven by the steady development of the domestic economy in China, disposable incomes for both urban and rural residents have improved significantly in the historic period, which in turn has supported the rising market demand for consumer appliances. Our Group is expected to benefit from such increase in demand for consumer appliances.

- ***Manufacturers of consumer appliances and electronics turn to imports for wire/cable harness solutions.*** Local manufacturers face competition from emerging markets such as China and Vietnam, where wire/cable harnesses are produced relatively cheaper than locally-produced ones. Local manufacturers of wire/cable harness solutions in the consumer electronics and appliances segment tap into overseas opportunities by expanding their business in the export markets. Such trend provides opportunities for our Group with operations in multiple jurisdictions.

Key threats

- ***An industry with a varying degree of capital and labour requirements.*** The wire/cable harnesses and power cords industry is both labour and capital intensive. Since the manufacturing process of wire/cable harnesses and power cords are required to meet international standards such as ISO9001:2008, local wire/cable manufacturers utilise machines to maintain precision and quality for their product. On the other hand, manpower resources are required in key manual operations such as assessing the functionality of manufactured products and monitoring product defects during the manufacturing process.

- ***Fast changing technical requirements.*** RAST and IDC design are high-end technologies with worldwide standards. The wire/cable harnesses manufacturers with RAST and IDC capabilities are recognised as strong competitors in the market which attracts attentions of multinational clients in target industries. This poses a key barrier for new entrants, especially small and medium-size manufacturers, to build up relationships with multinational clients.

CONFIRMATION FROM OUR DIRECTORS

As at the Latest Practicable Date, after taking reasonable steps, our Directors confirm that, to the best of their knowledge, there is no significant or material adverse change in the market information since the respective dates of the various data contained in this section which may qualify, contradict or have an impact on the information in this document.

OVERVIEW

This section sets out a summary of the most significant aspects of laws and regulations in the PRC, Malaysia and Singapore that are material to our business and operations.

LAWS AND REGULATIONS OF THE PRC

Laws and regulations relating to foreign investment

The establishment and registration of corporate entities in the PRC are governed by such applicable laws in the PRC such as the Company Law of the PRC 《中華人民共和國公司法》 (the "**PRC Company Law**"), which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, and the Regulations of the PRC on the Administration of Company Registration 《中華人民共和國公司登記管理條例》(the "**Regulations on Company Registration**"), which was promulgated on 24 June 1994 and amended on 18 December 2005 and 19 February 2014.

According to the PRC Company Law and the Regulations on Company Registration, except where laws on foreign investment stipulate otherwise, the PRC Company Law and the Regulations on Company Registration also apply to foreign-invested limited liability companies.

The establishment, alternation and approval procedures, and the registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a WFOE are regulated by:

- the Wholly Foreign-owned Enterprise Law of the PRC 《中華人民共和國外資企業法》(the "**WFOE Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000;

- the Implementation Rules to the FIE Law of the PRC 《中華人民共和國外資企業法實施細則》 (the "**Implementation Rules to WFOE Law**"), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014;

- the Execution Opinions on Several Issues concerning Law Application for the Administration on the Examination, Approval and Registration of Foreign-invested Companies 《關於外商投資的公司審批登記管理法律適用若干問題的執行意見》, which was promulgated and came into effect on 24 April 2006; and

- the Several Provisions on the Changes in Equity Interest of Investors in Foreign Invested Enterprises 《外商投資企業投資者股權變更的若干規定》, which was promulgated and came into effect on 28 May1997 as well as other applicable laws and regulations in the PRC.

Investment in the PRC by foreign investors and foreign-owned enterprises (the "**Foreign Party**") is governed by:

- the Provisions on Guiding the Orientation of Foreign Investment 《指導外商投資方向規定》 (the "**Provisions**"), which was promulgated on 11 February 2002 and came into effect on 1 April 2002; and

- the Guidance Catalogue of Industries for Foreign Investment 《外商投資產業指導目錄》(the "**Catalogue**"), which was updated in 1995, 2002, 2004, 2007, 2011 and 2015.

The Provisions and the Catalogue divide foreign investment industries into three categories:

- the encouraged industry, the restricted industry, and the prohibited industry;
- industries listed in the encouraged category are opened to the Foreign Party who usually can further enjoy supportive policies of the local government;
- investment in the restricted industries can only be conducted by the Foreign Party within the scope of the relevant regulatory authority's approval or in the form of Sino-foreign equity or contractual joint ventures (usually with Chinese investors as the majority shareholder required); and
- prohibited industries are closed to foreign investment. Industries which are not listed in the Catalogue are generally classified as the permitted category.

The Ministry of Commerce of the PRC 《中華人民共和國商務部》("**MOFCOM**") or the relevant local authorities are responsible for approving the articles of association of the WFOE and other substantial changes to the WFOE, such as changes in capital, equity transfer and consolidation. Our Company's PRC subsidiary has obtained all the necessary government approvals.

Laws and regulations relating to importation and exportation of goods

Pursuant to the Foreign Trade Law of the PRC 《中華人民共和國對外貿易法》, which was promulgated on 12 May 1994 and amended on 6 April 2004, and the Measures for the Record-keeping and Registration by Foreign Trade Dealers 《對外貿易經營者備案登記辦法》 (the "**Record-keeping and Registration Measures**"), which was promulgated on 25 June 2004 and came into effect on 1 July in the same year, foreign trade dealers who are engaged in the import or export of goods or technologies shall register with the MOFCOM or its authorised bodies unless such registration is not required under the laws and administrative regulations and/or by the MOFCOM.

According to the Circular of the PRC's MOFCOM on Relevant Issues Concerning the Record Keeping and Registration of the Foreign Trade Right by Foreign-funded Enterprises 《商務部關於外商投資企業外貿權備案登記有關問題的通知》, which was promulgated and came into effect on 17 August 2004, when foreign-funded enterprises which were duly established before 1 July 2004 apply for the addition of any import/export business to its approved scope of business, they must, in accordance with the Record-keeping and Registration Measures, complete the formalities of business addition to the enterprises' business licences and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration on the strength of the approval certificate for its establishment, business license with the business addition made, and any other document as required under the Record-keeping and Registration Measures.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities 《中華人民共和國海關報關單位註冊登記管理規定》, which was promulgated on 13 February 2014 and came into effect on the same day, "consignor or consignee of export or import goods" means any legal person, other organisation or individual that directly imports or exports goods within the territory of the PRC. Consignors or consignees of import or export goods shall go through registration formalities with their local Customs authorities in accordance with the applicable provisions. After completing the registration formalities with Customs authorities, consignors or consignees of import or export goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. A PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of two years.

Pursuant to the Customs Law of the PRC 《中華人民共和國海關法》 promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會) on 22 January 1987 and amended on 8 July 2000, 29 June 2013 and 28 December 2013 and related regulations, the declaration of import and export goods maybe made by consignees and consignors themselves, and such formalities may also be completed by their entrusted PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection 《中華人民共和國進出口商品檢驗法》 promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會) on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules. According to the aforesaid law and its implementation regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC 《中華人民共和國國家質量監督檢驗檢疫總局》 ("**AQSIQ**") shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. The import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State Administration shall be inspected by the commodity inspection authorities, and the consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

Laws and regulations relating to taxation

Income tax

Pursuant to the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》 (the "**EIT Law**"), which became effective on 1 January 2008, tax payers are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC.

A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has income sources in the PRC.

A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

The Implementation Rules to the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》 (the "**Implementation Rules to the EIT Law**"), which were promulgated on 6 December 2007 and came into effect on 1 January 2008, provide relief during the transition period that applies to enterprises established before 16 March 2007 in certain circumstances, namely:

(i) if a foreign-invested enterprise is entitled to enjoy reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years from 2008; and

(ii) if a foreign-invested enterprise is entitled to enjoy tax exemptions for a fixed period under laws and regulations, it can continue to enjoy such exemptions until expiry of the fixed period.

However, if an enterprise has not started to enjoy the tax exemptions due to a lack of profit, 2008 shall be regarded as the first profit-making year and the year from which the enterprise shall be entitled to enjoy tax exemptions.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC 《中華人民共和國增值稅暫行條例》(the "**Provisional Regulations on VAT**"), which was promulgated on 13 December 1993 and amended on 5 November 2008, and Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax 《中華人民共和國增值稅暫行條例實施細則》, which were promulgated on 25 December 1993 and amended on 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is usually 17%, and in certain limited circumstances is 13%, subject to the products involved.

According to the Decisions of the Standing Committee of the National People's Congress on the Application of Provisional Regulations on Tax such as VAT, Consumption Tax and Business Tax to Foreign-invested Enterprises and Foreign Enterprises 《全國人民代表大會常務委員會關於外商投資企業和外國企業適用增值稅、消費稅、營業稅等稅收暫行條例的決定》, which were promulgated and came into effect on 29 December 1993, foreign-invested enterprises whose products are exported directly or through export enterprises shall be granted, in accordance with the Provisional Regulations on VAT, a one-off VAT rebate on the strength of the export declaration and VAT-paid certificate.

According to the Circular of the State Administration of Taxation on Tax-exemption for Processing with Customers' or Imported Materials by Foreign-invested Enterprises 《國家稅務總局關於外商投資企業來料加工、進料加工的免稅的通知》, which was promulgated and came into effect on 10 October 2000, goods imported by foreign-invested enterprises in the way of processing and trade shall be exempt from VAT and consumption tax. The processed goods, after export, shall be exempt from VAT and consumption tax resulted from the processing charges.

Customs duties

Import and export business of foreign-invested enterprises are governed by:

- the Regulations on Import and Export Duties of the PRC 《中華人民共和國進出口關稅條例》, which were promulgated and came into effect on 29 October 2003;
- the Circular of General Administration of Customs on relevant Import Tax Policies for Further Encouraging Foreign Investment 《海關總署關於進一步鼓勵外商投資有關進口稅收政策的通知》, which was promulgated and came into effect on 1 September 1999;
- the Circular of the Ministry of Foreign Trade and Economic Cooperation on relevant issues concerning the import of equipments by foreign-invested enterprise 《對外貿易經濟合作部關於外商投資企業進口設備有關問題的通知》, which was promulgated and came into effect on 8 November 2000; and
- other applicable laws and regulations.

According to such provisions, foreign-invested enterprises, when satisfying certain conditions, may be exempted from import duties and taxes for import of equipments, technologies and accessories.

The processing business of subsidiaries of our Group in the PRC is governed by the announcement of the General Administration of Customs on Relevant Issues Concerning the Collection of Export Duties for Exporting Tax-Payable Products under the Processing and Trade Item 《關於對加工貿易項下出口應稅商品徵收出口關稅有關問題》, which was promulgated and came into effect on 4 April 2003. According to this announcement, export of tax-payable products that are processed solely by use of imported materials shall not be subject to export duties.

Export tax rebate

Pursuant to the Provisional Regulations on VAT and the Notice of the Ministry of Finance and the State Administration of Taxation on the Policies of Value-added Tax and Consumption Tax Applicable to Exported Goods and Services 《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》, which came into effect since 1 January 2011, goods and services exported by export-oriented enterprises shall be eligible for VAT exemption and refund policies. Pursuant to the regulations on the export tax rebate rate, export commodities have different tax rebate rates depending on the different types, respectively 5%, 9%, 13%, 15%, 16% and 17%.

Laws and regulations relating to foreign exchange

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC 《中華人民共和國外匯管理條例》 (the "**Foreign Exchange Administration Rules**"), which were promulgated on 1 January 1996 and amended on 14 January1997 and 1 August 2008. Under these rules, the Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfers, direct investment, investment in securities, derivative products or loans, unless prior approval of the Sate Administration of Foreign Exchange ("**SAFE**") or of its branches was obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the foreign exchange administrative authority for paying dividends by providing certain evidencing documents, such as board resolutions and tax certificates, or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or filing with the relevant governmental authorities, if necessary.

Dividend distribution

The principal regulations governing distribution of dividends paid by PRC enterprise include (i) the PRC Company Law《中華人民共和國公司法》; (ii) the WFOE Law《中華人民共和國外資企業法》; (iii) the Implementation Rules to WFOE Law《中華人民共和國外資企業法實施細則》; (iv) the Law of PRC on Sino-Foreign Equity Joint Ventures 《中華人民共和國中外合資經營企業法》 and the Rules for Implementation of the Law of PRC on Sino-Foreign Equity Joint Ventures 《中華人民共和國中外合資經營企業法實施條例》.

Under the above laws and regulations, domestic companies and foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (the "**Arrangement**") on 21 August 2006. According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The Notice on Issues relating to the Implementation of the Dividend Provision in Tax Treaties 《關於執行稅收協定股息條款有關問題的通知》(the "**Notice 81**") was promulgated on 20 February 2009 by the State Administration of Taxation. The Notice 81 reaffirms the qualification for dividend recipient to enjoy tax preferential of being levied at 5% rate as following: (i) the recipient of the dividend must be a corporation; (ii) the recipient's ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; and (iii) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential.

Laws and regulations relating to market competition, product quality, and consumer protection

Competitions among the business operators in the PRC are generally governed by the Anti-Unfair Competition Law of the PRC 《反不正當競爭法》(the "**Anti-Unfair Competition Law**"), which was promulgated on 2 September 1993 and came into effect on 1 December 1993.

According to the Anti-Unfair Competition Law, corporations, other economic organisations and individuals who are engaging in the trading of goods or profit-making services shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Operators shall not conduct acts that damage the lawful rights and interests of other operators or that disturb the socio-economic order. Such acts include, but do not limit to counterfeit, libel, malicious exclusion, commercial bribery and secret infringement.

Product quality supervision in the PRC is generally governed by the Product Quality Law of the PRC 《中華人民共和國產品質量法》 (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and amended on 8 July 2000. Producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Under the Product Quality Law, consumers or other victims who suffer personal injury or property damage due to product defects may claim compensation from the producer as well as the seller. The producer and the seller shall be jointly liable for the compensation. In case of violations of the Product Quality Law, the responsible authorities have the right to impose fines on the violators, order them to suspend operation, and revoke their business licenses. In serious cases, even criminal liability may be incurred.

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC 《中華人民共和國消費者權益保護法》(the "**Consumer Protection Law**"), which was promulgated on 31 October 1993, came into effect on 1 January 1994 and amended in 27 August 2009 and 25 October 2013.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all producers and distributors involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

Laws and regulations relating to environmental protection

TEM Jiangmen in the PRC is subject to the national and local environmental protection laws and regulations, including:

- the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, which was promulgated and came into effect on 26 December 1989 and amended in 24 April 2014;

- the Law of the PRC on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, which was promulgated on 11 May 1984 and amended on 15 May 1996 and 28 February 2008;

- the Law of the PRC on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, which was promulgated on 5 September 1987 and amended on 29 August 1995, 29 April 2000 and 29 August 2015;

- the Law of the PRC on Prevention and Control of Environmental Noise Pollution 《中華人民共和國環境噪音污染防治法》, which was promulgated on 29 October 1996 and came into effect on 1 March 1997;

- the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, which was promulgated on 30 October 1995 and amended on 29 December 2004, 29 June 2013 and 24 April 2015; and

- the Regulations on the Administration of Construction Project Environmental Protection 《建設項目環境保護管理條例》, which was promulgated and came into effect on 29 November 1998 as well as the Regulations on the Collection and Use of Sewage Charges 《排污費徵收使用管理條例》, which was promulgated on 2 January and came into effect on 1 July 2003.

According to the provisions above, a construction unit should, in the phase of construction project feasibility study, submit the construction project environmental impact report or environmental impact registration form for approval. The construction unit shall conduct construction and trial production pursuant to the approval and shall, upon the completion of the construction project, handle the formalities for acceptance checks of the environmental protection facilities. Otherwise, the construction project shall not be put into operation or use.

Environmental protection measures include the disposal of sewage, waste gas, noise as well as solid waste. Any entity that discharges pollutants exceeding the national or local discharge standards shall pay fees for the excessive discharge of pollutants. Meanwhile, it shall be subject to the regular or irregular inspections and spot checks by the environmental protection department.

Individuals or enterprises who violate the environmental protection laws shall be subject to penalties of different strength by the responsible authorities, including warnings, fines, orders for rectification within the specified period, orders for cease of production, orders for re-installation or use of the pollution prevention facilities that are removed without authorisation or left unused, administrative sanctions on the persons in charge as well as orders for closedown of the enterprises.

Laws and regulations relating to fire safety and production safety

According to the Fire Control Law of the PRC 《中華人民共和國消防法》, which was promulgated on 29 April 1998 and amended on 28 October 2008, the fire safety facility design and construction of a construction project shall conform to the state technical standards on fire control. The construction unite, design unite, contractor unite and the supervision unite shall be legally liable for the quality of the fire safety design and construction of the project. Upon the completion of a construction project containing a fire control design conducted in accordance with requirements of the State Technical Standards on Fire Control for Engineering Construction, the project must go through acceptance check or filing on fire control in accordance with the relevant provisions.

According to the Production Safety Law of the PRC 《中華人民共和國安全生產法》, which was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, production units shall comply with this law and other laws and regulations relevant to production safety, strengthen production safety management, establish and optimise the production safety responsibility system, improve the production safety conditions and ensure the safety of production. Persons in charge of the production unit shall be fully responsible for the production safety of the unit. Employees in the production unit are entitled to be secured of production safety and shall carry out its own obligations with respect to the production safety. For those do not comply with the laws, the regulatory authorities have the right to impose fines, order them to suspend operations and revoke their business licenses. Criminal liability may be incurred in serious cases.

Laws and regulations relating to labour and social insurance

According to the Labour Law of the PRC 《中華人民共和國勞動法》(the "**Labour Law**"), which was promulgated on 5 July 1994 amended on 27 August 2009 and the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》(the "**Labour Contract Law**"), which was promulgated on 29 June 2007, came into effect on 1 January 2008 and amended on 28 December 2012, to establish a labour relationship, a written labor contract should be concluded. The wages paid by the employer to the employee shall not be less than the minimum wage rate in the place where the employer is located.

In certain circumstances, financial compensation shall be paid to the employee if the employer terminates its employment relationship with the employee. The employer shall provide relevant education and training to the employee. In addition, employers are required to provide healthy and safety working conditions in conformity with the relevant national rules and standards and provide regular healthy checks for the employees who are engaged in hazardous work.

According to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Provisional Regulations on Collection and Payment of Social Insurance Premium 《社會保險費徵繳暫行條例》, which was promulgated and came into effect on 22 January 1999, the Interim Measures on the Administration of Registration of Social Insurance 《社會保險登記管理暫行辦法》, which was promulgated and came into effect on 19 March 1999, and the Regulations on Labor Security Supervision 《勞動保障監察條例》, which was promulgated on 1 November 2004 and came into effect on 1 December 2004, employers shall pay social insurance for employees as prescribed by laws. The Social Insurance Law of the PRC 《社會保險法》, which was effective from July 1 2011 specified the payment of the pension insurance, work-related injury insurance, unemployment insurance, medical insurance and the maternity insurance in detail.

Pursuant to the Decision of the State Council on Establishing a Unified System of the Basic Pension Insurance for Enterprise Employees 《國務院關於建立統一的企業職工基本養老保險制度的決定》, which was promulgated and came into effect on 16 July 1997, the Circular on Relevant Issues concerning the Improvement of the Basic Pension Insurance Policy for Urban Employees 《關於完善城鎮職工基本養老保險政策有關問題的通知》, which was promulgated and came into effect on 22 December 2001, the Regulations on Work-Related Injury Insurance 《工傷保險條例》, which was promulgated on 27 April 2003 and amended on 20 December 2010, the Regulations on Unemployment Insurance 《失業保險條例》, which was promulgated and came into effect on 22 January 1999, the Circular on the Issuance of Provisions on the Administration of Basic Medical Insurance for Urban Employees 《關於印發城鎮職工基本醫療保險業務管理規定的通知》, which was promulgated and came into effect on 5 January 2000, the Trial Measures on Maternity Insurance for Enterprise Employees 《企業職工生育保險試行辦法》, which was promulgated on 14 December 1994 and came into effect on 1 January 1995 and related regulations, employers are required to pay pension insurance, work-related injury insurance, unemployment insurance, medical insurance as well as maternity insurance for employees.

In addition to the above, the regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time for regulation.

The Regulations on Management of Housing Provident Fund 《住房公積金管理條例》, which was promulgated on 3 April 1994 and amended on 24 March 2002, requires enterprises to register with the relevant housing provident fund management centre within 30 days from the date of establishment, open housing provident fund accounts with the designated bank and pay and deposit housing provident fund for employees with the rate not less than five percent of the average monthly salary of the employee concerned in the previous year.

The regulatory authorities of government at the provincial, municipality and district level have also issued relevant policies from time to time to regulate the payment for housing provident fund.

Laws and regulations relating to intellectual property

Laws on patents

China began reviewing patent applications and granting patents under the PRC Patent Law 《中華人民共和國專利法》(the "**PRC Patent Law**"), which was promulgated in 1984 and amended in 1992, 2000, 2008 respectively. Under the PRC Patent law, invention patents are valid for twenty years and external design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in the PRC is different in many ways from that in other countries. The patent system in the PRC uses the principle of first to file. This means that when more than one person file a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of the PRC. Furthermore, patents issued in the PRC are not enforceable in Hong Kong, Taiwan and Macau, each of which has an independent patent system.

- *Invention patent*

  The products seeking invention patent protection must possess such characteristics as novelty and innovation and the grant of invention patent is subject to disclosure and publication requirement. Normally, the patent administrative authority publishes the application 18 months after application is filed, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review as required by applicant within 3 years from publication or if necessary at its discretion to grant the invention patent, issue the certificate of invention patent and announce and register it if there is no cause for rejection of the application of the invention patent after substantive review and makes a decision. The term of protection is 20 years from the date of application. Once an invention patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- *Utility patent*

  The products seeking utility patent protection must also possess such characteristics as novelty and innovation. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility patent is also subject to the disclosure and publication requirement upon application. The term of protection is ten years from the date of application. Once an utility patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

- *Design patent*

  The products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringing upon third parties' legal rights. The application procedure and term of protection is the same as utility patent. Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent without consent of the patent holder.

Laws on trademarks

Both the PRC Trademark Law 《中華人民共和國商標法》, which was promulgated in 1982 and amended in 1993, 2001 and 2013, and the Implementation Regulation of the PRC Trademark Law 《中華人民共和國商標法實施條例》, which was promulgated by the State Council of the PRC in 2002 give protection to the holders of registered trademarks. The Trademark Office under the State Administration for Industry and Commerce of the PRC 《中華人民共和國國家工商行政管理總局商標局》 handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years. Trademark license agreements must be filed with the Trademark Office or its regional counterparts.

Approval of the reorganisation and proposed listings

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission ("**CSRC**"), promulgated the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》(the "**M&A Rules**"), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009. According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

According to the Guiding Book on the Access Administration of Foreign Investment 《外商投資准入管理指引手冊》(The 2008 Version), which was promulgated by Foreign Investment Department of the MOFCOM (商務部外資司) on 18 December 2008, the M&A Rules do not apply to the merger and equity transfer of an established foreign-invested enterprise.

The M&A Rules do not apply to the Reorganisation of our Group and the proposed Listing as the Controlling Shareholder is not a PRC resident. The acquisitions were made by overseas enterprises and none of the domestic enterprises was involved in the Reorganisation.

Overseas investment by domestic residents

The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies 《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "**SAFE Circular No. 37**"), which was promulgated and effective on 4 July 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(the "**SAFE Circular No. 75**").

According to the SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (the "**SPC**") with legitimate holdings of domestic or overseas assets or interests, a PRC resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. PRC resident refer to Chinese citizens holding the identity cards for PRC residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any PRC legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the PRC for use, the relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set out in the SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

The SAFE Circular No.37 does not apply to Mr. Lau, our Controlling Shareholder, as he is a permanent resident of Hong Kong and has no habitual residences within the territory of China. Mr. Lau is not required to file with the foreign exchange registration under the SAFE Circular No.37.

LAWS AND REGULATIONS OF MALAYSIA

Laws and regulations relating to manufacturing activities

Manufacturing Licence under the Industrial Co-ordination Act 1975

Pursuant to the Industrial Co-ordination Act, 1975 and the Industrial Co-ordination (Exemption) Order 1976 (the "**ICA**"), a person engaged in a manufacturing activity and with shareholders' funds of RM2,500,000 and above and which engages 75 or more full-time employees must acquire a manufacturing licence issued by the Malaysian Ministry of International Trade and Industry (the "**MITI**").

The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

Municipal council business license

Under the Licensing of Trades, Business and Industries (Sungai Petani Municipal Council) By Laws 1995 (the "**By-Laws 1995**") issued by the Sungai Petani Municipal Council (the "**SPMC**") (in the exercise of its powers conferred by the Local Government Act 1976), any person who uses any premises within the SPMC for the business of manufacturing cables or wires requires a licence issued by the President of the SPMC (the "**President**") pursuant to Section 3 of the By-Laws 1995.

Any person who contravenes Section 3 of the By-Laws 1995 is guilty of an offence and on conviction, shall be liable to a fine not exceeding RM2,000 and to a further fine not exceeding RM200 for everyday during which the offence is continued after conviction. A director, general manager, secretary or other similar officer or any person who was purporting to act in any such capacity is deemed to be guilty of such offence and shall be liable for the same financial penalties as the offender unless he proves that the offence was committed without his consent or connivance and that having regard to the nature of his functions in that capacity and to all the circumstances he took all reasonable means and precautions to prevent the commission of the offence. The President may in his discretion compound any offence under the By-Laws 1995 by collecting from the person reasonably suspected of having committed the offence a maximum of RM300.

Laws and regulations relating to workplace safety

The Factories and Machinery Act 1967 (the "**FMA**") provides for the control of factories with respect to matters relating to the safety, health and welfare of persons working in a factory and for matters connected therein. The FMA and the regulations enacted under it are the primary legislation regulating occupational, safety and health improvement in the manufacturing industry, apart from the Occupational Safety and Health Act 1994 (the "**OSHA**").

Under the FMA, a company in Malaysia has a duty to maintain the standards of safety, health and welfare of its factories and factory workers, and these includes provisions requiring the taking of precautions against fire, the proper maintenance of machinery, that every factory shall be kept in a clean state, the taking of effective and suitable provision for securing and maintaining adequate ventilation and that effective provision shall be made for securing and maintaining sufficient and suitable lightning and the mandatory reporting of accidents and dangerous occurrences to the Inspector of Factories and Machineries of Malaysia.

The general penalty imposed upon the commission of an offence under the FMA or any regulation made thereunder is a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or both.

Under the OSHA, a company in Malaysia has a general duty to ensure, so far as is practicable, the safety, health and welfare at work of all its employees, and the matters to which such duty extends includes the following:

- the provision and maintenance of plants and systems of work that are, so far as is practicable, safe and without risks to health.

- the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of all its employees.

- so far as is practicable, the maintenance of a place of work that is in a safe condition and without risks to health.

- the provision of adequate facilities with regards to the welfare of its employees at work.

Further, a company in Malaysia has a duty to formulate a general safety and health policy for its employees at work and to bring the policy (and any revisions of it) to the notice of all of its employees.

A company in Malaysia is also under a duty under the OSHA to ensure, so far as is practicable, that other persons, not being its employees, who may be affected are not thereby exposed to risks to their safety or health from the conduct of their undertakings.

A person who breaches any of the above statutory duties as imposed by OSHA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding two years or both.

Laws and regulations relating to foreign exchange

Foreign currency exchange

Under current Malaysian foreign exchange control policies, non-residents of Malaysia are free to remit out of Malaysia at any time, amongst others, divestment proceeds, profits and dividends arising from investment in Malaysia.

Laws and regulations relating to taxation

Dividends payments

Dividends paid to a foreign shareholder of a Malaysian company are not subject to any withholding tax.

Corporate income tax

Generally, a Malaysian tax resident company is subject to income tax on its chargeable income at the rate of 25% for the year of assessment 2015 and at the rate of 24% for the subsequent years of assessment on every Ringgit of its chargeable income.

Withholding tax for interest on loan paid by a Malaysian tax resident company to a non-resident company

Generally, a Malaysian tax resident company that makes payment of interest to a non-tax resident company is required to withhold tax at the rate of 15% where such interest payments are a source of income for the non-tax resident company.

Goods and Services Tax

With effect from 1 April 2015, GST is implemented in Malaysia at a rate of 6 % pursuant to the Goods and Services Tax Act 2014. GST is chargeable on all taxable supplies of goods and services that are made by a taxable person in the course or furtherance of a business in Malaysia, and is also charged on the importation of goods and services into Malaysia.

A "taxable person" is a person who makes taxable supplies in Malaysia that has an annual turnover exceeding RM500,000.00. A taxable person is required to be registered for GST.

In general, supply for GST purposes covers all forms of supply of goods and services in return for consideration, whether monetary or in kind. A taxable supply may either be standard rated or zero-rated. Standard rated supplies are goods and services supplied by businesses that are subject to GST at the standard rate of 6% unless prescribed as zero-rated or exempt. Zero-rated supplies are goods and services supplied by businesses that are subject to a GST rate of 0%. Exempt supplies are goods and services supplied by businesses that are not subject to GST.

Details of the goods and services falling under the above mentioned classifications may be obtained from the Royal Malaysian Customs Department's official website at *http://gst.customs.gov.my*.

Laws and regulations and policies relating to the employment of foreign workers

Minimum Wages

Malaysia has implemented a minimum wage policy that raised the basic wages of all employees to a minimum of RM900 in Peninsular Malaysia (which includes the state of Kedah) in respect of employers with more than five employees commencing from 1 January 2013 under the Minimum Wages Order 2012.

In the 2016 Malaysian Budget announced by the Prime Minister of Malaysia on 23 October 2015, it was indicated that the minimum wage for workers in the private sector will, with effect from 1 July 2016, be increased from RM900 to RM1,000 per month in Peninsular Malaysia.

Outsourcing of foreign workers

Section 5 of the Malaysian Employment (Restriction) Act 1968 prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit.

The employment of foreign workers is subject to the approval of the Ministry of Home Affairs, Malaysia (the "**MOH**"). A foreign worker whose employment is approved by the MOH is required to obtain a Visit Pass (Temporary Employment) from the Malaysian Immigration Department ("**Visit Pass**"). The Visit Pass is granted with conditions, and can be revoked if its conditions are contravened. Pursuant to the MOH's policy as published on its official website on *http://www.moha.gov.my/index.php/en/bahagian-pa-dasar-dasar-semasa*, with effect from 1 January 2010, outsourcing companies were permitted to supply foreign workers to companies in Malaysia operating in the manufacturing sector.

Laws and regulations relating to environmental protection

The Environmental Quality Act 1974 restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters without licence, discharge of wastes into Malaysian waters without a licence, and prohibits open burning.

Laws and regulations relating to the sale of goods

Contracts for the sales of goods in West Malaysia is governed by the Sale of Goods Act 1957 (the "**SOGA**") unless excluded or varied by express agreement or by the course of dealing between the parties or by usage. The SOGA operates against the background of general Malaysian contract law principles that are not inconsistent with the SOGA's express provisions.

The SOGA implies in every contract for the sale for goods conditions that include the following:

- that goods sold by description correspond with the description and are of merchantable quality (save and except in respect of defects which ought to have been revealed where a buyer has actually examined the goods);

- that goods sold are reasonably fit for a particular purpose of the buyer in cases where:

  (i) the buyer makes known to the seller the particular purpose for which the goods are required;

  (ii) there was reliance by the buyer on the seller's skill and judgment, and the buyer did in fact rely on the seller to supply suitable goods;

  (iii) the goods are of a description which it is in the course of the seller's business to supply; and

  (iv) if the goods are specific, they are not sold under their patent or trade name.

- for sale by sample:

  (i) that the bulk corresponds with the sample in quality;

  (ii) that the buyer has a reasonably opportunity of comparing the bulk with the sample; and

  (iii) that the goods are free from any defects rendering the goods unmerchantable which are not apparent on reasonable examination of the sample.

Under the SOGA, a breach of a condition in a contract of sale of goods gives rise to a right of the buyer to reject the goods and treat the contract of sale as ended. However, where the buyer treats any breach of a condition on the part of the seller as a breach of warranty, the buyer is not entitled to reject the goods for breach of warranty but may set up against the seller the breach of warranty in diminution or extinction of the price of the goods or sue the seller for damages for breach of warranty.

Laws and regulations relating to import and export

Under the Customs Act 1967, the Minister of Finance of Malaysia has the power to prohibit the importation or exportation of goods absolutely or except under an import license or export license. These prohibitions are gazetted under the Customs (Prohibition of Imports) Order 2012 and the Customs (Prohibition of Exports) Order 2012.

As at the Latest Practicable Date, TEM Malaysia did not require any import license to import raw materials used for its manufacturing activities or to export its finished products.

LAWS AND REGULATIONS OF SINGAPORE

Laws and regulations relating to import and export

Under the Regulation of Imports and Exports Act (Chapter 272A) (the "**RIEA**"), regulations for the registration and control of all or any class of goods imported into, exported from, transshipped in or in transit through Singapore may be made. We engage freight forwarders to undertake the import and export of our products. Where relevant, these freight forwarders make the necessary permit applications for our imports and exports on a transactional basis.

Laws and regulations relating to employment and workplace safety

Under the Workplace Safety and Health Act (Chapter 354A) (the "**WSHA**"), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work.

These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work. More specific duties of the employer and occupier of a workplace are set out in the Workplace Safety and Health (General Provisions) Regulations.

Under the WSHA, the Commissioner for Workplace Safety and Health of Singapore (the "**CWSH**") may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whereas the stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A) (the "**EFMA**"). Under the EFMA, no person shall employ a foreign employee unless the foreign employee has a valid work pass, and any employment of a foreign employee has to be in accordance with the conditions of the foreign employee's work pass. Any person who contravenes the above law shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, (i) in the case of an individual, be punished with a fine of not less than S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine not less than S$20,000 and not more than S$60,000.

An employer of foreign workers is also subject to, amongst others, the provisions set out in the Employment Act (Chapter 91), the Immigration Act (Chapter 133) and the regulations issued pursuant to the acts.

The Work Injury Compensation Act (Chapter 354) (the "**WICA**") applies to any person who has entered into or works under a contract of service or apprenticeship with an employer (with the exception of any class of persons set out in the Fourth Schedule to the WICA). Under the WICA, if in any employment personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of WICA. The amount of compensation shall be computed in accordance with a specified formula.

Laws and regulations relating to environmental protection

The Environmental Public Health Act (Chapter 95) (the "**EPHA**") regulates, amongst others, the disposal and treatment of nuisances of a public nature. Some of the public nuisances which are liable to be dealt with summarily under the EPHA include any factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety.

The Director-General of Public Health is empowered under the EPHA to take such steps as he may consider necessary to remove or abate all public nuisances and may, if he considers that the circumstances warrant, proceed at law against any person committing any such nuisance. The Director-General of Public Health of Singapore may also serve a nuisance order on the owner or occupier of the premises on which the nuisance arises requiring, amongst others, that works be executed or things be done to abate the nuisance.

Laws and regulations relating to foreign exchange

As at the Latest Practicable Date, there were no foreign exchange control restrictions in Singapore.

Laws and regulations relating to taxation

Corporate income tax

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on (i) income accrued in or derived from Singapore; and (ii) foreign sourced income received or deemed received in Singapore, unless otherwise exempted.

The corporate tax rate in Singapore is 17% with effect from the year of assessment 2010. Further corporate tax exemption will apply to the first S$300,000 of a company's chargeable income as follows:

- 75% of up to the first S$10,000 of a company's chargeable income; and
- 50% of up to the next S$290,000 of a company's chargeable income.

Foreign income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer are exempted from Singapore tax subject to meeting the qualifying conditions. A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore.

Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income received or deemed received by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 20%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20% except that Singapore employment income is taxed at a flat rate of 15% or at resident rates, whichever yields a higher tax.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Withholding tax

Certain types of payments to non-Singapore resident taxpayers are subject to withholding tax. Generally, under domestic law, tax is to be withheld at tax rate from 10% to 20% depending on the nature of the payment. There is no withholding tax on dividend payments.

Dividend distributions

Dividend paid by a Singapore resident company is considered "one-tier" dividends. Such dividends are tax exempt in the hands of the shareholder. This is regardless of whether the shareholder is a corporate or individual shareholder, and whether the shareholder is a Singapore tax resident or not. There will be no tax credits attached to such dividends. There is no withholding tax on dividend payments to non-resident shareholders.

Gains on disposal of shares

Currently, Singapore does not impose tax on capital gains. Any profit from the disposal of shares is not taxable in Singapore unless the seller is regarded by the Inland Revenue Authority of Singapore as having derived gains of an income nature which are sourced in Singapore.

However, there are no specific laws or regulations which deal with the characterisation of gains from disposal of shares. Share disposal gains may be construed to be of an income nature under certain circumstances and hence, subject to tax. The most common instance is where the gains arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore.

Estate duty

No estate duty is leviable in respect of deaths occurring on or after 15 February 2008.

Goods and services tax

The sale of shares of a Singapore company by a GST-registered person belonging in Singapore through the SGX-ST, the Singapore stock exchange, to another person belonging in Singapore, would be an exempt supply not subject to GST. Where shares are sold by the GST-registered person under a contract with a person who belongs in a country outside Singapore and which directly benefits a person who belongs in a country other than Singapore and who is outside Singapore at the time the sale was made, the sale would generally be a taxable supply subject to GST at zero-rate.

GST incurred by a GST-registered person on taxable supplies made to him which is attributable to taxable supplies made by him in the course of or furtherance of business is available as a credit against GST chargeable by the said GST-registered person on taxable supplies made by him in the course of or furtherance of business carried on by him.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale, holding of shares would be subject to GST at the current rate of 7%. Similar services rendered to an investor belonging outside Singapore and which directly benefits a person who belongs in a country other than Singapore and who is outside Singapore at the time the services were supplied would generally be subject to GST at zero-rate.

Stamp duty

No stamp duty is payable on the issue of new ordinary shares of a company incorporated in Singapore. In the event that a register of shares is kept in Singapore and where an instrument of transfer is executed in respect of shares registered in such register, stamp duty may be payable on such instrument of transfer at the rate of S$2.00 for every S$1,000 or part thereof, computed based on the value of consideration or the market value of the shares registered in Singapore, whichever is higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Bonus shares

Any bonus shares received by shareholders are not taxable.

LAWS AND REGULATIONS OF THAILAND

The scope of the business activities of our Group in Thailand is limited to the importation and delivery of wire/cable harness and power supply cords to the customers in Thailand where such products will form part of the end-products such as electrical appliances or machinery to be assembled by the customers in Thailand.

An overview of the material laws and regulations that will be relevant to our business in Thailand is set out below:

Laws and regulations relating to imports of goods and customs duty

Importation of goods

Pursuant to the Export and Import of Goods Act 1979 (the "**Export and Import of Goods Act**"), licence or permission for the importation of wire/cable harness and power supply cords is not required to be applied by importers to the Ministry of Commerce of Thailand.

However, the Ministerial Regulations No. 25/2014 issued under the Customs Act 1926 (the "**Customs Act**"), an importer, or the customers of our Group in Thailand, is required to register as an importer by filing an application form for customs clearance card with the Customs Department. Our Group as the seller of the products is not required to file such registration with the Customs Department.

Customs duty

Pursuant to the Customs Act, wire/cable harness and power supply cords are within the categories of products specified by the Emergency Decree of Customs Tariff (No.5) 2012 whereby the importation of such products shall be subject to customs duty at the rate provided therein. Wire/cable harness and power supply cords are considered to be within Section 16, Chapter 85: Electrical Machinery/Electrical Device, Type no. 85.44 and the rate of customs duty shall be as follows:

Category	Description	Rates of Customs Duty
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.	Insulated (including enameled or anodized) wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fiber cables, made up of individually sheathed fibers, whether or not assembled with electric conductors or fitted with connectors.	35–40% of the ad valorem rate.

In the event that the customers of our Group are companies benefiting from being located in the Customs Free Zone under the Customs Act, the customers of our Group will benefit from, including but not limited to, the exemption of customs duty (as indicated above) and value added tax and etc.

Further, in the event that the customers of our Group are companies with investment promotion benefit granted by the Board of Investment of Thailand pursuant to Investment Promotion Act 1977, the customers will also be exempted from customs duties and may benefit from other privileges depending on the terms and conditions of the investment promotion.

Laws and regulations relating to consumer protection and product liability

Consumer Protection Act

The Consumer Protection Act 1979 (as amended) (the "**Consumer Protection Act**") provides the protection of interests of consumers who purchase the products from our Group including the right to be informed of accurate and sufficient information as to the quality of the goods of services, right to freely choose the goods or services, the right to a safe use of goods or service and the right to be compensated where there exists damages resulting from a violation of consumer's rights.

Pursuant to the Consumer Protection Act, consumers may be interpreted to cover any person who buys or obtains services from the seller, manufacturer or service provider, any person who duly uses goods or any person who duly obtains services from the seller or service provider (as the case may be), regardless of whether there is consideration/remuneration and is not limited only to the end user of the goods or services. As the manufacturer and seller of the products, our Group is considered to be the business operator under the Consumer Protection Act and is required to comply with the provisions of the Consumer Protection Act in matters relating to advertising, labelling and contracting in relation to its manufacturing and sales of the products to the customers.

Advertising

The advertising of the products has to be fair to consumers and does not contain any statement which can be harmful to the public, i.e. false, misleading statement, statement encouraging illegal action and etc. The method of advertisement must not be harmful to health or mind or cause disturbance to consumers.

The Advertising Committee under the Consumer Protection Act is authorized to issue orders or take such steps from setting out further requirement pursuant to which the advertisement has to comply, to issue suspension or prohibition order against an advertisement as may be necessary to ensure the compliance with the provisions of the Consumer Protection Act.

Failure to comply with the provisions of the Consumer Protection Act or the relevant orders can result in criminal penalty of imprisonment for the period not of up to 6 months and/or a fine of up to THB30,000.

Labelling

Under the Consumer Protection Act, any products imported for sale is considered as label-controlled products whose labels have to contain the required information as specified by the Consumer Protection Act. The information must include name or trademark of the business operator, place of manufacturing and country of origin, other information relating to price, quantity, direction, caution and etc.

The Labeling Committee under the Consumer Protection Act has the authority to issue orders to set out further requirements, prohibit the use or amend the information contained in the label as it sees fit.

Failure to comply with the provisions of the Consumer Protection Act or the relevant orders can result in criminal penalty of imprisonment for the period not of up to 6 months and/or a fine of up to THB50,000.

Other consumer protection

In addition to the above, in the event that the Consumer Protection Committee under the Consumer Protection Act has reasonable cause to believe that any products may be harmful to consumers, it may order the business operator to arrange for a test of such products. If the test result indicates that such products may be harmful and such harm cannot be sufficiently prevented by the label, it can issue an order prohibiting the sale of the products, recalling the products from the market and prohibiting the importation of such products into Thailand.

Failure to comply with the provisions of the Consumer Protection Act or the relevant orders can result in criminal penalty of imprisonment for the period not of up to 5 months and/or a fine of up to THB500,000.

In the event that the person in breach of the provisions of the Consumer Protection Act is a juristic person, a director or manager or a person responsible for the business operation of such juristic person shall be personally liable unless such person can prove that he/she is not involved in such breach.

All cases arising from the consumption of goods and services including the product liability case are under the Consumer Cases Act 2008 which provides more beneficial court proceedings for consumers.

Product Liability Act

The Act on Liability for Injuries from Unsafe Products 2008 (the "**Product Liability Act**") regulates the strict liability of manufacturers, importers and distributors to end-users for damages from defective products. The "products" are defined to include all assets produced or imported for sale in Thailand (with limited exception).

Under the Product Liability Act, the manufacturers (which include the manufacturer of the component parts which will be used as part of the end-product), importers and distributors shall be jointly liable for any damage incurred from the end-products which are sold to consumers.

The Court shall be authorized to demand compensation for damages in addition to compensation for violations of the Thai Civil and Commercial Code in relation to damage to mental health, body, health and hygiene of the damaged party. In the event the damaged party has died, the damage party's husband, wife, children, or descendants shall have rights to compensation for the damage occurring to mental health.

In the event that the facts indicate that the business operators produced, imported, or sold the products, although aware that the products were unsafe, or that they were unaware, but committed gross negligence, or had awareness that the products were unsafe after production, yet imported or sold the unsafe products without taking appropriate actions to prevent damages from occurring, the Court shall be authorized to order the business operators to pay punitive damages in addition to the amount of actual compensation stipulated by the Court at its discretion but not to exceed twice the actual compensation. Consideration will be given to the following circumstances including the severity of the damage sustained by the damaged party, the business operators' cognizance of the damages arising from the products, the time period in which they concealed the danger of the products, the actions taken by them after becoming aware that the products were unsafe, the benefits received by them, their financial status, efforts to alleviate the damages that occurred on the part of the business operators, and the part the damaged party had in the damages that occurred.

The Product Liability Act exempts the manufacturers, importers and distributors from being liable if it can be proven that (i) the end-products are not an unsafe product; or (ii) the consumer is aware that such products are unsafe; or (iii) the damage incurred is the result of inappropriate storage.

Additionally, our Group as the manufacturer of component parts of the end-product shall not be liable if it can be proven that the damage incurred is the result of the design or the assembly of the end-product or from the usage, storage, caution or information of the end-product specified.

All product liability cases are under the Consumer Cases Act 2008 which provides more beneficial court proceedings for consumers.

Laws and regulations relating to foreign exchange controls

Thai foreign exchange controls are administered by the Bank of Thailand on behalf of the Ministry of Finance pursuant to the Exchange Control Act 1942 (as amended) (the "**Exchange Control Act**") and the Ministerial Regulations No. 13 (1954). The Bank of Thailand has granted commercial banks and certain other entities the authority to conduct foreign exchange transactions as authorized agents of the Bank of Thailand.

Any outward remittance of funds on the basis of payment of products by customers to our Group may be made without any filing requirements if the amount does not exceed USD50,000. Amount in excess of this requires permission (which is routinely granted by the Bank of Thailand through the commercial banks upon submission of certain application forms specifying the reasons for such remittance and production of relevant documentary evidence.

INDUSTRY TECHNICAL STANDARDS

Manufacturers of cable/wire harness and power supply cords assembled products are required to ensure their products conform to the safety standards promulgated by various safety and standard agencies. The two standards which are applicable to our Group in the case of wire/cable harnesses and power supply cords assembled products are set out as follows.

UL (Underwriters Laboratories)

UL certification while applicable mainly in North America is a universally recognised safety standard for components that are used in electrical and electronic products. Electrical and electronic appliances that carry the UL certification provide the guarantee that the appliance has limited the possibility of any risk that can be reasonably expected to take place. UL 817 is the standard applicable to cord sets and power supply cords.

Thai Industrial Standards Institute

The Industrial Product Standard Act 1968 (as amended) (the "**Industrial Standard Act**") and the Royal Decrees issued by virtue of the Industrial Standard Act require that the standard of certain types of industrial products to be manufactured or imported have to be in conformity with the compulsory standard specified by the Thai Industrial Standards Institute ("**TISI**") to ensure that they are safe, reliable and possess good quality.

Pursuant to the Royal Decrees, wire/cable harness and power supply cords are within 107 standard-controlled industrial products and accordingly, when such products are manufactured in or imported into Thailand, it is required that a licence is obtain in relation to such products from the Industrial Product Standard Council.

It is more likely that the standard set out by TISI for standard-controlled industrial products will be enforced more strictly upon the end-products of the manufacturer or importer rather than the component parts consisted in such products since the Industrial Standard Act intends to provide more protection to consumers who purchase the end-products. However, for the customers of our Group to be able to ensure that their end-products comply with the standard of the TISI and in order for them to be able to obtain the required industrial standard licence for their products, the wire/cable harness or power supply cords manufactured by our Group shall have sufficient quality to satisfy the standard required by TISI under the Industrial Standard Act and other relevant Royal Decrees.

Failure to comply with the provisions of the Industrial Standard Act can result in criminal penalty of imprisonment for a period of up to 2 years and/or a fine of up to THB1,000,000.

Restriction of the Use of Certain Hazardous Substances (RoHS)

RoHS refers to restrictions imposed on the use of prohibited substances in electrical and electronic equipment. It was adopted in February 2003 and under the RoHS, the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls, polybrominated diphenyl ethers, and four different phthalates in consumer electronics and appliances is banned.

OUR BUSINESS HISTORY

Business Development

Our Group is principally engaged in the manufacturing and sale of wire/cable harnesses and power supply cords assembled products in a variety of specifications which are used in a wide range of applications, including home appliances or white goods, consumer appliances and industrial products.

Our business history can be traced back to 1995, when TEM Malaysia, one of our principal operating subsidiaries, was incorporated in Malaysia and started its business of manufacturing connectors, assemblies and wire/cable harnesses in Malaysia. SEAP Trading, another of our principal operating subsidiaries, was established in Singapore in 1998 and principally engaged in trading and distribution of connectors in the Asia Pacific Region. SEAP Trading and TEM Malaysia were subsequently acquired by and became subsidiaries of Solartech International Holdings Limited ("**Solartech International**"), a company listed on the Main Board of the Stock Exchange (stock code: 1166), during the year ended 31 March 1999 and the year ended 31 March 2001, respectively. Solartech International then further expanded its business of the manufacture and distribution of power supply cords assembled products and wire/cable harnesses in the PRC by setting up SIC Qingdao and TEM Jiangmen in 2004 and 2008, respectively, and in South America by acquiring the entire equity interest in the Brascabos Group in 2006. Our executive Director, Chairman and Controlling Shareholder, Mr. Lau, then acquired New Universe which owned TEM Malaysia, SEAP Trading, SIC Qingdao, TEM Jiangmen and the Brascabos Group from a subsidiary of Solartech International in April 2010 at an aggregate consideration of HK$30 million, which was funded by his personal financial resources.

Due to, among others, the different markets in which our Group and the Brascabos Group operate, and considering the future development and strategies of our Group and the Brascabos Group, it was decided that the Brascabos Group be excluded from our Group for the purpose of the Listing. For further details of the reasons for the exclusion of the Brascabos Group from our Group, please refer to the paragraph headed "Relationship with Controlling Shareholders — The Excluded Business" in this prospectus.

Business Milestones

The major events in our business development are set out as below:

Date	Milestones
April 2010	Mr. Lau acquired the businesses of our Group and of the Brascabos Group.
January 2013	We successfully renewed ISO9001:2008 for certification of our quality control system in connection with the manufacturing of wire harnesses, power cords, electronic connectors and related components in our Malaysia Factory.
March 2013	Our Group expanded the scale of operation and enhanced the technologies of TEM Jiangmen in order to satisfy the increasing orders of more advanced products in the PRC.

November 2014	We successfully renewed ISO9001:2008 for certification of our quality control system in connection with the manufacturing of wire harnesses, power cords and electronic connectors in our PRC Factory.

CORPORATE HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, SEAP Trading, TEM Malaysia, Optimum Electronics and TEM Jiangmen were the principal operating subsidiaries of our Company, while TEM Group, Glory Sun and BAP Trading were principally investment holding companies. A summary of the corporate history of each member of our Group is set out below.

Companies within our Group

Our Company

Our Company was incorporated as an exempted company with limited liability on 22 October 2015 in the Cayman Islands. The authorised share capital of our Company on incorporation was HK$380,000 divided into 38,000,000 ordinary Shares of par value HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our Company's initial subscriber, which was subsequently transferred to Jumbo Planet, a company wholly-owned by Mr. Lau, on the even date. Upon completion of this transfer, our Company became indirectly wholly-owned by Mr. Lau through Jumbo Planet.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 January 2016.

On 20 April 2016, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 ordinary Shares to HK$200,000,000 divided into 20,000,000,000 ordinary Shares by the creation of an additional 19,962,000,000 new Shares.

Our Company will offer 150,000,000 Placing Shares in total for subscription under the Placing and conditional upon the share premium account of our Company being credited as a result of the allotment and issue of 150,000,000 Placing Shares by our Company pursuant to the Placing, a sum of approximately HK$4,499,999.07 standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full at par 449,999,907 Shares to be allotted and issued to Jumbo Planet, being the existing Shareholder immediately before Listing.

TEM Group

TEM Group was incorporated in BVI with limited liability on 2 January 1998 with an authorised share capital of US$50,000 divided into 50,000 shares of par value US$1.00 each. TEM Group is an investment holding company.

At the beginning of the Track Record Period, TEM Group was a direct wholly-owned subsidiary of New Universe. New Universe is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau.

On 8 January 2016, New Universe transferred its entire interest in TEM Group to our Company. Please refer to the paragraph headed "Reorganisation — Acquisitions of TEM Group and Glory Sun by our Company and Exclusion of the Brascabos Group" of this section for details of the transfer.

Glory Sun

Glory Sun was incorporated in BVI with liability limited by shares on 3 January 2006 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. Glory Sun is an investment holding company.

At the beginning of the Track Record Period, Glory Sun was a direct wholly-owned subsidiary of New Universe.

On 8 January 2016, New Universe transferred its entire interest in Glory Sun to our Company. Please refer to the paragraph headed "Reorganisation — Acquisitions of TEM Group and Glory Sun by our Company and Exclusion of the Brascabos Group" of this section for details of the transfer.

SEAP Trading

SEAP Trading was incorporated in Singapore with limited liability on 12 December 1998 with an authorised share capital of S$1,000,000 divided into 900,000 class "A" ordinary shares of S$1.00 each and 100,000 class "B" ordinary shares of S$1.00 each. SEAP Trading is principally engaged in trading and distribution of connectors in the Asia Pacific Region.

At the beginning of the Track Record Period and up to the Latest Practicable Date, SEAP Trading was a direct wholly-owned subsidiary of TEM Group.

TEM Malaysia

TEM Malaysia was incorporated in Malaysia with limited liability on 31 October 1995 with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each. TEM Malaysia increased its authorised share capital from RM100,000 to RM500,000 and from RM500,000 to RM5,000,000 on 14 March 1996 and 17 December 2012, respectively. TEM Malaysia is principally engaged in manufacturing of connectors, assemblies and wire/cable harnesses in Malaysia.

At the beginning of the Track Record Period and up to the Latest Practicable Date, TEM Malaysia was a direct wholly-owned subsidiary of TEM Group.

BAP Trading

BAP Trading was incorporated in Hong Kong with limited liability on 18 June 2007 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. BAP Trading is principally an investment holding company, although during the Track Record Period, in order to facilitate the Brascabos Group to purchase machinery and equipment for its production, BAP Trading entered into an one-off transaction with the Brascabos Group in the amount of approximately HK$8,576,000, HK$865,000 and nil for each of the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively. Save as disclosed, BAP trading has not entered into any other trading arrangement with the Brascabos Group during the Track Record Period and up to the Latest Practicable Date.

At the beginning of the Track Record Period and up to the Latest Practicable Date, BAP Trading was a direct wholly-owned subsidiary of Glory Sun.

Optimum Electronics

Optimum Electronics was incorporated in Malaysia with limited liability on 25 February 2014 with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each. Optimum Electronics is principally engaged in the assembly of wire/cable harnesses and power supply cords assembled products in Malaysia.

On 25 February 2014, one ordinary share in Optimum Electronics was allotted and issued, credited as fully-paid, to each of Mr. Liew Kim Yein ("**Mr. Liew**") and Mr. Lee Khoon Hwa ("**Mr. Lee**"), both being former employees of TEM Malaysia for a number of years, at a consideration of RM1.00 each. On 16 October 2014, 7,499, 7,499 and 35,000 ordinary shares in Optimum Electronics were further allotted and issued, credited as fully paid, to Mr. Liew, Mr. Lee and Glory Sun at a consideration of RM7,499, RM7,499 and RM35,000, respectively.

On 31 March 2015, Mr. Liew left Optimum Electronics for personal reasons and transferred his 7,500 ordinary shares in Optimum Electronics to Glory Sun at a consideration of RM7,500, determined with reference to the par value of the transferred shares. Upon completion of this transfer, Optimum Electronics is owned as to 85% and 15% by Glory Sun and Mr. Lee, respectively. Mr. Lee and Mr. Liew have no relationship with us, our Directors, our Shareholders and their respective close associates, except that Mr. Lee is a director of Optimum Electronics.

TEM Jiangmen

TEM Jiangmen was established in the PRC as a WFOE with limited liability on 23 July 2008 with a registered capital of US$600,000. On 1 July 2013, the registered capital of TEM Jiangmen was increased from US$600,000 to US$1,200,000, which was paid up by the statutory surplus reserve and undistributed profits of TEM Jiangmen. TEM Jiangmen is principally engaged in manufacture and sale of wire/cable harnesses and power supply cords assembled products in the PRC.

At the beginning of the Track Record Period, TEM Jiangmen was a direct wholly-owned subsidiary of TEM Group. On 26 March 2014, TEM Group transferred its entire equity interest in TEM Jiangmen to BAP Trading for internal restructuring purpose at a consideration of US$1,400,000, determined with reference to the net asset value of TEM Jiangmen as at 28 February 2014 and after arm's length negotiation. Upon completion of this transfer, TEM Jiangmen became a direct wholly-owned subsidiary of BAP Trading. On 15 June 2015, the registered capital of TEM Jiangmen was increased from US$1,200,000 to US$1,500,000.

Subsidiary dissolved during the Track Record Period

SIC Qingdao

SIC Qingdao was established in the PRC as a WFOE with limited liability on 14 May 2004 with a registered capital of US$630,000. On 20 August 2013, the registered capital of SIC Qingdao was reduced from US$630,000 to US$105,000. SIC Qingdao was principally engaged in manufacturing and sale of wire/cable harnesses in the PRC.

At the beginning of the Track Record Period, SIC Qingdao was a direct wholly-owned subsidiary of TEM Group.

Since 2010, the operation of SIC Qingdao had gradually been replaced by TEM Jiangmen, and it was later decided that SIC Qingdao be dissolved in order to focus our resources on TEM Jiangmen. The dissolution was completed on 19 June 2015. Our Directors are of the view that the dissolution of SIC Qingdao has no significant impact on our Group as its operation has already been replaced by TEM Jiangmen. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the net loss of SIC Qingdao amounted to approximately HK$68,339, HK$196,292 and nil, and the negative operating cashflow (before movements in working capital) of SIC Qingdao was approximately HK$55,080, HK$191,070 and nil, respectively.

EXCLUDED BUSINESS

The Brascabos Group

In March 2011, Brascabos International submitted a listing application to the Singapore Exchange Securities Trading Limited ("**SGX**") for the listing of its shares on the SGX. Subsequently, it came to the knowledge of Brascabos International that it would not be able to meet its intended timetable for listing its shares on the SGX. In order to continue the Singapore listing application, Brascabos International was required to update its financial information to a more recent date because the most recent completed financial year for which audited financial statements have been prepared must not be more than six months before the date of lodgement of a listing document. After careful consideration and taking into account that (i) the Singapore listing application had already diverted substantial management resources and attention of the Brascabos Group given the language and time zone differences, and (ii) the additional professional fees required, the management of the Brascabos Group decided to voluntarily discontinue the Singapore listing application in June 2011, and focus its resources on the business operation instead.

As a result of the Reorganisation, the Brascabos Group and its business in South America were excluded from our Group. For details of the history and development of the Brascabos Group and the reasons for the exclusion of the Brascabos Group from our Group, please refer to the paragraph headed "Relationship with Controlling Shareholders — The Excluded Business" in this prospectus for details.

REORGANISATION

In contemplation of the Listing, our Group has undergone the Reorganisation which involved the following steps:

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability on 22 October 2015 in the Cayman Islands. The authorised share capital of our Company on incorporation was HK$380,000 divided into 38,000,000 ordinary Shares of par value HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our Company's initial subscriber, which was subsequently transferred to Jumbo Planet, a company directly wholly-owned by Mr. Lau, on the even date. Upon completion of this transfer, our Company became indirectly wholly-owned by Mr. Lau through Jumbo Planet.

Acquisitions of TEM Group and Glory Sun by our Company and exclusion of the Brascabos Group

Immediately prior to the implementation of this step, TEM Group and Glory Sun were directly wholly-owned by New Universe, which is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau.

On 8 January 2016, New Universe, which is indirectly wholly-owned by Mr. Lau, transferred one ordinary share of par value US$1.00 in TEM Group, being the only issued share of TEM Group, to our Company at a consideration of HK$90,942,187 based on the net asset value of TEM Group as at 31 October 2015. At the direction of New Universe and Mr. Lau, the consideration was satisfied by the allotment and issue of 91 Shares of par value of HK$0.01 each in the capital of our Company, credited as fully paid, to Jumbo Planet as nominee of New Universe and Mr. Lau. Jumbo Planet is wholly-owned by Mr. Lau.

On the same day, New Universe also transferred one ordinary share of par value US$1.00 in Glory Sun, being the only issued share of Glory Sun, to our Company at a consideration of HK$1.00 with reference to the net asset value of Glory Sun as at 31 October 2015. At the direction of New Universe and Mr. Lau, the consideration was satisfied by the allotment and issue of one Share of par value of HK$0.01 each in the capital of our Company, credited as fully paid, to Jumbo Planet as nominee of New Universe and Mr. Lau. Jumbo Planet is wholly-owned by Mr. Lau.

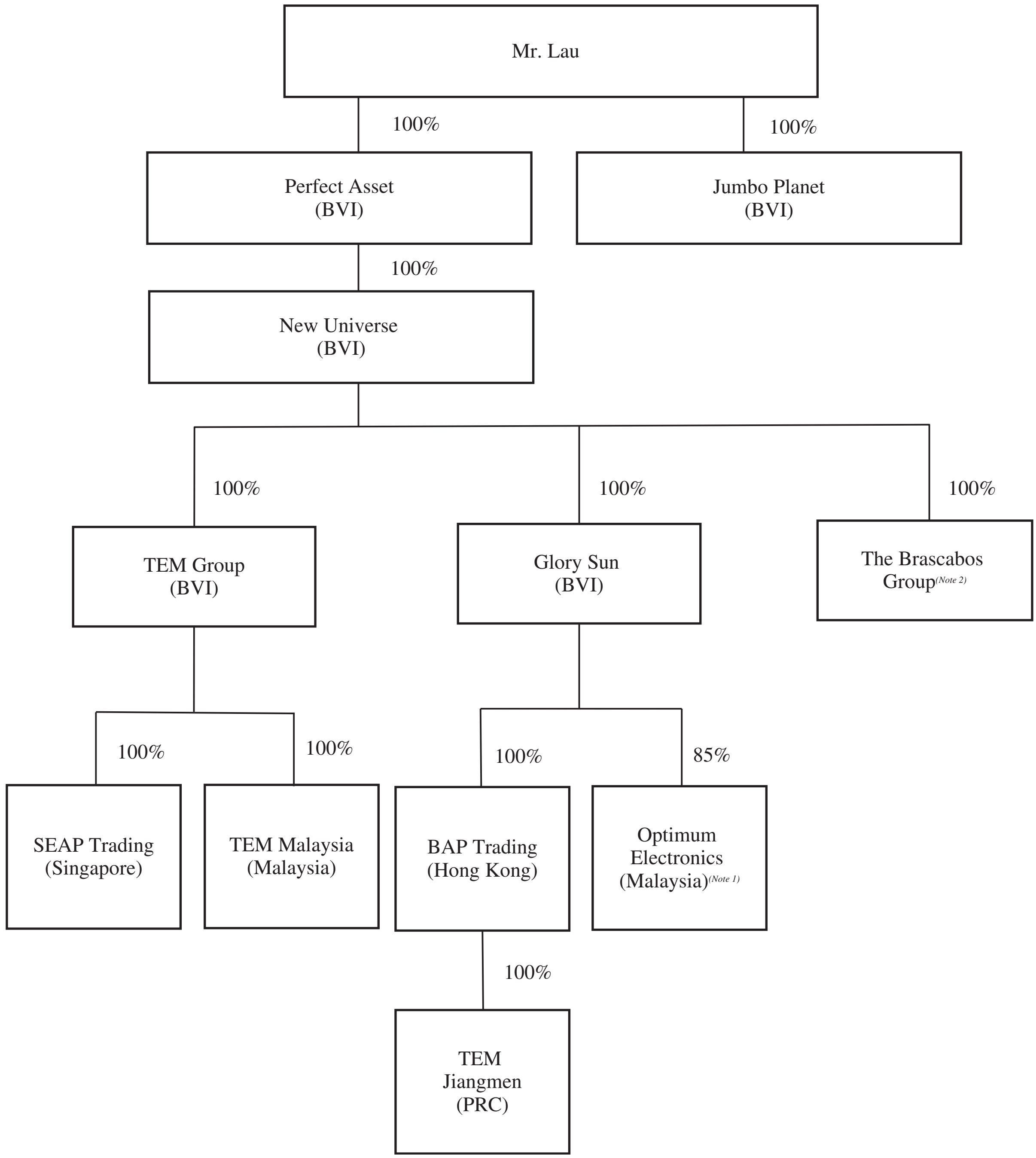
Upon completion of this step, each of TEM Group and Glory Sun became a wholly-owned subsidiary of our Company and the Brascabos Group was excluded from our Group.

Increase in authorised share capital of our Company

On 20 April 2016, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$200,000,000 divided into 20,000,000,000 Shares by the creation of an additional 19,962,000,000 new Shares.

GROUP STRUCTURE

The following chart sets out the corporate structure of our Group immediately before the Reorganisation:

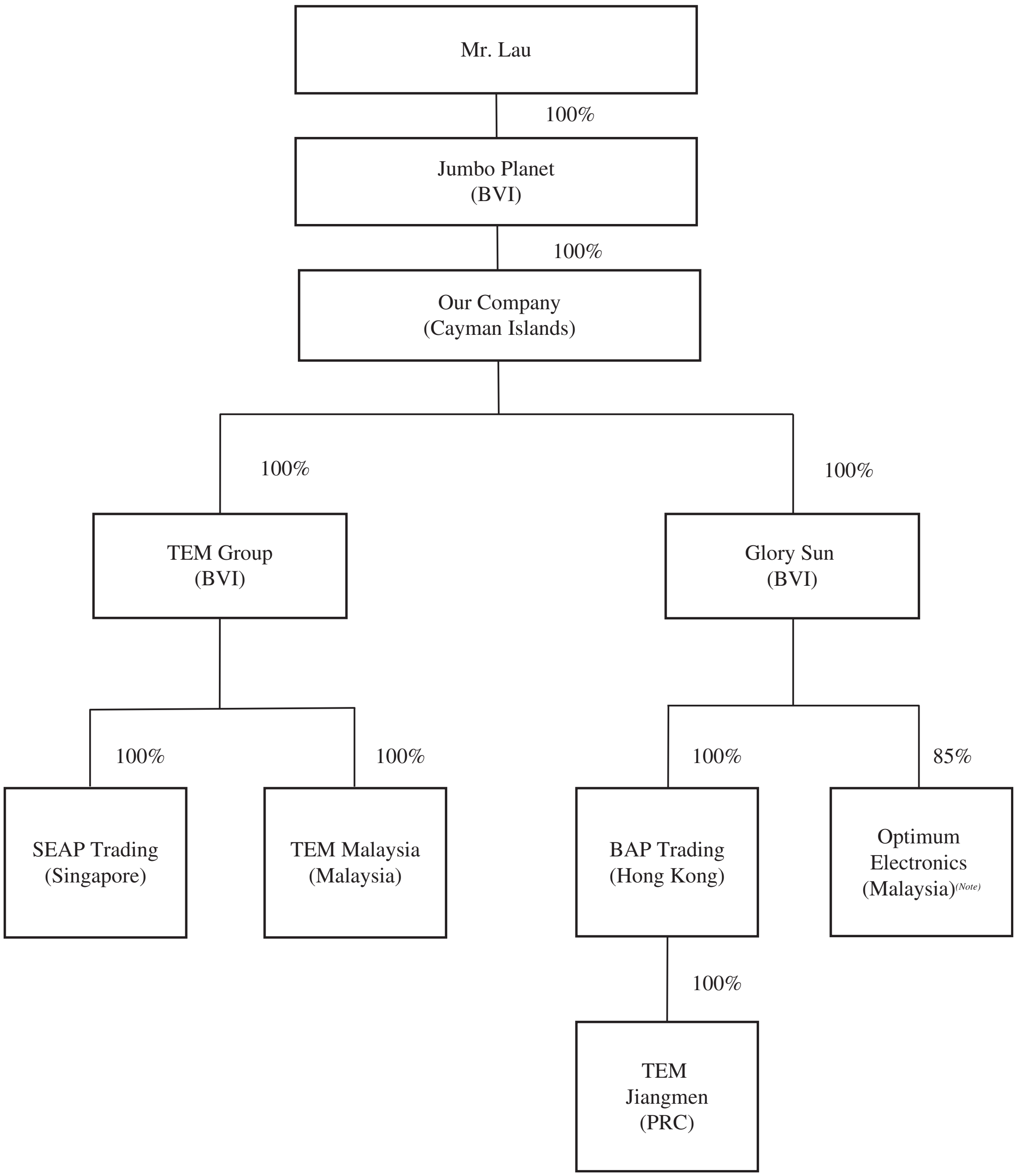


Notes:

(1) The remaining 15% shareholding interest in Optimum Electronics was held by Mr. Lee, a director of Optimum Electronics.

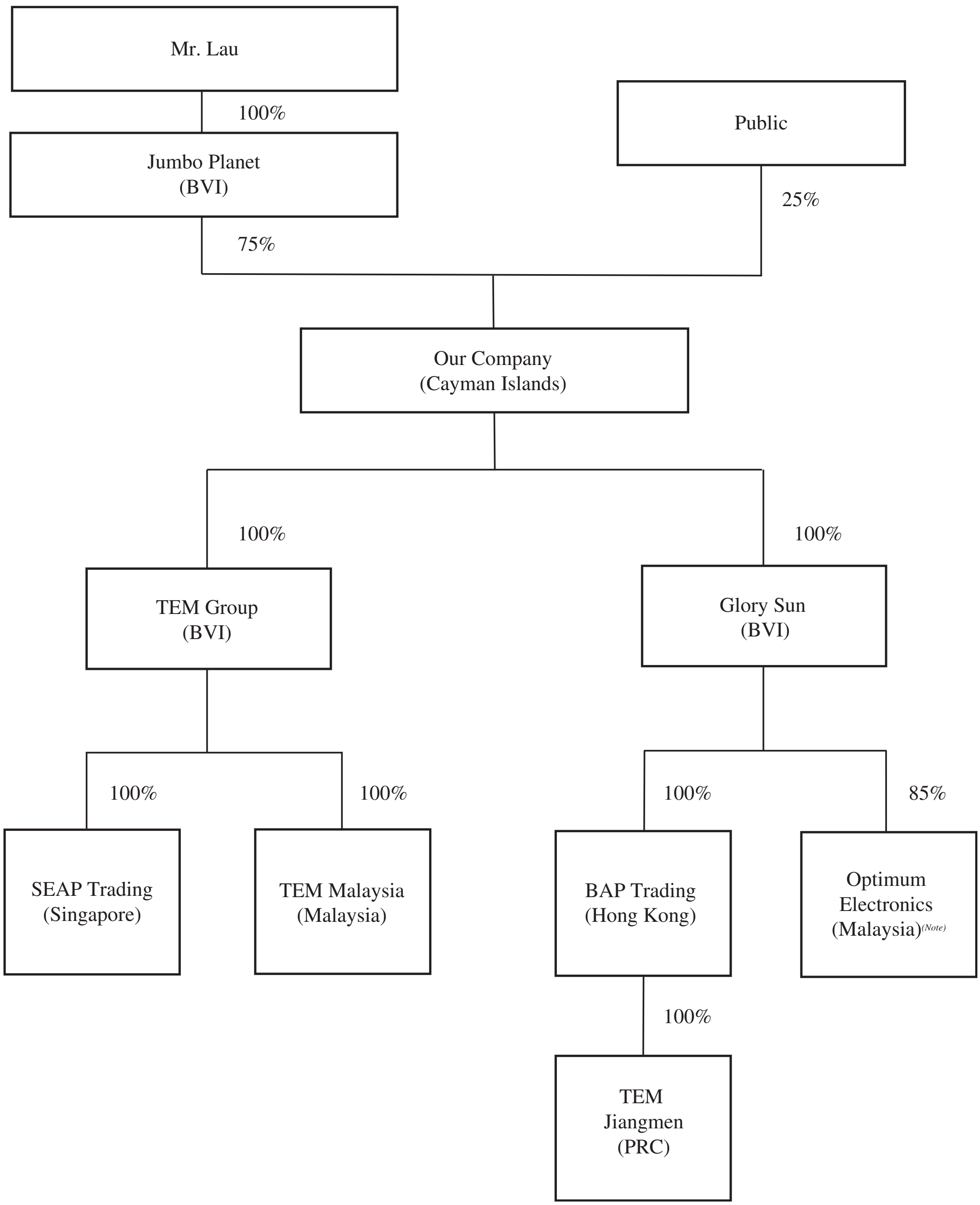
(2) In order to exclude the Brascabos Group's business in South America, the Brascabos Group was excluded from our Group as part of the Reorganisation.

The following chart sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Placing:



Note: The remaining 15% shareholding interest in Optimum Electronics is held by Mr. Lee, a director of Optimum Electronics.

The following chart sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme):



Note: The remaining 15% shareholding interest in Optimum Electronics is held by Mr. Lee, a director of Optimum Electronics.

OVERVIEW

We are a manufacturer and a supplier of wire/cable harnesses and power supply cords assembled products with our manufacturing operations in Malaysia and the PRC and have more than 20 years experience in the wire/cable harnesses industry. We also sell terminals and connectors. Our customers are generally global brand name home/consumer appliances manufacturers and OEMs in the home appliances, consumer appliances and industrial products industries that are mainly based in the Asia Pacific Region.

A wire/cable harness is an assembly of wires/cables and other components and materials, such as timers, relays, thermistors, moulded plastic and stamped metal parts, that are connected to the wire/cable harness or an electrical wiring system, and is used to electrically connect electronic devices and electrical components mounted in electrical appliances and machinery for supplying power, sending sensor signals and transmitting information on operations. They support the key functions of consumer appliances and machinery. For power supply cords assembled products, we assemble terminals or connectors to power supply cords which are used to supply electricity to home/consumer appliances. According to Euromonitor Report, wire harness manufacturers with RAST and IDC design capabilities, such as our Group, are gaining international acceptance and meeting the demands of multinational consumer appliances brands.

We work closely with customers in each stage of a product's life cycle, including design, prototyping and production. Our business model enables us to offer customised wire harness for different applications and electrics designs. Our products are customised and made-to-order in accordance with the specific technical requirements of our customers, which are appliance manufacturers and OEMs.

Our revenue amounted to approximately HK$136.6 million and HK$131.3 million for the years ended 30 June 2014 and 30 June 2015, respectively, and approximately HK$47.2 million and HK$46.4 million for the four months ended 31 October 2014 and 31 October 2015, respectively.

The table below illustrates our revenue breakdown by business segments during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	Revenue		Revenue		Revenue		Revenue	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Manufacturing								
— Wire/cable harnesses	103,411	75.7	107,924	82.2	37,378	79.3	39,457	85.1
— Power supply cords assembled products	14,221	10.4	15,240	11.6	6,675	14.2	4,316	9.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Terminals and connectors	10,355	7.6	7,259	5.5	2,235	4.8	2,579	5.6
— Other *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: This refers to the Brascabos Group Transaction.

Our customers are mainly global brand name home/consumer appliances manufacturers and OEMs that are mainly based in the Asia Pacific Region and typically incorporate our products into their products or systems. Our customers generally purchase our products based on purchase orders. Our five largest customers, which are Independent Third Parties, accounted for approximately 74.8%, 77.1% and 78.8% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while our largest customer accounted for approximately 53.2%, 48.3% and 49.3%, respectively. We carry out our manufacturing processes at our production facilities at the Malaysia Factory and the PRC Factory. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the utilisation rates of our production facilities at (i) the Malaysia Factory were approximately 67.2%, 66.1% and 65.5%, respectively, and (ii) the PRC Factory were approximately 88.5%, 95.5% and 95.0%, respectively.

Going forward, our Group shall continue to keep track of the performances in both business segments. Our Directors expect the revenue from trading segment to contribute a stable portion of our total revenue, while the revenue from manufacturing segment shall remain to contribute a large portion of our total revenue given that our Group intends to expand the production capacity as stated in the future plan.

COMPETITIVE STRENGTHS

Our Directors believe that our historical success and future prospects are underpinned by a combination of competitive strengths including:

Strong relationship with global brand name home/consumer appliances manufacturers and OEMs in the home appliances, consumer appliances and industrial products industries as well as our key suppliers

We have long-established business relationship with many of our key customers, which are primarily global brand name home/consumer appliances manufacturers and OEMs in the home appliances, consumer appliances and industrial products industries. For each of our key customers, we also typically supply a wide range of products.

Our business relationship with these key customers provide us with a number of significant advantages, including:

- we may be frequently selected by these customers to be involved in the design and manufacturing of the products they require from us, thus gaining the opportunities to become a core supplier for these customers;

- we have the opportunities to understand the technical requirements of our customers and identify the general trends of our customers' industries; and

- we are well-positioned to increase the number of different products that we supply to them.

We believe that our close and long term business relationships with our key suppliers is important for our key customers to consider us as a preferred business partner as it serves to ensure a reliable supply of key components, such as connectors and terminals, we use in our products.

High standard and commitment to quality control

We are guided by the principles of integrity, efficiency and product quality. To that end, we set stringent production and quality control procedures designed to ensure that our products meet or often exceed the relevant industry standards and/or customer quality requirements, including the EU and international standards on the use of chemicals and raw materials, such as Restriction of Hazardous Substances Directive.

We have received international certification ISO9001:2008 for our quality control and safety systems which we believe demonstrate our technological capabilities and help promoting customer confidence. We have a quality control team from our operations department that carries out inspections at each stage of the production management process in accordance with our quality control procedures. We impose stringent standards on the selection of our suppliers and subcontractors, such as quality control standards, technical and managerial capabilities, to ensure the quality of our products. Through our established relationship with our customers, we have gained significant knowledge and experience in implementing stringent quality control procedures. Given our stringent quality control procedures, we have been in the position to maintain our status as a core supplier for many of our major customers and obtain their orders for our products on a continuous basis.

Strong customised production platform

Our products are customised and made-to-order in accordance with the specific technical requirements of our customers. We work closely with customers in each stage of a product's life cycle, including design, prototyping and production which allows us to develop a deep understanding of wiring harnesses and power supply cord systems which, in turn, enables us to satisfy product requirements and the diverse specifications of our customers as well as product quality and reliability standards. We believe this increases customer confidence in our products, solidifies our business relationships with existing customers and enables us to expand our business with new customers and have a competitive advantage over other players in this industry.

Experienced management team with extensive knowledge of the manufacturing industry where we operate

Our management team, led by our executive Directors, has extensive experience in the manufacturing industry. Our Chairman and executive Director, Mr. Lau, has more than 10 years of experience in the manufacturing industry. In addition, each of our executive Director and chief executive officer, Mr. Ho, and our executive Director, Mr. Kan, has approximately more than 20 and 15 years of experience in the manufacturing industry, respectively. Mr. Ho has been with our Group since 1999. For the biographical details of our management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

With the experience of our executive Directors, we believe that we are able to strengthen our presence in the wiring harnesses manufacturing industry. Our engineering capability enables us to engage with our customers in the preliminary stages of their new product development process and design as well as develop a custom-made product based on our customers' technical, design and performance requirements.

We also encourage continuous professional development of our staff. We are selective in our hiring process with a focus on recruiting and training employees who have the potential to become effective long-term members of our management. Training programs on technical knowledge are conducted as and when required so as to ensure that our employees are updated on the latest development in the industry where we operate. Regular discussion with employees on how they are meeting the working guidelines and standards and refreshment trainings are also provided.

BUSINESS STRATEGIES

Our aim is to maintain our strong position in the strategically targeted locations of our business. We plan to implement the following strategies in order to achieve our aims.

Upgrade and increase our production capacity

As we continue to grow and expand our business, we intend to enhance and expand our production capacity by acquiring new machinery and equipment. We believe that the increase in production capacity will provide us with additional cost-saving advantages from economies of scale as well as allow us to meet the additional demand for our products.

For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the utilisation rate for our production facility in the Malaysia Factory was approximately 67.2%, 66.1% and 65.5%, respectively, and the utilisation rate for our production facility in the PRC Factory was 88.5%, 95.5% and 95.0%, respectively. The utilisation rate of our production facilities depend primarily on the demand for our products as well as the availability and maintenance of our machinery and equipment.

We intend to optimise our existing production facilities by increasing the level of automation of our operation by replacing the current semi-automatic and manual machines with fully-automated IDC and crimping machines so as to improve our production efficiency, utilisation rate and product quality with reduced cost. We expect the above upgrade to our machinery will shorten the cycle time for our operation processes which, in turn, would allow us to reduce unit costs and increase output without requiring substantial investments.

For the above plan, the total expenditure is estimated to be approximately HK$37.7 million. We plan to spend such expenditure by stages from the Latest Practicable Date to 30 June 2018 from the proceeds from the Placing. If there is a shortfall in funding, such expenditure would be financed by our internal resources.

Strengthen established customer relationships and continue to diversify customer base

We have a strong, long-established relationship with our current key customers which are global brand name home/consumer appliances manufacturers and OEMs. We believe that these close relationships, which reflects an important validation of our production capabilities for potential new customers which may consider integrating our products into their products, provide us opportunities to further develop our current and new markets for our products. Leveraging on such customer relationships and our in-depth industry knowledge, we intend to expand our business with our existing customer base by becoming a supplier of product types which our customers do not currently source from us and continue to improve our technological capabilities and lower our costs so that we can offer our existing and new customers high quality and cost-efficient products. We intend to target potential customers in the market segments where we operate by monitoring industry trends and tracking and assessing potential customers we intend to secure. In addition, we may also consider setting up regional representative offices/centres and co-operating with regional logistics/warehouse service providers to support our future business development and to enable us to quickly respond to the needs of our customers in different regions.

Enhance our manufacturing, information technology and human resources management capabilities to improve our overall operational efficiency

We continue to focus on improving operational efficiency to increase our profit margin. With our continuous growth in business scale and scope, we plan to enhance of existing ERP system used in the Malaysia Factory and extend the ERP system to the PRC Factory in order to achieve better control of information and records of our financials, human resources, sales and customer relationship management more accurately and efficiently. Along with our business expansion, we would also need to upgrade our software and other information technology applications. By upgrading our software system in our operations will help integrate our current software system with those of our customers and suppliers more closely. This will, in turn, increase our operational efficiency and accordingly, reduce our administrative costs in the long term.

As mentioned above, we intend to enhance and expand our production capacity by acquiring new machineries and equipment with a view to increasing the level of automation of our operation by using additional fully-automated machineries. In addition, we believe that consistently high quality of our products and emphasis on environmental protection enable us to establish strong recognition in customers. For this purpose, we intend to obtain ISO14001, an environmental management system accreditation, for the PRC Factory. Further, we believe that successful implementation of our business and growth strategies depends on our ability to attract and retain experienced and motivated employees at all levels. With a view to further maintaining and improving our competitive advantages in the market and our operational efficiency, we plan to implement human resources initiatives such as recruiting additional engineering talent to enhance our capability in process application and development, training and retaining engineers and technical staff.

For the above plan, the total expenditure is estimated to be approximately HK$4.2 million. We plan to spend such expenditure by stages from the Latest Practicable Date to 30 June 2018 from the proceeds from the Placing. If there is a shortfall in funding, such expenditure would be financed by our internal resources.

Strengthen our sales and marketing efforts

We intend to further strengthen our sales and marketing efforts through marketing campaigns and participation in trade shows and industry exhibitions as well as other promotional events to enhance our sales performance and improve profitability. We have and will continue to participate in Electronica and Productronica, being trade fairs for the electronics development and production industry which are held once every two years with Electronica and Productronica alternating with each other and where existing and potential customers will attend. We plan to attend the Electronica trade fair in November 2016 and the Productronica trade fair in November 2017 as an exhibitor to present our products to the international public. Apart from Electronica and Productronica, we will also participate in other industry exhibitions, including those to be held in the PRC. Further, we plan to recruit additional experienced sales and marketing executives to expedite the sales and marketing efforts to promote our products in the PRC and Malaysia.

For the above plan, the total expenditure is estimated to be approximately HK$5.7 million. We plan to spend such expenditure by stages from the Latest Practicable Date to 30 June 2018 from the proceeds from the Placing. If there is a shortfall in funding, such expenditure would be financed by our internal resources.

PRODUCTS

We are principally engaged in the manufacture, and sale of wire/cable harnesses and power supply cord assembled products in a variety of specifications which are used in a wide range of applications, including:

- home appliances or white goods
- consumer appliances such as coffee makers, electric kettles, irons and vacuum cleaners; and
- industrial products including power tools such as hammer drills and electric saws.

In addition, we sell terminals and connectors manufactured by, and under the brand name of, Supplier A.

The table below sets out the breakdown of our revenue by customer types and as a percentage of total revenue during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	Revenue		Revenue		Revenue		Revenue	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Manufacturing								
— Global brand name home/ consumer appliances manufacturers	89,344	65.4	88,368	67.3	31,357	66.5	31,571	68.1
— OEMs	28,288	20.7	34,796	26.5	12,696	26.9	12,202	26.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Global brand name home/ consumer appliances manufacturers	2,699	2.0	2,012	1.5	634	1.4	1,418	3.1
— OEMs	7,656	5.6	5,247	4.0	1,601	3.4	1,161	2.5
— Others *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

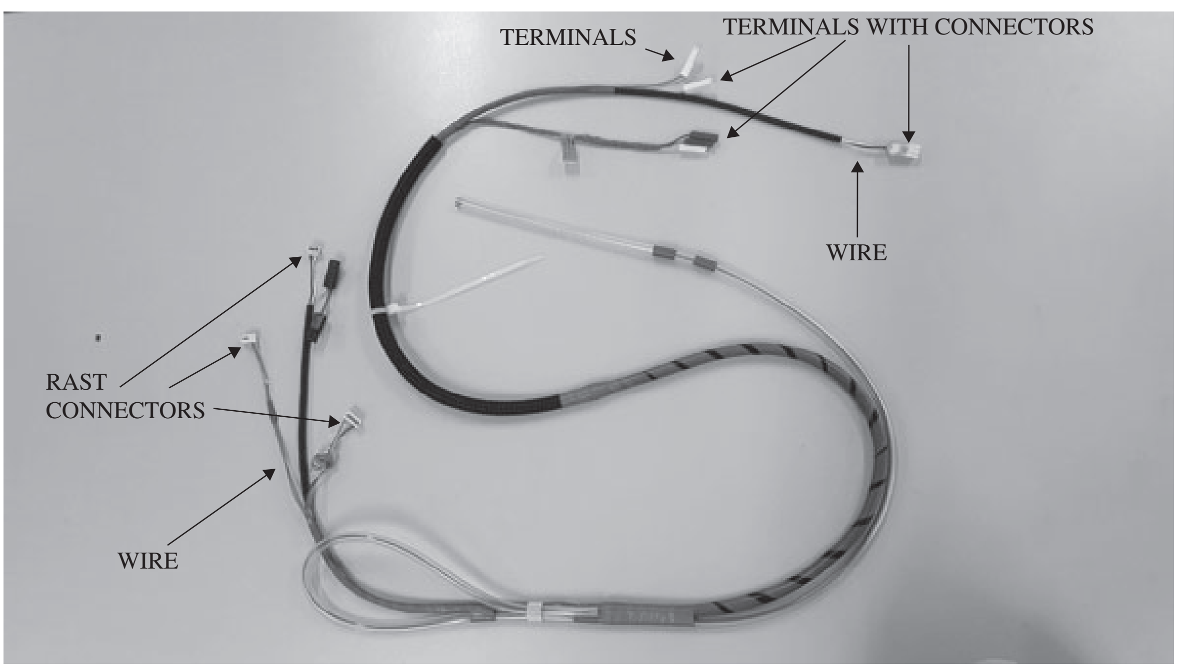
Note: This refers to the Brascabos Group Transaction.

Wire/Cable Harnesses

We manufacture and sell wire/cable harnesses. A wire/cable harness is an assembly of wires/cables and other components and materials, such as timers, relays, thermistors, moulded plastic and stamped metal parts, that are connected to the wire/cable harness, or an electrical wiring system, used to electrically connect electronic devices and electrical components mounted in home/consumer appliances and machinery, for supplying power, sending sensor signals, transmitting information on operations. They support the key functions of home/consumer appliances and machinery. Our wire/cable harnesses are generally customised and manufactured based on specifications from our customers who are global brand name home/consumer appliances manufacturers and OEMs to these appliance manufacturers. Depending on our customers' specifications, our wire/cable harnesses are designed according to (i) the number of wires with branches/ends running off in various directions, and (ii) the number of terminations on each branch, which can be single or multiple.

Our wire/cable harnesses are either attached to non-insulated/insulated connectors/terminals or IDC connectors. The IDC connectors we use are RAST 2.5 standard IDC wire/cable harnesses which have multiple-wire connectors with a 2.5-millimeter pitch or RAST 5 standard IDC wire/cable harnesses with multiple-wire connectors with a 5-millimeter pitch.

Example of our wire/cable harnesses with key components is set out below:

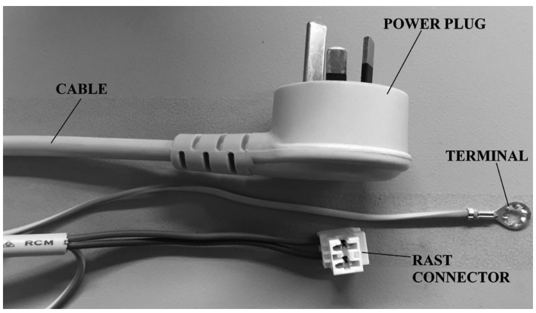


Our revenue generated by the manufacturing and sale of wire/cable harnesses accounted for approximately 75.7%, 82.2% and 85.1% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively.

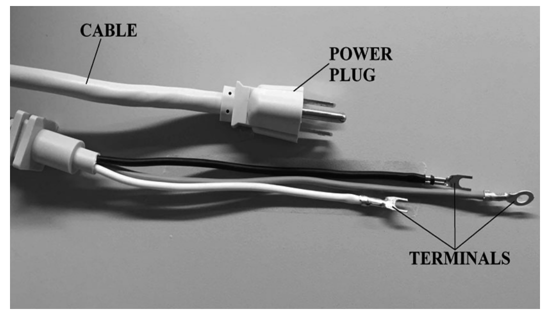
Power Supply Cords Assembled Products

We assemble terminals or connectors to power supply cords which are used to supply electricity to home appliances and consumer appliances. The termination parts of the power supply cords we assemble to power supply cords are generally based on specifications from our customers.

Some examples of power supply cords with terminals or connectors we assemble are set out below:



Power supply cord with IDC connector



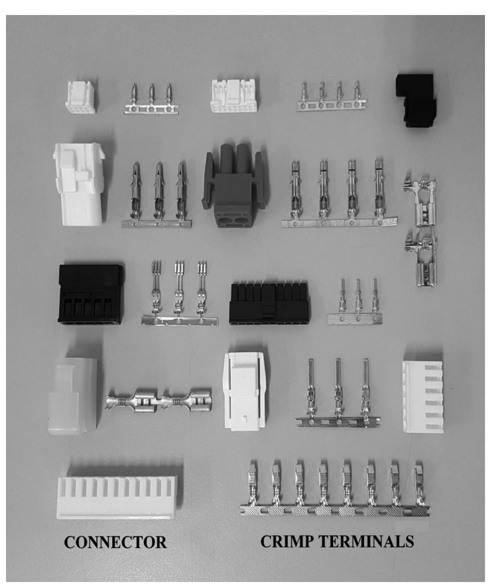
Power supply cord with terminals

Our revenue generated from the sale of our power supply cords assembled products accounted for approximately 10.4%, 11.6% and 9.3% of our total revenue, respectively, for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015.

Terminals and Connectors

We sell terminals and connectors manufactured by, and under the brand name of, Supplier A in Singapore. In the past, we also sold terminals and connectors in the PRC. As the customers of terminals and connectors in the PRC were also manufacturers of wire harnesses and power supply cords, our Group considered that there was an inherent competition which would hinder our Group's trading business of terminals and connectors in the PRC. Accordingly, we ceased trading and selling terminals and connectors in the PRC after the financial year ended 30 June 2015.

Some examples of the terminals, connectors and other products we sell are set out below:

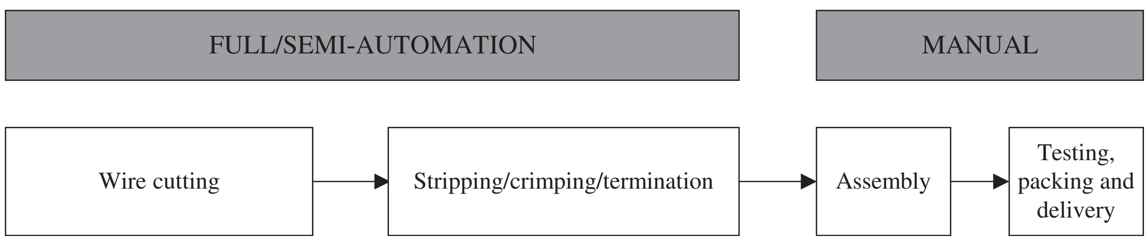


Our revenue generated from the sale of terminals and connectors accounted for approximately 7.6%, 5.5% and 5.6% of our total revenue, respectively, for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015.

PRODUCTION

Production Process

The production process for our principal products, namely wire/cable harnesses and power supply cords assembled products, is set out below:



Wire cutting: Wires are cut at the required length manually or with cutting machines. We use automated or semi-automated cutting machines to carry out the above wire cutting processes.

Stripping/crimping/termination: For wires to be attached to crimp terminals, the ends of wires are stripped to expose the non-insulated conductors after the wire cutting process. Wires to be attached to IDC connectors need not be stripped.

At the crimping process, the strands of the wires are terminated by placing into a crimp area of a non-insulated crimp terminal. The crimp terminal is then squeezed around the wire strands using an automated or semi-automated crimping machine to ensure that the wire is securely held in the crimp terminal and there is an electrical connection between the wire and the crimp terminal.

For IDC connectors, there is no crimping process in the termination. Instead, wires are pressed to the terminals of IDC connectors.

Assembly: This involves the installation of the wires on an assembly board and routing the wires through any required sleeves and housing of connectors. Any branch out from the wire strands will be taped and tied with fabric tapes. Further, depending on customers' requirements, components, such as timers and thermistors, are sometimes manually assembled.

Testing:	Each completed wire harness is electronically tested for functionality with the aid of a test board/resistant and insulation testing machines. The test board is pre-programmed with the required electrical characteristics, and the completed wire harness can be plugged into the test board and tested individually or in multiple numbers.
Packing and delivery:	The conforming products are packed and stored in our warehouses before delivery.

Production Facilities

We manufacture our products at our two production facilities at the Malaysia Factory which is located in Sungai Petani, Kedah Darul Aman, Malaysia and at the PRC Factory located in Jiangmen, Guangdong province, the PRC.

Our production facilities at the Malaysia Factory have a total gross floor area of approximately 52,443 sq. ft. for use such as production lines, warehouses and offices. It houses production operation for the manufacturing of our wire/cable harnesses and power supply cords assembled products. These production lines comprise fully-automated and semi-automated machines such as fully-automated and semi-automated cutting, stripping and crimping machines and fully-automated RAST IDC together with cutting, stripping and crimping machines and semi-automated RAST IDC terminating machines. These machinery operates throughout the year on a two shifts per day, eight hours per shift and six days per week, except during public holidays in Malaysia and during regular maintenance of our machinery, which generally occur once every month, and a major maintenance, which generally occur once every six months. On certain occasions, we may have two additional shifts of four hours per day for each such additional shift to meet product delivery requests.

Our production facility at the PRC Factory has a total gross floor area of approximately 91,217 sq.ft. for use such as production lines, warehouse and offices. It houses our production operation for the manufacturing of wire/cable harnesses and power supply cords assembled products. These production operation comprise fully-automated and semi-automated machinery such as automated and semi-automated cutting and crimping machines and RAST IDC semi-automated terminating machines. These machinery operates throughout the year on one shift per day, eight hours per shift and five days per week, except during public holidays in the PRC and during maintenance of our machinery, which generally occur once every three months. On certain occasions, we may have an additional shift of three hours per day to meet product delivery requests.

Machinery and Equipment

The principal production machines owned by our Group and used in its production process include the fully-automated cutting, stripping and crimping machines, fully-automated RAST IDC together with cutting, stripping and crimping machines and semi-automated RAST IDC terminating machines. Our Group purchased a majority of our machinery and equipment from Germany, Switzerland and the PRC, which we have been using for approximately three to nine years as at 30 June 2015. For the years ended 30 June 2014 and 30 June 2015, our Group spent approximately HK$0.7 million and HK$1.1 million on the purchase of plant and machinery, respectively. During the Track Record Period, our Group did not lease any machinery or equipment. Our Group conducts regular maintenance on its machinery and equipment, including checking for normal wear and tear, injecting lubricant, keeping record on machines configurations, adjustment settings and care for fittings, generally once every month, and a major maintenance generally once every six months for the Malaysia Factory and once every three months for the PRC Factory. Maintenance costs incurred for the years ended 30 June 2014 and 30 June 2015 were approximately HK$0.2 million and HK$0.3 million, respectively. During the Track Record Period, there had been no major disruptions of the business operations resulting from insufficient equipment maintenance.

A majority of the machinery and equipment we currently use in our production facilities for the manufacturing of our wire/cable harnesses as well as power supply cords assembled products are entirely interchangeable.

The table below sets out the major machineries in each of our production facilities as at the Latest Practicable Date:

Type of major machineries	**Malaysia Factory**	**PRC Factory**
	(number of machineries)	
Automated RAST IDC together with cutting, stripping and crimping machines	1	—
Automated cutting, stripping and crimping machines	3	10
Automated cutting and stripping machines	6	3
Semi-automated crimping machines	17	17
Splicing machines	5	4
Semi-automated RAST IDC terminating machines	4	3

The table below sets out the average ages of our Group's major machineries as at 31 October 2015:

	Major machineries at	
	the Malaysia Factory	**the PRC Factory**
Average age (years)	9	4

Production Capacities

The table below sets out our design production capacities and actual production, and their utilisation rates, of our production facilities, for the periods indicated:

	Year ended 30 June						Four months ended		
	2014 (units of termination points)			2015 (units of termination points)			31 October 2015 (units of termination points)		
	Design production capacity (Note 1 and Note 3)	*Actual production*	*Utilisation rate(Note 4)*	*Design production capacity (Note 1 and Note 3)*	*Actual production*	*Utilisation rate(Note 4)*	*Design production capacity (Note 2 and Note 3)*	*Actual production*	*Utilisation rate(Note 4)*
The Malaysia Factory	54,449,640	36,601,032	67.2%	54,449,640	35,988,925	66.1%	18,149,881	11,889,110	65.5%
The PRC Factory	77,944,397	68,983,814	88.5%	101,283,223	96,705,178	95.5%	33,761,074	32,073,021	95.0%

Notes:

(1) Our design production capacity for (i) our production operation in respect of wire/cable harnesses and power supply cords assembled products in the Malaysia Factory is calculated based on approximately 189,061 units of termination points produced per day for the years ended 30 June 2014 and 30 June 2015, multiplied by 288 days per year, and (ii) our production operation in respect of wire/cable harnesses and power supply cords assembled products in the PRC Factory is calculated based on approximately 295,243 units of termination points produced per day for the year ended 30 June 2014 and approximately 383,648 units of termination points produced per day for the year ended 30 June 2015, multiplied by 264 days per year. The calculation of our design production capacity does not include time required for, among other things, maintenance and public holidays and the operation of additional shifts. The increase in the design production capacity in the PRC Factory for the year ended 30 June 2015 was primarily due to the addition of two automated machines in use.

(2) Our design production capacity for (i) our production operation in respect of wire/cable harnesses and power supply cords assembled products in the Malaysia Factory is calculated based on approximately 189,061 units of termination points produced per day for the four months ended 31 October 2015, multiplied by 96 days, and (ii) our production operation in respect of wire/cable harnesses and power supply cords assembled products in the PRC Factory is calculated based on approximately 383,648 units of termination points produced per day for the four months ended 31 October 2015, multiplied by 88 days. The calculation of our design production capacity does not include time required for, among other things, maintenance and public holidays and the operation of additional shifts.

(3) The calculation of our design production capacity is based on the termination points produced and assembled using our fully-automated and semi-automated machines.

(4) The utilisation rate equals the actual production divided by the design production capacity.

INVENTORY MANAGEMENT

Our inventory includes raw materials, components and finished products. We monitor and control our inventory level so as to facilitate smooth production, avoid stock-out and reduce the risk of over-stocking and accumulating obsolete stock. A majority of our customers provide us with six-month to one-year projections of the quantities of the products they expect to procure from us. Based on those information, we will work out the purchase requirements for components based on manufacturing and materials lead-time. We generally determine our inventory of raw materials, components and finished products based on the amount of the purchase orders that our customers plan to place with us and our procurement cycle for raw materials and components. We use our ERP system in the Malaysia Factory to keep and produce inventory data. In addition, we have access to and use the real-time vendor-managed inventory system of one of our key customers to monitor the products we deliver to this customer and keep track, maintain and manage an agreed level of inventory of the products required by such customer so as to avoid stock-out. We periodically give each supplier a rolling raw materials and components demand projection so that these suppliers may plan and prepare inventory according to such projections. We place purchase orders for raw materials and components as close as possible to the required time of delivery, depending on our production requirements and the type of raw materials or components.

Finished products are warehoused after undergoing our quality inspection and testing procedures and meeting our quality requirements. The finished product packages will be checked and numbered by personnel in charge of product delivery according to customer delivery notice and packing note. When the finished product packages are packed according to customer's requirements or otherwise, the finished products will then be delivered to the locations designed by customers.

Please refer to the section headed "Financial Information — Analysis of Selected Items of Combined Statements of Financial Position — Inventories" in this prospectus for details of our inventory.

PRODUCT DESIGN AND DEVELOPMENT

For new products to be introduced by our customers which require our principal products, namely wire/cable harnesses, our customers will provide us with an initial product concept or blueprints of the product they want 12 to 16 months in advance of the launch of their new products. In principle, the product development process of our principal product, namely wire/cable harnesses can be divided into four stages as set out below.

Product Design	• Upon receipt of the initial product concept/blueprints, our team in sales and applications department and our customers will meet regularly to discuss and proceed to design and develop a custom-made product based on their ideas. To ensure the design of the products is acceptable to our customers, we follow the specifications provided by our customers. • We design based on the geometric and electrical requirements of our customers' products to which our wire harnesses are to be installed in. Our team from our sales and applications department will conduct a feasibility study on new products, discuss with our customers and come up with a schematic plan that will be used to create production paperwork and assembly board of the harness. • The assembly board is a full-sized diagram of the harness and shows all the components and their location. This process will only apply to wire/cable harnesses for use in new products introduced by our customers.
↓ Prototype Development	• Once the product design is approved by our customers, we will make the first prototype of the product for consideration by our customers. We liaise with our customers to refine the prototype.
↓ Product Trial	• Once a customer is satisfied with the prototype, we will make sales samples for the customers for the customers' production trial at their production bases. The customer decides the size of a purchase order to be placed with us before we proceed with mass production.
↓ Mass Production	• Our team in our sales and applications department provides input into how to optimise the preproduction process and advise on product engineering to enhance the quality of the product. • Our procurement team in our customers service and materials department will proceed to place orders for raw materials required from suppliers before we proceed to mass production.

For the development of a new wire/cable harness, the entire process typically takes approximately six to 12 months from the stage of an initial product design to the manufacturing of the new product, including the time required by our customers to develop and complete the production of their new products which require our new wire/cable harnesses.

CUSTOMERS AND SALES

Our customers are mainly global brand name home/consumer appliances manufacturers and OEMs that are mainly based in the Asia Pacific Region, which typically incorporate our products into their products or systems.

A majority of our key customers would typically provide us with general information on their projects such as non-binding six-month to one-year projection of the quantities of the products with specifications that they expect to procure from us. Our customers generally purchase our products based on purchase orders which contain terms such as specifications, quantities and delivery time and are sent to us approximately one month before we deliver the products. We will agree with our customers on the final terms relating to the quantities, price and any other terms. The payment terms vary for each customer and our customers generally pay us in US dollars by telegraphic transfer. Under the close supervision and management of our project management team, we are able to undertake orders which require different specifications within the stipulated timeframe.

Our pricing policy takes into account of, and which is typically subject to adjustments on a regular basis based on a number of factors, including direct costs, selling and distribution costs, product specifications, size of customers' orders, relationship with customers and relevant market conditions. We typically use third-party logistics and transportation companies to deliver our products to the locations designated by our customers. Depending on the arrangement between our customers and us, the transportation cost may be borne by our customers.

We generally give our customers credit terms ranging from 30 to 120 days from the date of billing, taking into account our historical relationships with, and the creditworthiness of, each customer. We continuously monitor the status of the outstanding accounts receivable due to us from each customer.

Under the terms of our sales arrangements with our customers, we provide product warranties for a period of 12 to 24 months that are usually limited to replacement of defective products or refund by way of credit notes. We do not accrue any provisions for estimated costs of warranties as the historical amount of claims under our warranties have been minimal. During the Track Record Period, we did not receive any material customer complaints or experience any issues relating to warranties, product recalls, product complaints, product liability claims or after-sales service which had a material adverse impact on us.

The total number of our customers for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 was 100, 94 and 72, respectively. The decrease in the total number of our customers from 100 in the year ended 30 June 2014 to 94 in the year ended 30 June 2015 and to 72 in the four months ended 31 October 2015 was mainly due to a reduction in our trading business in the PRC. Our five largest customers, which are Independent Third Parties, accounted for approximately 74.8%, 77.1% and 78.8% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while our largest customer, accounted for approximately 53.2%, 48.3% and 49.3% of our total revenue, respectively, representing a substantial part of our revenue to the Thailand market.

The table below sets out information relating to our five largest customers during the Track Record Period:

Year ended 30 June 2014

Name of Customer	Background	Principal business activities	Principal products sold	Credit period (days)	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total revenue
Customer A	A global brand name home/consumer appliances manufacturer which is based in Thailand. Its ultimate holding company is headquartered in the PRC with offices internationally, and the shares of its ultimate holding company are listed on the Main Board.	Manufacture of cooking, laundry and whiteware appliances	Wire/cable harnesses and power supply cords assembled products	60–90	16	53.2%
Customer B	An OEM which is based in the PRC. Its parent company is headquartered in the PRC with major operations in Malaysia and the PRC, and the shares of the parent company are listed on the Main Board.	Production and sales of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication	Wire/cable harnesses	90	6	9.9%
Customer C	A global brand name home/consumer appliances manufacturer which is based and headquartered in Malaysia, the shares of which are listed on Bursa Malaysia Securities Berhad.	Manufacture and sales of electrical home appliances and related components	Power supply cords assembled products	30	8	4.7%
Customer D	An OEM which is based in Singapore. Its holding company is established in Singapore and has offices in Thailand, Australia and New Zealand.	Supply electrical components and materials like integrated circuits and memory	Wire/cable harnesses	60	8	3.8%
Customer E	A global brand name home/consumer appliances manufacturer which is based in Switzerland. The shares of its parent company are listed on the SIX Swiss Exchange Limited.	Manufacture, develop and sales of kitchen and laundry appliances	Wire/cable harnesses	30	8	3.2%

Year ended 30 June 2015

Name of Customer	Background	Principal business activities	Principal products sold	Credit period (days)	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total revenue
Customer A	A global brand name home/consumer appliances manufacturer which is based in Thailand. Its ultimate holding company is headquartered in the PRC with offices internationally, and the shares of its ultimate holding company are listed on the Main Board.	Manufacture of cooking, laundry and whiteware appliances	Wire/cable harnesses and power supply cords assembled products	60–90	16	48.3%
Customer B	An OEM which is based in the PRC. Its parent company is headquartered in the PRC with major operations in Malaysia and the PRC, and the shares of the parent company are listed on the Main Board.	Production and sales of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication	Wire/cable harnesses	90	6	12.9%
Customer E	A global brand name home/consumer appliances manufacturer which is based in Switzerland. The shares of its parent company are listed on the SIX Swiss Exchange Limited.	Manufacture, develop and sales of kitchen and laundry appliances	Wire/cable harnesses	30	8	6.4%
Customer F	A global brand name home/consumer appliances manufacturer which is based in the PRC. Its parent company is headquartered in Sweden with operations internationally and the shares of the parent company are listed on Nasdaq Stockholm.	Manufacture of kitchen, laundry and small appliances	Wire/cable harnesses	120	7	4.8%
Customer C	A global brand name home/consumer appliances manufacturer which is based and headquartered in Malaysia, the shares of which are listed on Bursa Malaysia Securities Berhad.	Manufacture and sales of electrical home appliances and related components	Power supply cords assembled products	30	8	4.7%

Four months ended 31 October 2015

Name of Customer	Background	Principal business activities	Principal products sold	Credit period (days)	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total revenue
Customer A	A global brand name home/consumer appliances manufacturer which is based in Thailand. Its ultimate holding company is headquartered in the PRC with offices internationally, and the shares of its ultimate holding company are listed on the Main Board.	Manufacture of cooking, laundry and whiteware appliances	Wire/cable harnesses and power supply cords assembled products	60–90	16	49.3%
Customer B	An OEM which is based in the PRC. Its parent company is headquartered in the PRC with major operations in Malaysia and the PRC, and the shares of the parent company are listed on the Main Board.	Production and sales of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication	Wire/cable harnesses	90	6	11.7%
Customer F	A global brand name home/consumer appliances manufacturer which is based in the PRC. Its parent company is headquartered in Sweden with operations internationally and the shares of the parent company are listed on Nasdaq Stockholm.	Manufacture of kitchen, laundry and small appliances	Wire/cable harnesses	120	7	6.9%
Customer E	A global brand name home/consumer appliances manufacturer which is based in Switzerland. The shares of its parent company are listed on the SIX Swiss Exchange Limited.	Manufacture, develop and sales of kitchen and laundry appliances	Wire/cable harnesses	30	8	6.4%
Customer D	An OEM which is based in Singapore. Its holding company is established in Singapore and has offices in Thailand, Australia and New Zealand.	Supply electrical components and materials like integrated circuits and memory	Wire/cable harnesses	60	8	4.5%

None of our Directors or their respective associates or shareholders who own more than 5% of our issued share capital immediately prior to the completion of the Placing has any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

Our largest customer — Customer A

Customer A, our largest customer, has accounted for a significant portion of our revenue during the Track Record Period. The sales of wire/cable harnesses and power supply cords assembled products to Customer A accounted for approximately 53.2%, 48.3% and 49.3% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively.

Customer A is a global brand name manufacturer of home appliances with its principal production base in the Asia Pacific Region. We commenced our business with Customer A since 1999. Save and except for the ongoing business relationship between Customer A and our Group, Customer A has no past or present relationship (business or otherwise) with our Group, our Controlling Shareholders, our Directors and their respective associates.

We have maintained a long-term business relationship with Customer A for over 16 years and had entered into supply agreements with the headquarter office of Customer A to govern our overall business dealings. We receive individual purchase orders for manufacturing and assembly of our products based on rolling projections and in accordance with the designs and technical specifications approved by Customer A from time to time.

We entered into a supply agreement with Customer A on 8 May 2014, pursuant to which our Group shall manufacture and supply parts and production materials to Customer A from the date of the supply agreement until it is terminated by either party giving to other a 9-month prior notice in writing. There is agreed minimum order quantities but no purchase commitment imposed on Customer A under the supply agreement. Our Group shall make commercially reasonable efforts to hold sufficient stock of products to meet the rolling 12-month projections which shall be provided by Customer A at least once a month. Pursuant to the supply agreement with Customer A, the credit term ranges from 60 days to 90 days from the date of invoices and our Group provides a warranty period of 2 years from the date of delivery of the products to Customer A. Further, it is agreed in the supply agreement that all intellectual property rights concerning the products shall remain vested in Customer A. In the event an engineering change or that the component or assembly of our Group has become obsolete or has reached end-of-life or have not been purchased and consumed by Customer A (the "**Obsolete Inventory**"), Customer A shall be responsible for the Obsolete Inventory, including the price of finished parts and our Group's cost (including cancellation fees and charges), work in progress, safety stock component and materials, components and materials on hand or on order within applicable lead-times. However, our Group will provide Customer A with an analysis of information, such as the price of such component and the costs of our Group and will use commercially reasonable efforts to minimise Customer A's liability by (i) reducing or canceling or returning the component and material to the extent contractually permitted, (ii) selling components and materials to third parties, (iii) assisting Customer A to determine whether current work in progress should be completed, scrapped or shipped as is, and (iv) utilising the Obsolete Inventory for manufacture for other customers with no costs incurred to Customer A. Our Group shall discuss and settle any claim for the Obsolete Inventory with Customer A. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, our claim for the Obsolete Inventory with Customer A amounted to approximately HK$1.0 million, HK$0.6 million and nil, respectively. All claims for the Obsolete Inventory with Customer A had been fully settled as at the Latest Practicable Date.

The unit price of products is pre-determined in the supply agreements. However, our Group and the headquarter office of Customer A shall meet every 12 months to review and adjust the price provided that such review shall not take place until six months after the first production.

Other major terms under a typical purchase order between our Group and Customer A include the following:

- ***Product specification and contract value*** — Technical specifications of the products to be manufactured and assembled, including the approved designs, prototype and quantity with unique stock code as well as the value of the contract are set out in the purchase order placed by Customer A.

- ***Payment terms*** — Payment by Customer A to our Group is generally settled in US dollars.

During the Track Record Period, we managed to add four new customers to our customer base and generated income of approximately HK$3.5 million, HK$5.4 million and HK$2.0 million, representing approximately 2.6%, 4.1% and 4.3% of our total turnover from these four new customers for the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, respectively.

We will continuously participate in industry trade fairs exhibitions and seminars related to our target markets with a view to expanding our customer base through strengthening our brand and reputation as well as to establish preliminary contact with potential customers. While our largest customer accounted for approximately 53.2%, 48.3% and 49.3% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, we had also added the above new customers to our customer base as mentioned above. Going forward, we expect to capture more business opportunities and secure more sale orders given an upgrade and an increase in our production capacity. With the increased production capacity, we expect that we will be in a better position to attract more customers and accordingly, progressively further reduce the our reliance on the major customers. Further, global brand name home/consumer appliances manufacturers and OEMs use products from our suppliers, such as connectors from Supplier A. As these global brand name consumer appliance manufacturers and OEM manufacturers which favour using products from our suppliers will eventually have to turn to wire harness manufacturers/suppliers to produce wire harnesses using components supplied by our suppliers, we consider that this accords us with opportunities to tap into the customer base of our suppliers with whom we have established relationship and gain access to their customers with the recommendation or knowledge of our suppliers. This, in turn, will help diversify our customer base in that it enables us to further promote and sell our products to these potential customers. Given the above and apart from the largest customer, as we have a diversified customer base (which accounted for approximately 46.8%, 51.7% and 50.7% of our total revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively) and plan to continuously expanding and seeking new customers as mentioned above, our Directors consider, and the Sole Sponsor concurs, that there is no undue reliance on our largest customer.

Please refer to the section headed "Risk Factors — We rely on the business strategy of Supplier A" in this prospectus for further details.

MARKETING

We manage our business relationships with customers through our sales and marketing activities. Our sales and applications department comprises a marketing team with 12 employees as at the Latest Practicable Date. Apart from formulating and coordinating overall sales and marketing activities, our sales and marketing personnel solicit and collect feedback from customers on our products. We manage our relationship with our key customers through frequent visits to our customers' offices and/or factories or through our customers' visits to our factories. Our customers also frequently contact our customer service staff, management and key account sales staff directly through phone calls, emails and meetings in relation to any queries they may have.

Apart from our suppliers' and customers' referrals, our sales and marketing personnel participate in industry trade fairs exhibitions, such as Electronica, and seminars related to our target markets, to solicit new customers and explore new business opportunities. With respect to target potential customers, our designated sales and marketing personnel generally maintain contact with them through emails, phone calls and visits. In addition, our sales and marketing personnel assist many of our key customers to complete in-depth evaluations on us and our products before such customers approve us their supplier for any particular products according to their internal procedures.

For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the expenses we incurred for sales and marketing amounted to approximately HK$246,000, HK$190,000 and HK$69,000, accounting for approximately 0.2%, 0.1% and 0.1% of our total revenue, respectively.

SUPPLIERS

Our major raw materials include connectors, terminals, PVC and silicon wires and power supply cords. Other raw materials include plastic materials and components such as relays, timers and thermistors. We mainly source wires from a total of less than 10 suppliers in Malaysia and the PRC, and connectors/terminals from suppliers in Europe and the US, that are Independent Third Parties. On occasions, we purchase raw materials, particularly connectors/terminals, from suppliers identified and specified by our customers where we are designated as an authorised purchaser.

We carefully select our suppliers based on certain assessment criteria, such as overall track record, scale and expertise, cost, product quality and quality control effectiveness, reliability, price, delivery punctuality, historical relationship with us, financial condition, reputation and aftersales services. During the selection process, we generally carry regular on-site examination of our potential suppliers to ensure that they meet our selection criteria. We carry out evaluation of the performance of our existing suppliers and identify better third party suppliers from time to time to replace the suppliers who fail to perform to our satisfaction.

We entered into a legally-binding agreement (the "**Supplier A Agreement**") with Supplier A on 4 June 1999, the principal terms of which are set out below:

- Supplier A appointed us to market and sell Supplier A's products, such as terminals and connectors, in the Asia Pacific Region on a non-exclusive basis;
- Supplier A granted us the right to use Supplier A's name and logo as part of our corporate, marketing, promotional and any of our other documents or materials during the term of the Supplier A Agreement; and
- the term of the Supplier A Agreement was from 1 January 1999 to 31 December 2000 which was renewed automatically unless otherwise terminated by Supplier A or us by giving three months' notice. We have been entering into transactions with Supplier A since 1999.

Save and except as disclosed above, we do not enter into any framework agreement or long term agreement with any of our suppliers. Instead, we make our purchases based on the requirement of each particular contract and for the customer orders we have on hand. Subsequent to the issue of purchase orders to our suppliers, our suppliers will supply the specified products in accordance with the delivery time required at the contracted price.

The turn-around time from order to delivery generally ranges from one to two week(s) for wires/ cables, from four to six weeks for power supply cords and from four to five months for connectors and terminals, depending on their production capacities.

The purchase prices we pay to our suppliers are agreed at the time when we place our purchase orders provided that the minimum order quantities are met. However, we have no obligation to place order with Supplier A and accordingly, no penalty will be imposed on us even if we do not purchase raw materials from Supplier A. We manage fluctuations in raw materials costs by purchasing raw materials mainly based on the specifications of products required by our customers and by our inventory policy. Please refer to the section headed "Business — Inventory Management" in this prospectus for details of our inventory.

Our suppliers typically offer us credit terms of up to 90 days from the time of our receipt of the raw materials from our suppliers. The payment terms with our suppliers vary and payments are mainly made through bank transfers in US$, EURO, Ringgit and RMB.

We have established long-term business relationships with our key suppliers for stable supply and timely delivery of high quality raw materials and components. Our quality control team from our operations department checks the quality of the raw materials upon their arrivals at our production facilities to ensure that they conform to our and our customers' quality standards. For further details, please refer to the section headed "Business — Quality Control" in this prospectus.

While we intend to maintain our relationship with Supplier A and do not currently have any intention to change to other suppliers substantially, we may purchase raw materials from alternative suppliers in the market which can supply products at comparable terms and quantities. As at the Latest Practicable Date, our Group had established business relationship with such alternative suppliers ranging from three to 18 years. For each of the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, we purchased from four alternative suppliers which accounted for approximately 8.5%, 7.6% and 8.6% of our total purchases, respectively.

Based on our past experience with our major suppliers our Directors do not envisage any significant difficulties in sourcing any raw materials from our existing suppliers or finding alternative suppliers in the future if the need arises. During the Track Record Period, we did not experience any major difficulties in procuring raw materials necessary for the manufacture of our products. In addition, we maintain flexibility in the selection of our suppliers and are endeavour to source each type of our raw materials from at least a few different suppliers and refrain from relying on a single supplier or group of suppliers for any type of our key raw materials.

Our five largest suppliers, which are Independent Third Parties, accounted for approximately 60.3%, 57.8% and 55.5% of our total purchases for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while our largest supplier accounted for approximately 22.7%, 20.4% and 22.3% of our total purchases, respectively.

The table below sets out information relating to our five largest suppliers during the Track Record Period:

Year ended 30 June 2014

Name of Supplier	Background	Principal products purchased	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total purchases
Supplier A	A supplier of connectors, terminals, housing and IDC which is based in Germany	Terminals, housing and IDC	16	22.7%
Supplier B	A supplier of power supply cords which is based in Hong Kong	Power supply cords	15	14.8%
Supplier C	A supplier of wires which is based in Malaysia	Wires	15	9.7%
Supplier D	A supplier of silicon wires which is based in the PRC	Wires	7	8.6%
Supplier E	A supplier of thermistors and sensors which is based in Japan	Thermistors	6	4.5%

Year ended 30 June 2015

Name of Supplier	Background	Principal products purchased	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total purchases
Supplier A	A supplier of connectors, terminals, housing and IDC which is based in Germany	Terminals, housing and IDC	16	20.4%
Supplier B	A supplier of power supply cords which is based in Hong Kong	Power supply cords	15	14.9%
Supplier C	A supplier of wires which is based in Malaysia	Wires	15	9.7%
Supplier D	A supplier of silicon wires which is based in the PRC	Wires	7	9.0%
Supplier E	A supplier of thermistors and sensors which is based in Japan	Thermistors	6	3.8%

Four months ended 31 October 2015

Name of Supplier	Background	Principal products purchased	Years of business relationship as at the Latest Practicable Date (approximately)	Percentage of our Group's total purchases
Supplier A	A supplier of connectors, terminals, housing and IDC which is based in Germany	Terminals, housing and IDC	16	22.3%
Supplier B	A supplier of power supply cords which is based in Hong Kong	Power supply cords	15	12.4%
Supplier C	A supplier of wires which is based in Malaysia	Wires	15	8.8%
Supplier D	A supplier of silicon wires which is based in the PRC	Wires	7	8.7%
Supplier F	A supplier of connectors, housing, terminals, pins and cable accessories which is based in Australia	Connectors, housing, terminals and pins	5	3.3%

None of our Directors or their respective associates or shareholders who own more than 5% of our issued share capital immediately prior to the completion of the Placing has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

SUBCONTRACTING

We subcontract certain labour intensive parts of our production process for certain simple products, such as manual assembly works, in the Malaysia Factory to certain subcontractors located in the vicinity of the Malaysia Factory that are Independent Third Parties for cost efficiency purposes.

We carefully select our subcontractors based on certain assessment criteria, such as overall track record, product quality and quality control effectiveness, reliability, price, delivery punctuality, historical relationship with us and reputation. We carry out evaluation of the performance of our existing subcontractors and identify better subcontractors to replace third party subcontractors that fail to perform to our satisfaction. We provide our subcontractors with product specifications and conduct quality checks upon delivery of semi-finished products to us to ensure that they meet our and our customers' quality control standards. For further details, please refer to the section headed "Business — Quality Control" in this prospectus.

The turn-around time from order to delivery of our products which we subcontract to our subcontractors generally ranges from about one to two week(s), depending on the type of products we subcontract to our subcontractors.

We issue purchase orders to our subcontractors every time we place orders. Each purchase order will specify the product, quantity, delivery timeline and other detailed items. We typically have a credit period of 30 to 60 days after our receipt of the products from our subcontractors and settle payments to our subcontractors in arrears on a monthly basis. Payments to our subcontractors are mainly made through bank transfer in Ringgit. We may return defective products promptly upon delivery or any time afterwards when we discover any defect in products. We generally enter into framework agreements with our subcontractors.

During the Track Record Period, we did not experience any material disputes with our third party subcontractors nor did we encounter any material difficulties in obtaining the required outsourced products.

As at the Latest Practicable Date, we had business relationships with our subcontractors for a period ranging from 0 to 7 years. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, our subcontracting costs amounted to approximately HK$3.1 million, HK$2.3 million and HK$0.7 million, respectively, representing approximately 3.1%, 2.5% and 2.3% of our total cost of sales respectively.

Please refer to the section headed "Risk Factors — We have utilised and expect to continue to utilise subcontractors for the manufacturing of a portion of our products" in this prospectus. If any of our subcontractors fail or are unwilling to meet our production criteria, quality or delivery requirements, our production plan may be adversely affected." for more information on the risks associated with subcontracting.

QUALITY CONTROL

We believe that dedication to quality management, product diversification, customised product configuration, strong product application and development, and high quality of standard placed on our products have enabled us to produce quality products to our customers, strengthen the relationship with our existing customers and further expand our customer base.

We are subject to various industry standards in respect of the products we manufacture, including the EU and international standards on the use of chemicals and raw materials, such as Restriction of Hazardous Substances Directive. In addition, our customers require us to satisfy strict quality standards with respect to the products we sell to them. As such, we need to maintain high quality standard for our products and minimise defects and returns of defective products in order to maintain our status as a core supplier for many of our major customers and obtain their orders for our products on a continuous basis.

To achieve this, our management is actively involved in setting stringent production and quality control procedures designed to ensure that our products meet or often exceed the relevant industry standards and/or customer quality requirements. Our operational control systems are designed to ensure that our day-to-day actions are consistent with our plans and objectives. In order to ensure that our quality control standards are effectively applied, we regularly provide on-the-job training to our manufacturing line employees. Further, we have a quality control team from our operations department with qualified personnel to oversee the operation of our manufacturing lines to ensure adequate quality control as well as to avoid any unintended interruption, and to minimise the down time of the manufacturing lines. We also conduct frequent management review meeting to review and strengthen the quality of our products. In addition, we generally carry out visits to some of our suppliers once a year as part of our quality control measures.

We have received international certifications for our quality control and safety systems which we believe demonstrate our technological capabilities and help promote customer confidence. Please refer to the section headed "Business — Certifications" in this prospectus for the details of the certification we have received.

As at the Latest Practicable Date, we had a total of 31 quality control staff located in our production facilities. From sourcing of raw materials, production and packaging of our finished product prior to delivery, we strictly monitor and control the quality of our operations. Our quality control team also actively engages in product design, ensuring production considerations are addressed at an early stage of the design process and minimising the number of products that fail our quality control tests. In order to monitor our production quality and ensure that our products meet all our internal benchmarks and customers' specifications, our quality control staff carry out quality control inspection throughout the production process, including:

- ***Quality control for raw materials and components.*** We purchase raw materials and components from raw materials suppliers who have passed our quality and reliability assessments. We carry out tests on the raw materials (including copper wires, connectors and thermistors) on a sampling basis. Before we use the raw materials in our production process, a sample of each type of raw materials is examined physically to ensure that their quality meets the specifications and standards of our products. We return to our raw materials suppliers any raw materials that do not pass our inspection and obtain replacement raw materials. We also periodically assess our suppliers, and those who fail our evaluation are removed from our qualified vendor list.

- ***Quality control during production.*** We test our products at various stages of the production process, including the products from our subcontractors, to ensure their quality, performance and compliance with our internal quality standards before we proceed to the next stage of the production process.

- ***Final testing before delivery.*** After the production process is finished, we perform thorough inspections and tests, such as resistant and insulation tests, to ensure that customers' specifications are met prior to delivery of our products.

Due to our emphasis on product quality and our stringent product quality controls, we have been able to meet the product specifications and quality standards required by our customers on a continuous basis. During the Track Record Period and up to the Latest Practicable Date, we did not have any product recall or third party claim from our customers or end users of our products for any damage or loss sustained arising from defective products, other than some insignificant product quality problems. For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the total sales return amount was approximately HK$74,000, HK$110,000 and HK$13,000, respectively.

CERTIFICATIONS

Over the past years, we have received the following certifications:

Name of company	Certification	Date of certification	Issuing institution/ authority	Expiry Date
TEM Jiangmen	ISO9001:2008 for certification for our quality control system in connection with the manufacturing of wire harnesses, power cords and electronic connectors	22 November 2014	SGS United Kingdom Ltd.	21 November 2017
TEM Malaysia	ISO9001: 2008 for certification for our quality control system in connection with the manufacturing of wire harnesses, power cords, electronic connector and related components	14 January 2016	SGS United Kingdom Ltd.	14 September 2018

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Our operations are also subject to occupational health and safety laws regulations set by (i) the Ministry of Labour and Social Security of the PRC and the relevant local government occupational health and safety authorities, such as the Labour Law of the PRC 《中華人民共和國勞動法》, the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》 and the Production Safety Law of the PRC 《中華人民共和國安全生產法》, (ii) the Factories and Machinery Act 1967, the Occupational

Safety and Health Act 1994 and the Environmental Quality Act 1974 of Malaysia as well as all subsidiary legislation issued thereunder, and (iii) the Environmental Public Health Act (Chapter 95) of Singapore.

For the purposes of ensuring compliance with the applicable law and regulations, our human resources department, which is responsible for the formulation and implementation of human resources policies, will from time to time make adjustment, if necessary, to our human resources policies to accommodate material changes to relevant labour and safety laws and regulations to ensure their compliance. We also seek legal advice from external legal advisers on labour and safety related compliance matters as and when required.

In an effort to ensure the safety of our employees, we implement operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries, electricity safety, and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation.

Our Directors confirm, and each of our PRC Legal Adviser, Malaysia legal adviser and Singapore legal adviser is of the view, that we comply with the applicable health and safety laws and regulations in the PRC, Malaysia and Singapore in all material respects, and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We currently maintain insurance coverage on our office premises, machinery and equipment and stocks, product liabilities, business interruption, public liability and group term life insurance. We consider that our insurance coverage is adequate and consistent with relevant industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claims against our insurance policies.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we registered certain trademarks and had applied for the registration of certain trademarks in Hong Kong, Singapore, Malaysia and the PRC. We also have registered seven domain names. These trademarks and domain names are important to our business.

For further details, please see "Appendix IV — Statutory and General Information — Intellectual property rights" in this prospectus.

We have not been involved in any material intellectual property rights infringement claims or litigation during the Track Record Period.

PROPERTIES

As at the Latest Practicable Date, our Group leased a total of 12 properties in Malaysia, Singapore, the PRC and Hong Kong with an aggregate gross floor area of approximately 154,297 sq.ft. for our business activities and operations. They were used as office premises, factories, warehouse, staff quarter and car park by our Group.

As at the Latest Practicable Date, we leased the following properties:

Landlords	Description/location	Usage	Lease term	Monthly rental fee	Approximate gross floor area (sq. ft.)
Wide Harvest Investment Limited	Suite 1706–7 Tower 1 China Hong Kong City 33 Canton Road Kowloon Hong Kong	Office	12 May 2014 to 11 May 2017	HK$54,870	1,829
江門市白石企業集團有限公司 (Jiangmen Baishi Enterprise Group Company Limited*)	Block M Building 9 Shachong Wei Factory 173 Jianshe 3rd Road Jiangmen City Jiangmen The PRC	Factory	1 July 2014 to 30 June 2017	RMB33,000 (for the first year) and RMB36,300 (for the second and third years)	43,023
江門市白石企業集團有限公司 (Jiangmen Baishi Enterprise Group Company Limited*)	Block N Building 10 Shachong Wei Factory 173 Jianshe 3rd Road Jiangmen City Jiangmen The PRC	Factory	21 October 2015 to 30 June 2017	RMB37,970	48,194
江門市白石企業集團有限公司 (Jiangmen Baishi Enterprise Group Company Limited*)	Room 520–523 Block L Building 8 173 Jianshe 3rd Road Jiangmen City Jiangmen The PRC	Staff quarter	1 July 2014 to 30 June 2017	RMB1,800 (for the first year) and RMB1,990 (for the second and third years)	3,143
江門市白石企業集團有限公司 (Jiangmen Baishi Enterprise Group Company Limited*)	Room 517 Block L Building 8 173 Jianshe 3rd Road Jiangmen City Jiangmen The PRC	Staff quarter	1 November 2014 to 30 June 2017	RMB400 (from 1 November 2014 to 30 June 2015) RMB440 (from 1 July 2015 to 30 June 2017)	721

Landlords	Description/location	Usage	Lease term	Monthly rental fee	Approximate gross floor area (sq. ft.)
江門市白石企業集團有限公司 (Jiangmen Baishi Enterprise Group Company Limited*)	Rooms 204, 205 and 208 Block L Building 8 173 Jianshe 3rd Road Jiangmen City Jiangmen The PRC	Staff quarter	1 December 2015 to 30 June 2017	RMB1,300	2,293
Unimax Petroleum Sdn. Bhd.	No. 43 Jalan Sungai Tukang 2 08000 Sungai Petani Kedah Darul Aman Malaysia	Factory	1 April 2016 to 31 March 2017	MYR4,200	3,850
Hudson Development Pte Ltd	Unit No 01–03/04 Hudson TechnoCentre 16 New Industrial Road Singapore 536204	Office and car park	15 December 2013 to 14 May 2016	SGD4,600 (of which SGD4,400 for the office and SGD200 for two car parks)	1,564
Hudson Development Pte Ltd	Unit #05-02, 5th storey Hudson TechnoCentre 16 New Industrial Road Singapore 536204	Office and car park	15 March 2016 to 14 March 2018	SGD2,900 (of which SGD2,800 for the office and SGD100 for a car park)	1,087
MIDF Property Berhad	Lot A99, Jalan 2A-3 Kawasan Perusahaan Sungai Lalang 08000 Sungai Petani Kedah Darul Aman Malaysia	Factory	1 November 2013 to 31 October 2016	MYR9,660	13,795
MIDF Property Berhad	Lot A101, Jalan 2A Kawasan Perusahaan Sungai Lalang 08000 Sungai Petani Kedah Darul Aman Malaysia	Factory	1 February 2014 to 31 January 2017	MYR12,100	17,399
MIDF Property Berhad	Lot A102, Jalan 2A Kawasan Perusahaan Sungai Lalang 08000 Sungai Petani Kedah Darul Aman Malaysia	Factory	1 February 2014 to 31 January 2017	MYR12,100	17,399
				Total	154,297

As at the Latest Practicable Date, our Group did not own any properties.

No valuation report for the above properties has been included in this prospectus as it is exempted under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

EMPLOYEES

As at the Latest Practicable Date, we had 443 full-time employees of which 231 were based in Malaysia, 204 were based in Jiangmen, five were based in Hong Kong and three were based in Singapore.

The table below sets out a breakdown of our personnel by function of our Group:

Management	13
Operations	373
Customer service and materials	16
Sales and applications	17
Administration, human resources, finance and information technology	24
Total	443

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancy.

Our relationship with employees

Our Directors believe that our employees are among the most valuable assets of our Group and have contributed to the success of our Group. Further, we consider that our ability to attract and retain experienced and motivated employees at all levels is important to ensure the successful implementation of our business and growth strategies. During the Track Record Period, we did not experience any significant turnover of staff or any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained good relationships with our employees.

Staff costs

The staff costs (including staff welfare expenses but excluding director remuneration) paid by us for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 were approximately HK$22.2 million, HK$26.0 million and HK$9.2 million, respectively.

	Year ended 30 June		Four months ended 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Direct labour	15,291	18,015	6,400
Salaries, welfare and other benefits	6,894	7,974	2,810
	22,185	25,986	9,210

RESEARCH AND DEVELOPMENT

We have experienced engineering and technical staff from the sales and applications department who engage with our customers in the preliminary stages of their new product development process and design as well as develop a custom-made product based on our customers' technical, design and performance requirements. In conceiving a new product, our team from the sales and applications department will work closely with other departments to ensure every production and quality control aspect of the new design can be practically and efficiently implemented.

We will remain attentive to the latest development and trend in the wire/cable harnesses and power supply cords industry through our sales and marketing efforts.

COMPETITION

We face competition in many aspects of our business. The wire/cable harnesses and power supply cords industry in the PRC is fragmented. This provide easy entry to many small and medium enterprises. Our Directors consider that apart from competing with established multinational players, we also compete with many small and medium players in the wire/cable harnesses and power supply cords industry which offer their products and services at competitive prices. According to the Euromonitor Report, the top five players in the wire/cable harnesses and power supply cords industry in the PRC accounted for approximately 18.5% of the market value in 2014.

According to the Euromonitor Report, the wire/cable harness and power supply cords industry in Malaysia is fairly consolidated with the top five players accounted for approximately 71.6% of the market value in 2014.

Similarly, the connectors trading business is largely fragmented and hence competitive, both in Singapore and globally. There are an estimated more than 100 distributors of connectors with an operational presence in Singapore with more than 10 of them being major global players and the rest made up by smaller European and Chinese makers. According to the Euromonitor Report, the top five connectors' players in Singapore comprise three US multinational suppliers and two regional suppliers, which, in aggregate, contributed to approximately 55% of the market share of connectors in Singapore in 2014.

Our Directors consider that we are well-positioned to compete effectively in the wire/cable harnesses and power supply cords industry and that our strengths will distinguish us from our competitors. In addition, our Directors believe that (i) our position and competitive advantage over some players, such as our strong relationship with global brand name home/consumer appliances manufacturers and OEMs, and (ii) our commitment to quality control have placed us in the position to maintain our status as a core supplier for many of our global brand name home/consumer appliances manufacturers and OEMs in the home appliances, consumer appliances and industrial products industries. Further, our intention to enhance and expand our production capacity will increase our production capacity which, in turn, will provide us with additional cost-saving advantages from economies of scale. Our Directors believe this will provide us with opportunities to grow, to increase our market share and to further enhance our position in the market. Please refer to the sections headed "Business — Competitive Strengths", "Business — Business Strategies" and "Industry Overview" in this prospectus for further information.

NON-COMPLIANCE

The table below summaries our historical non-compliances during the Track Record Period:

No.	Name of our subsidiary involved	Details of the non-compliances	Reasons for the non-compliance	Legal consequences and potential maximum penalty for the relevant member of our Group	Internal control measures adopted to prevent recurrence
1.	TEM Jiangmen	Since its establishment on 23 July 2008, TEM Jiangmen failed to complete the environmental protection acceptance procedures (環保驗收手續) for the construction of its manufacturing facilities.	Due to the inadvertent errors of the relevant staff of TEM Jiangmen as they were not familiar with relevant laws.	According to our PRC Legal Adviser, TEM Jiangmen may be ordered to stop operation or usage of the construction facilities and imposed a fine up to RMB100,000 under the Regulations on the Administration of Construction Project Environmental Protection of the PRC 《建設項目環境保護管理條例》. Given that (i) TEM Jiangmen has obtained the Report of Completion Acceptance of Environmental Protection Facility of Construction Project (建設項目環保設施竣工驗收監測報表) issued by Jiangmen Environmental Monitoring Center Station* (江門市環境監測中心站) in December 2015 which proves that the emission of noise and disposal of solid waste by TEM Jiangmen conform to the relevant governmental requirements; (ii) TEM Jiangmen has completed the environmental protection acceptance procedures on 1 February 2016 and has obtained the Pollutants Discharge Permit* (污染物排放許可證) dated 15 February 2016; (iii) TEM Jiangmen has not been subject to any penalty imposed by the competent environmental authority in connection with such failure as at the Latest Practicable Date; and (iv) our Controlling Shareholders have executed the Deed of Indemnity to indemnify our Company against any losses and damages arising from such non-compliance. Our PRC Legal Adviser is of the view that the likelihood TEM Jiangmen being fined or being punished by the relevant environmental authority is low. According to the Circular on Reforming and Adjusting the Work System for the Inspection of Environmental Protection Performed by Listed Companies《關於改革調整上市環保核查工作制度的通知》(環發[2014]149號) dated 19 October 2014 issued by the Ministry of Environmental Protection of the PRC to the provincial, autonomous regions and municipal environmental protection authorities, all levels of environmental protection authorities shall cease to conduct any kinds of environmental protection inspection on all types of enterprises and shall not issue any environmental compliance confirmation or similar types of documents. This non-compliance has been rectified.	Our general manager of TEM Jiangmen, Mr. Lee Wai Yin is responsible for the compliance of the Environmental Protection Acceptance Procedures. He will supervise the application, and renewal of all required procedures, licences, permits and approvals by monitoring the new application, and expiration dates of all required procedures, licences, permits and approval and coordinating the timely preparation and submission of relevant applications. For the biographical details of Mr. Lee Wai Yin, please refer to the section headed "Directors and Senior Management" in this prospectus.

No.	Name of our subsidiary involved	Details of the non-compliances	Reasons for the non-compliance	Legal consequences and potential maximum penalty for the relevant member of our Group	Internal control measures adopted to prevent recurrence
2.	TEM Jiangmen	Since its establishment on 23 July 2008, TEM Jiangmen failed to make housing provident fund contributions of approximately RMB400,000 for its employees prior to October 2015.	Due to the inadvertent errors of relevant staff of TEM Jiangmen as they were not familiar with relevant laws.	According to our PRC Legal Adviser, TEM Jiangmen may be ordered to make the outstanding contributions and imposed a fine up to RMB10,000 to RMB50,000 under the Regulations on the Administration of Housing Provident Fund of the PRC《住房公積金管理條例》. Given that (i) TEM Jiangmen has made the outstanding housing provident fund contributions in full for its existing employees as at the Latest Practicable Date; (ii) TEM Jiangmen has not been subject to any penalty imposed by the competent housing provident fund authority namely, the Jiangmen Housing Provident Fund Management Center* (江門市住房公積金管理中心), in connection with such failure as at the Latest Practicable Date; (iii) the above competent housing provident fund authority has confirmed in writing on 16 November 2015 that TEM Jiangmen has rectified the above in accordance with the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》); and (iv) our Controlling Shareholders have entered into the Deed of Indemnity to indemnify our Company against any losses and damages arising from such non-compliance. Our PRC Legal Adviser is of view that the failure of TEM Jiangmen to make housing provident fund contributions timely will not have any material adverse effect on us. Further, our PRC Legal Adviser is of the view that the authority, which issued the written confirmation mentioned above, is the competent authority in overseeing the housing provident fund matters. As at the Latest Practicable Date, this non-compliance has been rectified.	In November 2015, our Group has appointed Mr. Duan Dezhi (段德智) as our project manager and he was assigned the role of human resource manager since January 2016. Mr. Duan Dezhi graduated from Nanchang University with a degree in 1997 and before joining our Group, he has worked as human resource manager for approximately 3.5 years and information centre manager for approximately 5 years in a private company in the PRC. He is responsible for overseeing human resource functions of TEM Jiangmen which include handling all housing provident funds matters to ensure all housing provident funds contribution payments have been properly and timely made in accordance with the Regulations on the Administration of Housing Provident Fund of the PRC.

INTERNAL CONTROL

It is the responsibility of our Board to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. In order to continuously improve our Group's corporate governance and to prevent recurrence of the non-compliance incidents in the future, we have engaged an independent internal control consultant, CT Partners Consultants Limited ("**CT Partners**"), to perform compliance procedures in connection with our internal control policies related to the historical non-compliance incidents and further put forward respective recommendations for enhanced internal control measure as mentioned below. We have adopted, or expect to adopt before the Listing, the following internal control policies and procedures:

- our Directors and the senior management have attended trainings conducted by our Company's legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules and other relevant laws and regulations. We will provide our Directors, senior management and employees with training, development and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group on an annual basis, which will be provided by external legal advisers or other professional advisers;

- induction training will be arranged for any newly appointed directors or company secretary so as to familiarise themselves with the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulations;

- our Company has assigned a human resource officer with relevant experience to carry out calculations, declarations, administration and actual payment of the social insurance and contributions/payments of housing provident funds. Our Directors will review and approve the work performed by the human resource officer;

- our Group has appointed RHB Capital as its compliance adviser initially for a term as required under the GEM Listing Rules to advise on compliance matters;

- all management and staff of our Group will be required to report to and/or notify our Directors, our compliance officer or the legal advisers of our Group promptly of any non-compliance or potential non-compliance events;

- we will engage an independent internal control consultant to carry out an annual review on the adequacy and effectiveness of our internal control system after the Listing, including areas of financial, operational, compliance and risk management; and

- our compliance officer, Mr. Kan, has been assigned to review and update the compliance policy and procedures of our Group on an annual basis with a view to ensuring the compliance policy and procedures are up to date and in accordance with the legal and regulatory requirements. Mr. Kan provides observations of operational efficiencies, recommendation on how to improve the overall structure and practices of our Group. Mr. Kan is also responsible for the daily implementation of the internal control policies and procedures pursuant to the guidelines suggested by the internal control consultant. Further, our compliance officer will be responsible for ensuring that all necessary licences/approvals/permits required before we commence any business operations are applied for and obtained on a timely basis.

On 23 December 2015, CT Partners performed a follow-up review on the above compliance procedures. Upon the review, our Group did not have significant deficiencies in our internal control system for preventing the recurrence of the above non-compliance incidents.

Directors' and the Sole Sponsor's View

Our Directors consider that the various internal control measures adopted by our Group are adequate and effective having taken into account that (i) our Group has implemented (or will implement, where applicable) the above measures to avoid recurrence of the non-compliance incidents, and (ii) there were no recurring of similar non-compliance incidents since the implementation of such measures.

The Sole Sponsor, after considering the above and having reviewed the internal control measures and the findings of CT Partners, concurs with the view of our Directors that the various internal control measures adopted by our Group are adequate and effective.

RISK MANAGEMENT

Our management has designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, financial risks and legal risks. Our risk management policy sets out procedure to identify, analyse, mitigate and monitor various risks. We are dedicated to monitoring the effectiveness of such policies. Our Board is responsible for overseeing our overall risk management and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets out the reporting hierarchy of risks identified in our operations.

Our Group is mainly exposed to (i) foreign exchange risks; and (ii) risk related to price fluctuation of raw materials (e.g. wires). Having considered the level of our current exposures to risks related to foreign exchange and price fluctuation of raw materials, we currently do not have any hedging activities nor relevant hedging policy to eliminate relevant risks exposures.

Internal control procedures mitigating the foreign exchange risks of our Group are set out below:

(i) our financial controller would closely monitor the movement of exchange rates in which our Group has relevant risk exposures to ensure that the net exposure is kept to an acceptable level and minimise our foreign exchange exposures by buying or selling foreign currencies at spot rate based on the expected usage of currencies for daily business operations;

(ii) the quarterly analysis from our financial controller will be submitted to our executive Directors for review;

(iii) our Directors would assess whether there is any material and adverse impact on our financial performance and whether we may enter into any hedging or derivative financial instruments to manage such foreign currency risk exposures.

As at the Latest Practicable Date, we did not intend to enter into any foreign exchange hedge transaction.

Internal control procedures mitigating the risk related to price fluctuation of raw materials for our Group's business are set out below:

(i) our financial controller would monitor the movement of copper price and copper-related raw materials as well as the projected production plan regularly, and estimate the amount of copper-related raw material that would be used in that particular period/year;

(ii) the Board would assess if there is any material and adverse impact on our financial performance due to the price fluctuation of raw materials and if there is any hedge needs on a quarterly basis, taking into account the factors such as the movement of copper price and copper-related raw materials, the then prevailing copper price and market condition;

(iii) if any hedging strategy is to be implemented, our financial controller would obtain quotations of the relevant financial instrument from various banks and the Board would consider the terms and conditions of each of such quotations and make decision as to whether our Group would enter into such financial instrument.

As at the Latest Practicable Date, we did not intend to enter into any commodity hedge transaction, given that the percentage contribution of copper-related raw materials to our total cost of sales was relatively stable and the price of copper was at a decreasing trend during the Track Record Period.

For details regarding the risks involved in our operations, please refer to the section headed "Risk Factors" in this prospectus.

LEGAL COMPLIANCE, LICENCES AND PERMITS

Our Directors confirm that, as at the Latest Practicable Date and save as disclosed in the section headed "Business — Non-compliance" in this prospectus, our Group had complied with all applicable laws and regulations in all material aspects in the jurisdiction in which it operates and had obtained and renewed all the material requisite permits, approvals and licences for its operations in Hong Kong, the PRC, Malaysia and Singapore during the Track Record Period.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there was no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), Mr. Lau, through Jumbo Planet, will own 75% interest in the enlarged issued share capital of our Company and hence will, together with Jumbo Planet, be our Controlling Shareholders after Listing. Save as mentioned above, there is no other person who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be directly or indirectly interested in more than 30% or more of the Shares in issue.

Immediately after completion of the Reorganisation, one of our Controlling Shareholders, Mr. Lau, remains interested in the Brascabos Group. Mr. Lau, through New Universe, owns 100% shareholding in Brascabos International, the holding company of the Brascabos Group. Save as disclosed, none of our Directors nor our Controlling Shareholders held any interests in the Brascabos Group (including Brascabos International and each of its subsidiaries) during the Track Record Period and up to the Latest Practicable Date. The Brascabos Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords products for white goods and automotive parts in South America. Notwithstanding that our Group and the Brascabos Group are in similar industry, our Directors believe that there is a clear delineation of the business of our Group and that of the Brascabos Group and that there is no direct competition between our Group and the Brascabos Group. Furthermore, our Controlling Shareholders and our Company have entered into the Deed of Non-competition to mitigate the potential competition between our Group and the Brascabos Group in the future.

THE EXCLUDED BUSINESS

The history of the Brascabos Group can be traced back to 1985 when its principal operating subsidiary, Brascabos Components Elétricos e Eletrônicos Ltda., was established in Brazil. In April 2010, the Brascabos Group was acquired by Mr. Lau from its then shareholder, Solartech International. For details of the acquisition, please refer to the paragraph headed "History, Reorganisation and Group Structure — Our Business History — Business Development" in this prospectus.

The Brascabos Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords products for white goods and automotive parts in South America. Its products are manufactured in Brazil according to the specifications provided by its customers, who are mostly white goods manufacturers and automotive parts manufacturers in South America, and are sold under the "Brascabos" brand.

Based on the audited consolidated financial statements for the years ended 31 December 2013 and 31 December 2014 and the unaudited consolidated financial statements for the ten months ended 31 October 2015 of the Brascabos Group, (i) the revenue of the Brascabos Group amounted to approximately R$252.0 million, R$271.0 million and R$214.0 million (equivalent to approximately HK$483.8 million, HK$520.3 million and HK$410.9 million), respectively, (ii) the total assets of the Brascabos Group amounted to approximately R$140.0 million, R$143.0 million and R$163.0 million (equivalent to approximately HK$268.8 million, HK$274.6 million and HK$313.0 million), respectively, and (iii) the Brascabos Group had recorded net profit and positive operating cashflow (before movements in working capital) for all these periods.

Based on the information set out above, our Directors are of the view, and the Sole Sponsor concurs that, our Group would be able to meet the minimum cash flow requirement under the Rule 11.12A of the GEM Listing Rules even if the financial results of the Excluded Business are taken into account during the Track Record Period.

Business Delineation

Our Directors believe that there is a clear delineation in the business activities of our Group and that of the Brascabos Group in terms of their respective geographical locations, products and their specifications, customers, suppliers and management as detailed below:

	Our Group	**Brascabos Group**
Geographical locations	• operates principally in the PRC, Malaysia and Singapore and trade principally with customers in the Asia Pacific Region	• operates in Brazil, and only sell products to customers in South America
Products and their specifications	• wire/cable harnesses and power supply cords assembled products(Note 1) for white goods and consumer appliances	• wire/cable harnesses and power supply cords products(Note 1) for white goods and automotive parts
	• manufactured according to the product specifications provided by the white goods and consumer appliances manufacturers in the Asia Pacific Region	• manufactured according to the product specifications of white goods and automotive parts manufacturers in South America
	• is not engaged in any manufacturing of wire/cable harnesses and power supply cords products for automotive parts and no revenue was generated from such during the Track Record Period and up to the Latest Practicable Date	• revenue generated from the sale of automative parts represented approximately 34.6%, 31.3% and 42.4% of the consolidated revenue of the Brascabos Group for the years ended 31 December 2013 and 31 December 2014 and the 10 months ended 31 October 2015, respectively
Customers (Note 2)	• principally white goods and consumer appliances manufacturers in the Asia Pacific Region	• principally white goods and automotive parts manufacturers in South America
Suppliers (Note 2)	• principally from suppliers in the Asia Pacific Region	• principally from suppliers in South America

	Our Group	Brascabos Group
Management	• our Executive Directors and senior management hold directorship and/or management positions in our Company as well as our subsidiaries	• Mr. Lau and Mr. Kan hold directorship in two investment holding companies within the Brascabos Group and do not involve in the day-to-day operations of the Brascabos Group. As the two companies are investment holding companies incorporated in BVI, there is no designation of executive or non-executive directors in these two companies. Each of the operating subsidiaries of the Brascabos Group has its own management team residing in Brazil to handle day-to-day operations. Save as disclosed, none of our Directors nor our Controlling Shareholders hold any executive or non-executive position within the Brascabos Group.
Strategy, growth and expansion plan	• will continue to focus, grow and expand its business of manufacturing wire/cable harness and power supply cords assembled products for white goods and consumer appliances in the Asia Pacific Region	• will continue to focus, grow and expand its business of manufacturing wire/cable harness and power supply cords products for white goods and automotive parts in South America (including the less developed markets in Argentina and Columbia)

Notes:

1. For the differences between "power supply cords assembled products" and "power supply cords products", please refer to the section headed "Glossary" in this prospectus.

2. During the Track Record Period and up to the Latest Practicable Date, one customer and one supplier of our Group and the Brascabos Group share the same brand names. However, our Directors do not regard them as overlapping customer or supplier, as (i) we only sourced raw materials from the European unit of such global brand name while the Brascabos Group sourced the relevant materials from their counterpart in Brazil, (ii) we only supplied products to the PRC and Australian entities of such global brand name in the PRC and Australia while the Brascabos Group only sold to the Brazilian entity in Brazil, (iii) the respective products which we and the Brascabos Group supplied were different and were manufactured according to the distinctive product specifications provided by the respective local entities of such global brand name, and (iv) the products which we and the Brascabos Group supplied were for their local production only as far as the Directors are aware. Our Directors also do not consider that the products that we or the Brascabos Group sold would be rerouted between the PRC/Australia and Brazil given the distance, time and cost involved as well as the differences in product specifications and standards.

For reference only, sales to the PRC and Australian entities of such global brand name manufacturer represented approximately 2.5%, 4.8% and 6.9% of our revenue for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively, while sales to the Brazilian entity represented approximately 9.9%, 8.8% and 13.3% of the revenue of the Brascabos Group, respectively, for the same periods. The purchases from the European unit of the global brand name manufacturer represented approximately 22.7%, 20.4% and 22.3% of our total purchase for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 respectively, while the purchases from the Brazilian unit represented approximately 0.7%, 0.7% and 0.4% of the total purchases of the Brascabos Group, respectively, for the same periods.

Reasons for Exclusion

As disclosed above, our Group and the Brascabos Group operate in different and separate markets. While we conduct business principally in the Asia Pacific Region, the Brascabos Group conducts business only in South America. Our Directors believe that the markets in South America have different growth paths and different expansion and development strategies from our Group's markets in the Asia Pacific Region, which play a vital role in our future growth and it is our intention and strategy to focus on conducting business in these relatively more mature markets. Our Directors therefore believe that it is in the interest of our Company and our Shareholders as a whole and it would be commercially justifiable to exclude the Brascabos Group from our Group for the purpose of the Listing because (i) from the operational perspective, the expertise and resources required for the manufacture of the respective products of the Brascabos Group and our Group are not entirely the same, (ii) from the management perspective, it would place strain on our Directors if they have to manage both the operations of the Brascabos Group and our Group simultaneously, given that there are differences in time zones, languages and cultural requirements for both operations, and (iii) from the business strategy perspective, the exclusion allows our Group to focus our resources on developing and strengthening our presence in the relatively more mature markets in the Asia Pacific Region, and the net proceeds from the Placing are intended to apply principally to fund our development in the markets in the Asia Pacific Region. While our Controlling Shareholders granted us the right of first refusal to acquire interests in the Brascabos Group in the case of disposal under the Deed of Non-competition, we have no present intention to inject the Brascabos Group into our Group in the near future.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed above, each of our Directors, Controlling Shareholders, Substantial Shareholders and their respective close associates does not have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETE UNDERTAKINGS

Undertakings given by our Controlling Shareholders

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has provided certain undertakings in favour of our Company (for ourselves and as trustee for each of our subsidiaries) that during the Relevant Period (as defined below), each Controlling Shareholder shall (and he/it shall procure his/its close associates, except any member of our Group, will):

(a) not, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement or as a principal or an agent, and whether on their own account or on behalf of any person, firm or company or through any entities), invest in, be engaged in, participate in or hold any right or interest in any business or activity which will or may compete with the business currently engaged by our Group (the "**Restricted Business**"), including but not limited to the marketing, sales, distribution and/or supply of any wire/cable harnesses, power supply cords assembled products, connectors and terminals outside South America;

(b) in respect of any new business opportunity identified, being proposed or offered to participate by him/it and/or his/its close associates for the carrying on, investment in or engagement in any principal business (the "**New Business Opportunity**") currently and from time to time engaged by our Group outside South America, including but not limited to the marketing, sales, distribution and/or supply of any product currently and from time to time distributed by our Group or any of them outside South America, refer, or shall procure his/its close associates to refer (where such New Business Opportunity has been proposed or offered to him/it and/or his/its close associates by a third party), such New Business Opportunity to our Group by giving a written notice (which shall contain all information of, and the relevant terms and conditions for, the New Business Opportunity obtained thereby) (the "**Referral Notice**") within 14 days after he/it and/or his/its close associates has identified, has been proposed or offered to participate in the New Business Opportunity, and our Directors who are not our Controlling Shareholders (or his/its associates) and have no actual or potential material interest in the New Business Opportunity, directly or indirectly, will decide whether or not to take up such opportunity. Any Director who is our Controlling Shareholder (or his/its associate) or has actual or potential material interest in the New Business Opportunity shall abstain from voting at, and shall not be counted in the quorum for, any Board meeting convened to consider such New Business Opportunity. The factors that will be taken into consideration in making the decision shall include whether taking up the New Business Opportunity is in line with the overall interests of our Shareholders. If it is decided that our Company shall take up such New Business Opportunity, our Directors shall take all actions as may be necessary, including passing the requisite resolutions, to give full effect to such decision;

(c) if a New Business Opportunity is refused by our Group, a Controlling Shareholder or his/its close associates may take up such opportunity if (i) a notice is received by the Controlling Shareholders from our Company confirming that the New Business Opportunity is not accepted or the Controlling Shareholders or their respective close associates have not received from our Company a notice confirming that the New Business Opportunity is accepted within 30 days after the Referral Notice is given to our Company; (ii) the principal terms of which the Controlling Shareholders or their respective close associates carry on, invest or engage in are no more favourable than those made available to our Company; and (iii) it would not result in a breach of any provisions of the Deed of Non-competition;

(d) in respect of any proposed sale of any interests in the Brascabos Group (the "**Proposed Sale**"), offer the Group the right of first refusal to acquire such interests by giving a written notice (which shall contain all information of, and the relevant terms and conditions for the Proposed Sale) (the "**Sale Notice**"), and our Directors who are not our Controlling Shareholders (or his/its associates) and have no actual or potential material interests in the Proposed Sale, directly or indirectly, will decide whether or not to acquire such interests. Any Director who is our Controlling Shareholder (or his/its associate) or has actual or potential material interest in the Proposed Sale shall abstain from voting at, and shall not be counted in the quorum for, any Board meeting convened to consider such Proposed Sale. The factors that will be taken into consideration in making the decision shall include whether to acquire such interests under the Proposed Sale is in line with the overall interests of our Shareholders. If it is decided that our Company shall acquire such interests under the Proposed Sale, our Directors shall take all actions as may be necessary, including passing the requisite resolutions, to give full effect to such decision;

(e) if the Proposed Sale is refused by our Group, a Controlling Shareholder may sell such interests under the Proposed Sale to a third party on the same terms and conditions as disclosed under the Sale Notice if (i) a notice is received by the Controlling Shareholder from our Company confirming that the Proposed Sale is not accepted; or (ii) the Controlling Shareholders have not received from our Company a notice confirming that the Proposed Sale is accepted within 30 days after the Sale Notice is given to our Company;

(f) allow our Group's access to his/its records which are necessary for monitoring the performance of the Deed of Non-competition; and

(g) provide to our Company and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for an annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition. Such review results will be disclosed in our Company's annual reports after Listing. Each of our Controlling Shareholders has also undertaken to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the relevant records of the relevant Controlling Shareholder and his/its close associates to ensure their compliance with the terms and conditions of the Deed of Non-competition. Each of our Controlling Shareholders has also undertaken to issue an annual confirmation to us on compliance with the terms of the Deed of Non-competition, and consenting to the disclosure of such confirmation in the annual reports of our Company, thereby enabling our Company to keep monitoring the compliance with the Deed of Non-competition by our Controlling Shareholders.

For the purpose of the Deed of Non-competition, "**Relevant Period**" with respect to each Controlling Shareholder means the period commencing from the Listing Date and expiring on the earlier of the date on which (a) that Controlling Shareholder and his/its close associates (individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be considered as a controlling shareholder (within the meaning ascribed to it under the GEM Listing Rules from time to time) of our Company and do not have power to control the majority of the Board; and (b) the Shares cease to be listed on the Stock Exchange.

Our Directors (including our independent non-executive Directors) are allowed to engage professional advisors at our costs for advices on matters relating to the New Business Opportunity or if and when they think necessary in the course of reviewing the compliance with the Deed of Non-competition. In addition, one of our independent non-executive Directors, namely Mr. Lum Chor Wah Richard was appointed as director of two manufacturing companies. For details, please see "Directors and Senior Management" of this prospectus. Given the above, our Directors consider, and the Sponsor concurs that they are able to operate the Deed of Non-competition (including determining whether to take up the New Business Opportunity) because they would be assisted by professional advisors at our cost if needed.

The Deed of Non-competition restricts the Controlling Shareholders only and our Group is not subject to any geographical restrictions or other limitations imposed thereunder. While there is no present intention to do so, our Group is not restricted by the Deed of Non-competition to expand our business in South America.

CORPORATE GOVERNANCE MEASURES

To further protect the interests of the minority Shareholders of our Company, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

(a) our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) unless invited by a majority of our independent non-executive Directors, our Controlling Shareholder being a Director shall exclude himself from any meeting convened to consider any issues arising under the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with the Deed of Non-competition in our Company's annual reports; and

(d) we have appointed RHB Capital Hong Kong Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after Listing:

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after Listing, our Company has full rights to make all decisions on, and to carry out, our own business operations independently. Our Group has sufficient capital, facilities and employees to operate the business independently from our Controlling Shareholders. Our Group also has independent access to suppliers and customers of our products.

During the Track Record Period, in order to facilitate the Brascabos Group to purchase machinery and equipment for its production, BAP Trading entered into an one-off transaction with the Brascabos Group in the amount of approximately HK$8,576,000, HK$865,000 and nil for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, respectively. For details, please refer to the paragraph headed "Related Party Transactions" in the section headed "Financial Information" in this prospectus. Save as disclosed, BAP Trading has not entered into any other trading arrangement with the Brascabos Group during the Track Record Period and up to the Latest Practicable Date and does not intend to enter into any other trading arrangement with the Brascabos Group in the near future.

Further, after Listing, our Group will have a continuing connected transaction with REF Holdings Limited ("**REF Holdings**"), a company listed on the GEM of the Stock Exchange (Stock Code: 8177), particulars of which are set out in the section headed "Connected Transaction" in this prospectus. As at the Latest Practicable Date, REF Holdings was indirectly held by Mr. Lau as to 75%. Our Directors consider that the transaction is not related to our principal business activities and it is only relevant to our publication obligations under the GEM Listing Rules, the SFO or other applicable laws and regulations in being a company listed on the GEM of the Stock Exchange after our Listing. It does not have a material impact on the continuation of our business operations. Save as otherwise disclosed in the section headed "Connected Transaction" in this prospectus, there are no continuing connected transactions between our Controlling Shareholders or their respective close associates and our Group immediately after Listing.

Based on the above, our Directors believe that our Group will not unduly rely on the Controlling Shareholders or their respective close associates and can operate independently of our Controlling Shareholders or their respective close associates after Listing.

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Apart from Mr. Lau, our executive Director, Chairman and Controlling Shareholder, all of our Directors and senior management are independent from our Controlling Shareholders. Our management and operational decisions are made by our executive Directors and senior management, a majority of whom have served our Group for a substantial period of time and have substantial experience in the industry in which we are engaged. Please refer to the section headed "Directors and Senior Management" for further details of the Directors and senior management of our Group.

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective.

As at 31 October 2015, our general banking facility was guaranteed by Mr. Lau as to the maximum amount of RM5.2 million, which will be discharged prior to Listing. Furthermore, the rental and other fees payable under the current tenancy agreement in relation to our office in Hong Kong was guaranteed by Mr. Lau, which has been discharged. Save as disclosed above, there was no other borrowing, guarantee or pledge provided by our Controlling Shareholders or their respective close associates in favour of our Group during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

EXEMPT CONTINUING CONNECTED TRANSACTION

Following the Listing Date, the following transaction will be regarded as a continuing connected transaction exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules.

Financial printing services

Upon Listing, our Company will be required to comply with the on-going publication obligations required under certain laws and rules in Hong Kong, including but not limited to, the SFO, the GEM Listing Rules and the Takeovers Code and our Company has to engage a financial printing services provider in order to fulfil its publication obligations.

As at the Latest Practicable Date, Mr. Lau, our executive Director, Chairman and Controlling Shareholder, was indirectly interested in 75.0% of the total issued share capital in REF Holdings. Accordingly, REF Holdings is an associate of Mr. Lau and thus a connected person of our Company under Rule 20.10(1)(c) of the GEM Listing Rules after Listing.

REF Holdings is principally engaged in the provision of financial printing services for the financial sector in Hong Kong and it offers to its customers financial printing services ranging from typesetting, proofreading, translation, design, printing, web submitting, newspaper placement to distribution (the "**Financial Printing Services**"). In order to fulfil its obligations after Listing, our Company entered into a financial printing services agreement (the "**REF Agreement**") with REF Holdings on 6 January 2016, pursuant to which REF Holdings will provide the Financial Printing Services to our Company for a term of not more than three years commencing from the Listing Date and up to the year ending 30 June 2018.

Proposed annual caps and basis of determination

Our Company expects the annual caps for the Financial Printing Services for each of the three years ending 30 June 2018 as below:

	Proposed annual cap for the year ending 30 June		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
The Financial Printing Services	200	1,000	1,500

The proposed annual caps with respect to the Financial Printing Services are arrived at after arm's length negotiation between our Company and REF Holdings, with reference to the prevailing market price for the Financial Printing Services chargeable by other providers comparable with REF Holdings. In determining the proposed annual caps, our Company also took into account: (i) the proposed Listing is expected to occur in May 2016, (ii) our Company would also be required to issue preliminary quarterly, interim and annual results announcements, two quarterly reports, an interim report and an annual report, as well as other announcements and circulars which our Company may be required to publish under the GEM Listing Rules for each of the years ending 30 June 2017 and 30 June 2018, and (iii) the possibility of issuing other mandatory or voluntary reports and circulars (e.g. Environmental, Social and Governance Report) by our Company during the year ending 30 June 2018 pursuant to the relevant GEM Listing Rules; and (iv) the expected increase in price level for each of the years ending 30 June 2017 and 30 June 2018.

Given each of the applicable percentage ratios (other than the profits ratio), as defined under the GEM Listing Rules, in respect of the Financial Printing Services is expected to be less than 5% on an annual basis and the total annual consideration is less than HK$3,000,000, the transaction contemplated under the REF Agreement is exempt from the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transaction under the REF Agreement (i) was entered into in our ordinary and usual course of business and is on normal commercial terms; and (ii) the proposed annual caps for the transaction under the Agreement are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

DIRECTORS

Our Board currently consists of seven Directors including four executive Directors and three independent non-executive Directors. The following table sets out the information relating to our Directors:

Name	Age	Position/Title	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Directors					
Mr. Lau Man Tak (劉文德)	46	Chairman and executive Director	30 April 2010	22 October 2015	Corporate development and strategic planning
Mr. Vincent Ho Pang Cheng (何鵬程)	59	Executive Director and chief executive officer	6 December 1998	12 January 2016	Overall management, corporate development and strategic planning
Mr. Kan Wai Kee (簡偉奇)	50	Executive Director	8 November 2010	22 October 2015	Overall management, corporate development and strategic planning
Ms. Koay Lee Chern	46	Executive Director	19 November 2010	12 January 2016	Overall administration, human resources affairs and financial control
Mr. Lum Chor Wah Richard (林楚華)	56	Independent non-executive Director	20 April 2016	20 April 2016	Supervising and providing independent advice to our Board
Mr. Ma Yiu Ho Peter (馬遙豪)	51	Independent non-executive Director	20 April 2016	20 April 2016	Supervising and providing independent advice to our Board
Mr. Lee Hon Man Eric (李翰文)	49	Independent non-executive Director	20 April 2016	20 April 2016	Supervising and providing independent advice to our Board

SENIOR MANAGEMENT

Our senior management comprises the following persons:

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Mr. Lee Ewe Chee	50	Manager	27 July 2015	Responsible for operations and general management of TEM Malaysia
Mr. Lee Wai Yin (李偉賢)	51	Manager	14 July 2014	Responsible for sales and marketing activities and general management of TEM Jiangmen
Mr. Chui Chi Ho (徐志豪)	38	Business Manager	8 November 2010	Responsible for daily business management and operations of our Group

EXECUTIVE DIRECTORS

Mr. LAU Man Tak (劉文德), aged 46, is the Chairman and an executive Director of our Company. Mr. Lau is also a director of TEM Group, SEAP Trading, TEM Malaysia, Glory Sun, BAP Trading and TEM Jiangmen. His role and responsibility in our Group is corporate development and strategic planning. Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in November 1991.

Mr. Lau has more than 15 years of experience in finance and accounting. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1997, a fellow member of the Association of Chartered Certified Accountants since July 2002, a fellow member of the Hong Kong Institute of Directors since August 2012 and a member and a fellow member of the Hong Kong Securities Institute (later renamed as the Hong Kong Securities and Investment Institute) since April 2000 and December 2015, respectively. Mr. Lau accumulated his experience in finance and accountancy when he was acting as an executive director of Premium Land Limited (later renamed as REX Global Entertainment Holdings Limited) (stock code: 164), a listed company engaging in leisure, tourism and entertainment related businesses, from October 2001 to August 2005, during which he was responsible for the accounting and financial matters and also when he was acting as an executive director of Solartech International from January 2002 until March 2007, during which he was responsible for the overall management of the financial matters of such company. His skills in accountancy was further accumulated when he was acting as an executive director and qualified accountant of Warderly International Holdings Limited (later renamed as Fullshare Holdings Limited) (stock code: 607), a listed company engaging in real estate business, from December 2007 to January 2010. For more details of Mr. Lau's previous and current directorships in listed companies, please refer to the tables set out below.

Mr. Lau previously held the following positions in those companies set out below, which are listed on the Stock Exchange:

Period	**Name of the listed company**	**Stock code**	**Position**
March 2008 to September 2015	Climax International Company Limited (later renamed as KuangChi Science Limited)	439	Independent non-executive director
October 2010 to June 2015	Jackin International Holdings Limited (later renamed as AMCO United Holding Limited)	630	Independent non-executive director
June 2012 to September 2014	Aurum Pacific (China) Group Limited	8148	Chairman; executive director; authorised representative and compliance officer
September 2008 to April 2014	Kong Sun Holdings Limited	295	Independent non-executive director
April 2010 to September 2012	China Grand Forestry Green Resources Group Limited (later renamed as China Sandi Holdings Limited)	910	Executive director and chief financial officer
December 2007 to January 2010	Warderly International Holdings Limited (later renamed as Fullshare Holdings Limited)	607	Executive director
September 2004 to March 2007	FT Holdings International Limited (later renamed as DeTai New Energy Group Limited)	559	Executive director
January 2002 to March 2007	Solartech International	1166	Executive director

Period	Name of the listed company	Stock code	Position
September 2003 to May 2006	Starbow Holdings Limited (later renamed as Jun Yang Financial Holdings Limited)	397	Independent non-executive director
October 2001 to August 2005	Premium Land Limited (later renamed as REX Global Entertainment Holdings Limited)	164	Executive director
February 2004 to July 2005	New Times Group Holdings Limited (later renamed as New Times Energy Corporation Limited)	166	Independent non-executive director
September 1997 to October 2001	Iwai's International Holdings Limited (later renamed as China Gas Holdings Limited)	384	Executive director

Mr. Lau currently holds the following positions in those companies set out below, which are listed on the Stock Exchange:

Appointment date	Name of the listed company	Stock code	Position
March 2014	REF Holdings	8177	Non-executive director and chairman of the company
June 2012	Sincere Watch (Hong Kong) Limited	444	Independent non-executive director
October 2005	Golden Resorts Group Limited (later renamed as Kingston Financial Group Limited)	1031	Independent non-executive director

Mr. Lau was a director of the following companies, which were all incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Nice & Bright Limited	Property investment	Not applicable/ 8 August 2014	Voluntary deregistration dissolved pursuant to the Companies (Winding Up and Miscellaneous) Ordinance (“**Deregistration**”)	Cessation of business
Richmen Investment Limited	Investment	Not applicable/ 10 January 2014	Deregistration	Cessation of business
Kingford Investment Company, Limited	Investment	17 July 2002/ 30 August 2007	Compulsory winding up	Cessation of business *(Note 1)*
New Delicate Printing Limited	Investment	Not applicable/ 23 March 2007	Striking off dissolved pursuant to the Companies (Winding Up and Miscellaneous) Ordinance (“**Striking Off**”)	Cessation of business
On Line Education Limited	Investment	29 May 2002/ 29 November 2006	Compulsory winding up	Cessation of business *(Note 2)*
Billion Gateways Limited	Investment	Not applicable/ 1 September 2006	Deregistration	Cessation of business
Blandor International Limited	Investment	31 August 1998/ 15 February 2006	Creditors’ voluntary winding up	Cessation of business *(Note 3)*
M. Paris Hong Kong Limited	Fashion retail	11 June 1998/ 10 January 2006	Creditors’ voluntary winding up	Cessation of business *(Note 3)*
Renouveau (H.K.) Limited	Fashion retail	19 February 1998/ 10 January 2006	Creditors’ voluntary winding up	Cessation of business *(Note 3)*

Name of company	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Duke Metal Limited	Commodities trading	Not applicable/ 2 December 2005	Deregistration	Cessation of business
Champion Era Limited	Investment	Not applicable/ 21 March 2003	Striking Off	Cessation of business
Tradekey Investments Limited	Investment	Not applicable/ 21 March 2003	Striking Off	Cessation of business
Topwayson Company Limited	Investment	Not applicable/ 10 January 2003	Striking Off	Cessation of business
Glad Bright Limited	Investment	Not applicable/ 6 December 2002	Striking Off	Cessation of business
Talow Investment Limited	Investment	Not applicable/ 22 November 2002	Striking Off	Cessation of business
Uniwin Company Limited	Investment	Not applicable/ 11 October 2002	Striking Off	Cessation of business
Sinoboon Limited	Investment	Not applicable/ 11 October 2002	Striking Off	Cessation of business
Grandyet Limited	Investment	Not applicable/ 9 August 2002	Striking Off	Cessation of business
Huey Tai Management Services Limited	Investment	Not applicable/ 12 July 2002	Striking Off	Cessation of business
Huey Tai Properties Management Limited	Investment	Not applicable/ 12 July 2002	Striking Off	Cessation of business
Huey Tai Property Development Limited	Investment	Not applicable/ 12 July 2002	Striking Off	Cessation of business

Notes:

(1) Mr. Lau was the financial controller of Keng Fong Sin Kee Construction and Investment Company Limited ("**Keng Fong**") (presently known as ZH International Holdings Limited) (stock code: 185) and its group companies ("**Keng Fong Group**"), the holding company of Kingford Investment Company Limited ("**Kingford**"). Because of the Asian financial crisis in around 1998, the business of Keng Fong Group was heavily affected and Kingford did not pay its rent. Therefore, Kingford's then landlord sued against Kingford for the recovery of the sum of approximately HK$0.4 million being arrears of rent for the period from 1 November 2000 to 30 April 2011.

(2) Mr. Lau was the financial controller of Keng Fong Group. Keng Fong invested in On Line Education Limited ("**On Line Education**") and nominated Mr. Lau as a director of On Line Education. However, Mr. Lau had never been involved in the management of On Line Education. Later, On Line Education's business deteriorated and On Line Education did not pay its employees their wages. The employees brought an action against On Line Education in the Labour Tribunal for outstanding wages in arrears in the aggregate sum of approximately HK$1.3 million.

(3) Keng Fong was the ultimate holding company of the subject companies and Mr. Lau was the financial controller of Keng Fong Group. Because of the Asian financial crisis in around 1998, the business of Keng Fong Group was heavily affected and Keng Feng Group did not repay its loans. Therefore, the board of directors of Keng Fong decided to wind up the subject companies by means of creditors' voluntary winding up.

Mr. Lau confirmed that there is no wrongful act on his part leading to the above dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services and that no misconducts or misfeasance had been involved in the dissolutions of these companies.

Save as disclosed above, Mr. Lau has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. Vincent HO Pang Cheng (何鵬程), aged 59, is an executive Director and the chief executive officer of our Company and the general manager of our Group. Mr. Ho is also a director of TEM Group, SEAP Trading, TEM Malaysia and TEM Jiangmen. Mr. Ho joined our Group in December 1998 and is responsible for our Group's overall management, corporate development and strategic planning. Mr. Ho obtained a master's degree in business administration from the University of Strathclyde in the United Kingdom in July 1992 through distance learning.

Mr. Ho has more than 20 years of experience in the manufacturing industry. From March 1993 to December 1998, Mr. Ho worked at Stocko Singapore Pte Ltd in Singapore, a manufacturing company set up by Stocko Metallwarenfabriken Henkels und Sohn GmbH & Co (later renamed as STOCKO CONTACT GmbH & Co KG), and his last position was the group general manager responsible for overseeing the overall operations of the group.

Mr. Ho has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. KAN Wai Kee (簡偉奇), aged 50, is an executive Director of our Company and a director of BAP Trading and TEM Jiangmen. Mr. Kan joined our Group in November 2010 and is responsible for our Group's overall management, corporate development and strategic planning. Mr. Kan graduated from the City University of Hong Kong with a bachelor's degree in accounting in November 1991.

Mr. Kan has more than 19 years of experience in the manufacturing industry and in auditing and accounting. From July 1991 to March 1993, Mr. Kan worked as an auditor at Deloitte Touche Tohmatsu in Hong Kong and was responsible for audit planning and preparation of final audited accounts. From July 1993 to September 1996, Mr. Kan worked at Wah Hing Group Company Limited in Hong Kong, a company engaging in property, infrastructure investment, hotel and office furniture and vehicle trading in the PRC and Mr. Kan's last position was a finance and administration manager. From November 1996 to October 2001, Mr. Kan worked at Pacific Millennium Company Limited in Hong Kong, a company engaging in manufacturing and trading of industrial paper and his last position was accounting manager. Mr. Kan's job responsibilities at both Wah Hing Group Company Limited and Pacific Millennium Company Limited were similar, during which he was responsible for overseeing the daily accounting operations of the subsidiaries of both companies. From October 2001 to October 2010, Mr. Kan worked at a subsidiary of a company listed on the Main Board principally engaging in manufacture of wires and cables, as the head of financial operations responsible for internal management accounting for the subsidiaries of the company.

Mr. Kan has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Ms. KOAY Lee Chern, aged 46, is the financial controller and an executive Director of our Company and a director of TEM Malaysia. Ms. Koay joined our Group in November 2010 and is responsible for overseeing the overall administration, human resources affairs and financial control of our Group. Ms. Koay graduated from the Association of Chartered Certified Accountants in February 1997 through distance learning.

Ms. Koay has been in the manufacturing industry for over 9 years and has over 13 years of experience in auditing and accounting. Ms. Koay has been a member and a fellow member of the Association of Chartered Certified Accountants since September 1997 and September 2002, respectively. From February 1993 to June 1994, Ms. Koay worked at BDO Binder, an audit firm in Malaysia, as an audit assistant responsible for audit assessment and maintenance of accounting records. From January 1995 to October 1999, Ms. Koay worked at PricewaterhouseCoopers in Malaysia, as an assistant manager responsible for providing auditing services and advising on internal control system. From January 2000 to June 2004, Ms. Koay worked at Uptown Alliance (M) Sdn Bhd in Malaysia, a wholly-owned subsidiary of Tiffany & Co., a company listed on the New York Stock Exchange (NYSE: TIF) engaging in high-end retailing, as a finance manager responsible for overseeing the daily accounting operations and human resources affairs. From January 2006 to October 2006, Ms. Koay worked at SH Yeoh & Co., an audit firm in Malaysia, as an audit manager responsible for supervising an audit team. From December 2006 to December 2008, Ms. Koay worked at a subsidiary of Pensonic Holdings Berhad in Malaysia, a company listed on the Bursa Malaysia (stock code: 9997) engaging in manufacturing, assembly and distribution of electrical and electronics appliances, as a group financial controller responsible for overseeing the accounts department and financial control.

Ms. Koay has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUM Chor Wah Richard (林楚華), aged 56, is an independent non-executive Director. Mr. Lum was appointed as an independent non-executive Director on 20 April 2016. Mr. Lum is also a director and a responsible officer of United Gain Investment Limited, a licensed corporation carrying on type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong and an independent non-executive director of REF Holdings. Mr. Lum graduated from the University of Hong Kong with a bachelor's degree of science in November 1981, and obtained a master's degree in business administration from the Chinese University of Hong Kong in December 1983. In June 2008, Mr. Lum obtained a master's degree in law majoring in economic law from the Renmin University of China.

Mr. Lum has over 20 years of experience in the finance industry. Mr. Lum has been a member and registered financial planner of Society of Registered Financial Planners, Hong Kong since September 2002, a fellow member of the Hong Kong Institute of Directors since December 2002, an associate and then a fellow member of the Institute of Financial Accountants since November 2003 and April 2011 respectively, a certified risk planner of the Institute of Crisis and Risk Management, Hong Kong since March 2004, a qualified financial planner of the Occupational Skill Testing Authority of the PRC since December 2006 and a member of the Hong Kong Securities and Investments Institute since May 2014. From 31 July 2014 to 15 May 2015, Mr. Lum was an independent non-executive director of China Solar Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 155) ("**China Solar**") engaging in manufacturing and provision of solar energy. Mr. Lum is currently a director of CCIB Opportunity Income Growth Fund and CCIB SPC, both of which are Cayman Islands registered funds.

Mr. Lum was a director of the following companies, which are all incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Digital Nunet Exchange Limited	Investment	22 September 2004/ 30 April 2012	Compulsory winding up	Cessation of business *(Note 1)*
International Communications Corporation Limited	Telecom	Not applicable/ 20 April 2012	Striking off	Cessation of business
Finsen Trading Limited	Trading	Not applicable/ 3 December 2010	Striking off	Cessation of business
Rhino Toys Manufacturing Limited	Toys manufacturing	5 July 1999/ 12 April 2010	Compulsory winding up	Cessation of business *(Note 2)*

Name of company	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Innovative Development Company Limited	Investment	Not applicable/ 26 February 2010	Striking off	Cessation of business
Victorison Logistics Limited	Investment	Not applicable/ 22 January 2010	Striking off	Cessation of business
Innovative International (H.K.) Limited	Manufacturing and trading	5 August 2002/ 8 August 2008	Compulsory winding up	Cessation of business *(Note 2)*
CWAP (HK) Limited	Investment	26 October 2005/ 26 May 2008	Compulsory winding up	Cessation of business *(Note 1)*
Digitel Technologies Limited	Telecom	Not applicable/ 14 September 2007	Striking off	Cessation of business
Wall Street Financial Consultant Co. Limited	Consultancy	Not applicable/ 13 July 2007	Striking off	Cessation of business
Cheer Alliance Limited	Trading	Not applicable/ 1 April 2005	Deregistration	Cessation of business
Fairate Limited	Property Investment	24 November 1999/ 6 June 2003	Compulsory winding up	Cessation of business *(Note 2)*

Notes:

(1) Mr. Lum was a director of Digital World Holdings Limited ("**Digital World**") (later renamed as Good Resources Holdings Limited) (stock code: 109), the holding company of the subject companies. In 2003, there was a change in the controlling shareholder of Digital World which subsequently ceased the business of the subject companies. The employees of the subject companies became redundant and the subject companies failed to pay their employees. Therefore, the employees of the subject companies brought an action against the subject companies for all the outstanding amounts in arrears, which consisted of salary and compensation.

(2) Mr. Lum was an executive director of Innovative International (Holdings) Limited ("**Innovative Holdings**") (later renamed as FDG Electric Vehicles Limited) (stock code: 729), the holding company of the subject companies. Mr. Lum subsequently was re-designated as a non-executive director of Innovative Holdings and was not involved in the daily management of Innovative Holdings and/or the subject companies. Because of the Asia financial crisis in around 1998, Innovative Holdings was in financial difficulty and was unable to fund the subject companies for repayment of loans or debts. Therefore, (i) a contractor of a property project developed by Fairate Limited brought an action against Fairate Limited for the outstanding amounts in arrears in the approximate amount of HK$6.5 million; (ii) Innovative International (H.K.) Limited eventually defaulted on its banking facilities callable on demand and the bank applied to wind up Innovative International (H.K.) Limited; and (iii) Rhino Toys Manufacturing Limited was unable to repay a bank loan in the sum of approximately HK$2.4 million and the bank petitioned to wind up Rhino Toys Manufacturing Limited in April 1999.

Mr. Lum confirmed that there is no wrongful act on his part leading to the above dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

As disclosed in the announcement of China Solar dated 31 March 2015, China Solar received a winding-up petition presented by Crown Master International Trading Company Limited ("**Crown Master**") on 26 March 2015. Crown Master claims that China Solar has failed to repay Crown Master a sum of HK$36,667,800, being the principal amount of convertible notes payable by China Solar under an agreement in respect of the acquisition of the entire issued share capital in Stream Fund High-Tech Group Corporation Limited. Mr. Lum was an independent non-executive director of China Solar on the date the winding-up petition was received by China Solar and has no personal involvement in the winding-up case or the relevant claim against China Solar.

Save as disclosed above, Mr. Lum has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. MA Yiu Ho Peter (馬遙豪), aged 51, is an independent non-executive Director. Mr. Ma was appointed as an independent non-executive Director on 20 April 2016. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaging in property development and hospitality. Mr. Ma is currently and has been an independent non-executive director and chairman of audit committee of Convoy Financial Services Holdings Limited (later renamed as Convoy Financial Holdings Limited) (stock code: 1019) since March 2010, China Packaging Holdings Development Limited (stock code: 1439) since December 2013 and Huisheng International Holdings Limited (stock code: 1340) since February 2014, the securities of these three companies are listed on the Main Board of the Stock Exchange. From July 2014 to May 2015, Mr. Ma was an independent non-executive director of Rising Power Group Holdings Limited (later renamed as Sky Forever Supply Chain Management Group Limited), a company listed on the GEM of Stock Exchange (stock code: 8047). Mr. Ma obtained a master's degree in business administration from the Hong Kong University of Science and Technology in November 1995.

Mr. Ma has over 20 years of experience in the finance and accounting industry. Mr. Ma has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990, a fellow member of the Chartered Association of Certified Accountants since April 1994 and an associate member and a member of the Hong Kong Institute of Directors since July 2010 and December 2015, respectively. From June 2005 to September 2007, Mr. Ma was the chief financial officer of Superior Fastening Technology Limited, a Singapore listed company engaging in manufacturing and surface treatment business. From February 2008 to June 2008, Mr. Ma was the financial controller of VODone Limited (later renamed as V1 Group Limited), a media company listed on the Main Board of the Stock Exchange (stock code: 82). From June 2008 to August 2012, Mr. Ma was the financial controller and company secretary of Hong Kong Parkview Group Limited (later renamed as Joy City Property Limited), a company listed on the Main Board of the Stock Exchange (stock code: 207) engaging in real estate business.

Save as disclosed above, Mr. Ma has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. LEE Hon Man Eric (李翰文), aged 49, is an independent non-executive Director. Mr. Lee was appointed as an independent non-executive Director on 20 April 2016. Mr. Lee is currently a director of LY Capital Limited, a company engaging in advising on corporate finance. Mr. Lee graduated from the University of Birmingham, the United Kingdom with a bachelor's degree of engineering in electronic and electrical engineering in July 1988, and obtained a master's degree in business administration from the Chinese University of Hong Kong in December 1993.

Mr. Lee has over 20 years of experience in the corporate finance industry. From April 2002 to November 2014, Mr. Lee worked at First Shanghai Capital Limited, a company engaging in advising on corporate finance, and his last position was managing director. From July 1997 to March 2002, Mr. Lee worked at DBS Asia Capital Limited, a company engaging in advising on corporate finance, and his last position was vice president.

Save as disclosed above, Mr. Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Save as disclosed herein (and their respective interests or short positions (if any) as set out in the section headed "C. Disclosure of Interests" in Appendix IV to this prospectus), each of our Directors has not been involved in any of the events described under Rule 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

Mr. LEE Ewe Chee, aged 50, is a manager of our Group and the general manager of TEM Malaysia. Mr. Lee joined our Group in July 2015 and is responsible for the operations and general management of TEM Malaysia. Mr. Lee graduated from Tunku Abdul Rahman College in Malaysia with a diploma in technology in May 1990.

Mr. Lee has over 25 years of experience in mechanical engineering, and 23 years of experience in the manufacturing industry. From June 1992 to December 2013, Mr. Lee worked at MS Elevators Sdn Bhd in Malaysia, a joint venture company set up by Toshiba Elevator and Building Systems Corporation and associated with Toshiba Corporation, a company listed on the Tokyo Stock Exchange (stock code: 65020) engaging in design, manufacturing, assembly and sales of elevators, and Mr. Lee's last position was an operation general manager responsible for overseeing the daily operation of the company. From December 2013 to July 2015, Mr. Lee worked at EITA Elevator (Malaysia) Sdn Bhd in Malaysia, which was wholly-owned by EITA Resources Berhad, a company listed on the Bursa Malaysia (stock code: 5208) engaging in sales, design, assembly, installation and maintenance of elevator systems, as a chief operating officer responsible for overseeing the entire business operation and strategic planning.

Mr. Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. LEE Wai Yin (李偉賢), aged 51, is a manager of our Group and the general manager of TEM Jiangmen. Mr. Lee joined our Group in July 2014 and is responsible for the sales and marketing activities and general management of TEM Jiangmen. Mr. Lee graduated from Murdoch University in Australia in March 1998 with a master's degree in business administration through distance learning.

Mr. Lee has 29 years of experience in sales and marketing. From March 1986 to June 1997, Mr. Lee worked at Nitto Denko (HK) Co., Ltd. in Hong Kong, a Hong Kong sales office of Nitto Denko Corporation, a company listed on the Tokyo Stock Exchange (stock code: 69880) engaging in sales of electronic components from Japan to Hong Kong and the PRC and Mr. Lee's last position was a sales manager. From July 1997 to March 2000, Mr. Lee worked as a deputy general manager at Top-Po Food & Packaging Co., Ltd in Hong Kong, a company engaging in processing of seasoning products with sales and marketing focus in the PRC. From April 2000 to March 2009, Mr. Lee worked as a sales manager at Allied Will Enterprise Limited in Hong Kong, a company engaging in trading of electronic materials or components from overseas to Hong Kong and the PRC. Mr. Lee's job responsibilities at Nitto Denko (HK) Co., Ltd., Top-Po Food & Packaging Co., Ltd and Allied Will Enterprise Limited were similar, where he was responsible for overseeing the sales activities of such companies. From April 2009 to May 2012, Mr. Lee was the sole proprietor of Wing Lee Logistics in Hong Kong, a company engaging in provision of logistic services between Hong Kong and the PRC, during which he was responsible for exploring new business opportunities and providing transportation services to customers. From June 2012 to September 2013, Mr. Lee worked at Honesty Treasure Ltd, a company engaging in provision and resale of natural gas to factories in the PRC, as a marketing development manager responsible for overseeing marketing activities.

Mr. Lee has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Mr. CHUI Chi Ho (徐志豪), aged 38, is the business manager of our Group and a director of Optimum Electronics. Mr. Chui joined our Group in November 2010 and is responsible for the daily business management and operations of our Group. Mr. Chui graduated from Monash University in Australia in November 2003 with a bachelor's degree in commerce majoring in accounting and finance.

Mr. Chui has over 12 years of experience in auditing and accounting. Mr. Chui has been a member of CPA Australia since June 2011. From July 2003 to February 2005, Mr. Chui worked at Paul Wan & Partners CPA Limited, an accounting firm in Hong Kong, as a junior auditor responsible for audit assignment and the provision of accounting services. From March 2005 to January 2014, Mr. Chui worked at a subsidiary of a company listed on the Main Board principally engaging in manufacture of wires and cables and his last position was an accounting manager responsible for overseeing the daily accounting operations.

Mr. Chui has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. WONG Yiu Hung (黃耀雄), aged 59, was appointed as the company secretary of our Company in January 2016. Mr. Wong is ordinarily resident in Hong Kong. Mr. Wong graduated from the Chinese University of Hong Kong with a bachelor of social science in December 1984. He has been admitted as a member of the Chartered Institute of Management Accountants of the United Kingdom in January 1990 and a member of the Hong Kong Institute of Certified Public Accountants in April 1990. Mr. Wong has further been admitted as a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since November 2014.

Mr. Wong has over 10 years of working experience in accounting and company secretarial matters as an accountant, financial controller, qualified accountant and/or company secretary of various group companies, including but not limited to, Century City International Holdings Limited (stock code: 355), 3D-Gold Jewellery Holdings Limited (formerly known as Hang Fung Gold Technology Limited) and China Titans Energy Technology Group Co., Limited (stock code: 2188).

COMPLIANCE OFFICER

Mr. KAN Wai Kee (簡偉奇) is the compliance officer of our Company. Please refer to the paragraph headed "Executive Directors" above for his biography.

REMUNERATION POLICY

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, discretionary bonuses, contributions to pension schemes and share based compensation.

The aggregate amount of remuneration our Directors received (including fees, salaries, contributions to pension schemes and discretionary bonuses) for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 was approximately HK$1,851,000, HK$1,658,000 and HK$480,000, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes and discretionary bonuses paid to our five highest paid individuals of our Company, including Directors, during each of the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, was approximately HK$3,305,000, HK$2,947,000 and HK$926,000, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and share-based compensation, paid and payable to our Directors for the year ending 30 June 2016 is estimated to be approximately HK$1,910,000.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 by our Group to our Directors.

Following the Listing, our Board will review and determine the remuneration and compensation packages of our Directors and senior management according to the recommendation from the Remuneration Committee, which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Our Company has conditionally adopted the Share Option Scheme under which certain employees, consultants and advisers of our Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "E. Share Option Scheme" in Appendix IV of this prospectus.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

BOARD COMMITTEES

Audit Committee

Our Company has established the Audit Committee pursuant to a resolution of our Directors passed on 20 April 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. The primary duties of the Audit Committee are mainly to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the Audit Committee of our Company consists of three members who are Mr. Ma Yiu Ho Peter, Mr. Lum Chor Wah Richard and Mr. Lee Hon Man Eric. Mr. Ma Yiu Ho Peter is the chairman of the Audit Committee.

Remuneration Committee

Our Company has established the Remuneration Committee on 20 April 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure that none of our Directors determine their own remuneration. The Remuneration Committee consists of five members who are Mr. Lum Chor Wah Richard, Mr. Lau, Mr. Ho, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric. Mr. Lum Chor Wah Richard is the chairman of the Remuneration Committee.

Nomination Committee

Our Company has established the Nomination Committee on 20 April 2016 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of five members who are Mr. Lee Hon Man Eric, Mr. Lau, Mr. Ho, Mr. Lum Chor Wah Richard and Mr. Ma Yiu Ho Peter. Mr. Lee Hon Man Eric is the chairman of the Nomination Committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed RHB Capital to be the compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly to perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus and where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the second full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Name of Shareholder	**Capacity/Nature of Interest**	**Number of Underlying Shares**(*Note 1*)	**Approximate Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Placing** (*Note 2*)
Jumbo Planet	Beneficial owner	450,000,000	75%
Mr. Lau(*Note 3*)	Interest in a controlled corporation	450,000,000	75%
Ms. Lim Youngsook (*Note 4*)	Interest of a spouse	450,000,000	75%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 600,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

(3) Mr. Lau holds the entire issued share capital of Jumbo Planet and Mr. Lau is deemed to be interested in 450,000,000 Shares held by Jumbo Planet.

(4) Ms. Lim Youngsook is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim Youngsook is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Placing, have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed in the paragraph headed "Substantial Shareholders" under this section, no persons individually and/or collectively will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of our Company and are therefore regarded as significant shareholders under the GEM Listing Rules.

UNDERTAKINGS

Each of the Controlling Shareholders has jointly and severally given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Sole Lead Manager, and the Underwriters, details of which are set out in the section headed "Underwriting — Underwriting Arrangement and Expenses — Undertakings" in this prospectus. The Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

The share capital of our Company immediately following the completion of the Capitalisation Issue and the Placing is set out in the table below. The table is prepared on the basis of the Placing becoming unconditional and the issue of the Capitalisation Issue and the Placing Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise:

Authorised share capital:		*HK$*
20,000,000,000	Shares	200,000,000.00
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:		
93	Shares in issue as at the date of this prospectus	0.93
449,999,907	Shares to be issued pursuant to the Capitalisation Issue	4,499,999.07
150,000,000	Shares to be issued pursuant to the Placing	1,500,000.00
600,000,000	Shares	6,000,000.00

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 150,000,000 Placing Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Placing Shares will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date, save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed "E. Share Option Scheme" in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholder passed on 20 April 2016, subject to the share premium account of our Company being credited as a result of the allotment and issue of Placing Shares by our Company pursuant to the Placing, our Directors are authorised to allot and issue a total of

449,999,907 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 20 April 2016 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$4,499,999.07 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing (not including Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and

(b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by our Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the paragraph headed "A. Further Information about our Company — 4. Written Resolutions of our Shareholder" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Placing (not including Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares which may be listed on the Stock Exchange or any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "A. Further Information about our Company — 7. Repurchase of our Company's Securities" in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by our Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or

(c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholder at a general meeting.

For further details of this general mandate, please refer to the paragraph headed "A. Further Information about our Company — 7. Repurchase of our Company's Securities" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MANDATE AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Articles, our Company may from time to time by an ordinary resolution of our Shareholders (i) consolidate or divide all or any of its share capital into Shares of larger or smaller amount than its existing Shares; (ii) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled; (iii) sub-divide its Shares or any of them into Shares of smaller amount than that is fixed by our Memorandum. In addition, our Company may by a special resolution reduce its share capital in any manner authorised and subject to any conditions prescribed by the Companies Law, including confirmation by the court. For details, please refer to the paragraph headed "Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (e) Alteration of Capital" in Appendix III to this prospectus.

Pursuant to the terms of our Articles, if at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For details, please refer to the paragraph headed "Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (d) Variation of Rights of Existing Shares or Classes of Shares" in Appendix III to this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements as at and for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2014 and 31 October 2015, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group structure, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for discussions of those risks and uncertainties.

Our financial year begins from 1 July and ends on 30 June. All references to "FY2014" and "FY2015" mean the financial years ended 30 June 2014 and 30 June 2015, respectively.

OVERVIEW

We are a manufacturer and supplier of wire/cable harnesses and power supply cords assembled products with our manufacturing operations in Malaysia and the PRC and with over 20 years of experience in the wire/cable harnesses industry. We also sell terminals and connectors through our subsidiary in Singapore. Our wire/cable harnesses, power supply cords assembled products, and terminals and connectors are used in a wide range of applications, including:

- home appliances or white goods;
- consumer appliances such as coffee makers, electric kettles, irons and vacuum cleaners; and
- industrial products including power tools such as hammer drills and electric saws.

Our customers cover mainly global brand name home/consumer appliances manufacturers and OEMs in the Asia Pacific Region, including the PRC.

With over 20 years of history and experience in the manufacturing and sale of wire/cable harnesses and power supply cords assembled products as well as the sale of terminals and connectors, we have established a stable and high quality customer base and maintained strong and stable relationships with a majority of our raw materials suppliers. Our sales team possesses strong market development and relationship building capabilities, and our products are being used by global brand name home/consumer appliances manufacturers and OEMs. Our revenue generated from global brand name home/consumer appliances manufacturers and OEMs accounted for approximately 67.4% and 26.3% of our total revenue for FY2014, approximately 68.8% and 30.5% of our total revenue for FY2015, approximately 67.9% and 30.3% of our total revenue for the four months ended 31 October 2014, and approximately 71.2% and 28.8% of our total revenue for the four months ended 31 October 2015, respectively. We will continue to strengthen our stable and quality customer base. We usually source our key raw materials from the reputable suppliers whom we select in order to ensure consistent quality and timely delivery. In 1999, our Group entered into the Supplier A Agreement with Supplier A pursuant to which we trade Supplier A's products under its name and logo. For details, please refer to section headed "Business — Suppliers" in this prospectus.

Our management team has extensive industry knowledge, management skills and operation experience. Our management team, led by our executive Directors, has extensive experience in the manufacturing industry. Our Chairman and executive Director, Mr. Lau, has more than 10 years of experience in the manufacturing industry. In addition, each of our executive Director, chief executive officer and general manager of our Group, Mr. Ho, and our executive Director, Mr. Kan, has approximately more than 20 and 15 years of experience in the manufacturing industry, respectively. Mr. Ho has been with our Group since 1999. During the Track Record Period, under the leadership of our management team, we had achieved an increase in net profit. We believe that the capabilities of our management team will continue to enable us to capture market opportunities and ensure our continued growth. We believe we are able to maintain our market position in the near future. For the biographical details of our management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

For FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, our revenue was approximately HK$136.6 million, HK$131.3 million, HK$47.2 million and HK$46.4 million, respectively, of which our revenue generated from the manufacturing segment was approximately HK$117.6 million, HK$123.2 million, HK$44.1 million and HK$43.8 million, respectively, and our revenue generated from the trading segment was approximately HK$18.9 million, HK$8.1 million, HK$3.1 million and HK$2.6 million, respectively.

During the Track Record Period, our Group entered into an one-off transaction of trading of machinery and equipment with our related party, namely the Brascabos Group, for each of FY2014 and FY2015, where the relevant revenue amounted to approximately HK$8.6 million and HK$0.9 million, and the cost of sales amounted approximately HK$8.4 million and HK$0.8 million, respectively (the "**Brascabos Group Transaction**"). Our Group had discontinued the Brascabos Group Transaction after the Track Record Period. Save for the Brascabos Group Transaction, our Group did not have any other transaction with the Brascabos Group during the Track Record Period. For details, please refer to the paragraph headed "Related Party Transactions" of this section.

The table below illustrates our revenue breakdown by business segments during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	Revenue		Revenue		Revenue		Revenue	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Manufacturing								
— Wire/cable harnesses	103,411	75.7	107,924	82.2	37,378	79.2	39,457	85.1
— Power supply cords assembled products	14,221	10.4	15,240	11.6	6,675	14.2	4,316	9.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Terminals and connectors	10,355	7.6	7,259	5.5	2,235	4.8	2,579	5.6
— Other *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 8 January 2016. The companies now comprising our Group were under the common control of the Controlling Shareholders prior to the Reorganisation and have continued to be under the common control of the Controlling Shareholders since the Reorganisation. Our Group, which comprises our Company and its subsidiaries as a result of the Reorganisation, is regarded as a continuing entity. Accordingly, the financial information of our Group for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015 had been prepared on a combined basis as if the Reorganisation had been completed at the beginning of the Track Record Period and our Company had always been the holding company of the companies comprising our Group throughout the Track Record Period, using the principles of merger accounting. Please refer to the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus for further details.

PRINCIPAL FACTORS AFFECTING OUR BUSINESS, FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our business, financial conditions and results of operations, including those factors discussed below and in the section headed "Risk Factors" in this prospectus, some of which are beyond our control:

- Purchase of raw materials;
- Direct labour cost;
- General economic and market conditions of our products;
- Production capacity and utilisation rate;
- Pricing; and
- Fluctuations in foreign currency exchange rate.

Purchase of raw materials

The major component of our raw materials for our production includes terminals, connectors, and wires, which mainly comprise PVC and silicon wires. The purchase of terminals and connectors accounted for approximately 25.8%, 28.2%, 30.7% and 33.0% of our total cost of sales for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively. The purchase of wires accounted for approximately 15.3%, 18.9%, 17.3% and 20.5% of our total cost of sales for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively. The purchase price of our raw materials is principally set by reference to the prevailing market price and commodities market prices. Changes in copper commodity prices will affect our cost of copper related raw materials, such as wires and power supply cords. If the prices of the copper continue to increase to such an extent beyond customers' expectations or we are unable to pass on such increases to our customers, our gross margin and results of operation will be adversely impacted.

We did not enter into any hedging arrangements during the Track Record Period to mitigate any risk associated in relation to price fluctuations of our raw materials.

As we increase our production in accordance with our capacity expansion plans, we expect that our demand for raw materials will increase. Although we believe that we may benefit from economies of scale in our procurement efforts and can obtain favourable pricing terms from our suppliers, fluctuations in the prices of our raw materials will continue to have an impact on our results of operations.

Our purchase cost of raw materials and products accounted for approximately 72.1%, 81.8%, 80.2% and 88.8% of our total cost of sales for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*	*HK$'000* (unaudited)	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*
Purchase of raw materials and products								
— Terminals and connectors	26,045	25.8	26,856	28.2	10,911	30.7	10,348	33.0
— Wires *(Note)*	15,476	15.3	17,975	18.9	6,171	17.3	6,441	20.5
— Power supply cords	10,683	10.6	11,929	12.6	3,113	8.8	3,941	12.6
— Others	20,513	20.4	21,022	22.1	8,327	23.4	7,111	22.7
	72,717	72.1	77,782	81.8	28,522	80.2	27,841	88.8
Inventory movement	3,220	3.1	(8,271)	(8.7)	(1,894)	(5.3)	(5,841)	(18.6)
Sub-total cost of raw materials and products	75,937	75.2	69,511	73.1	26,628	74.9	22,000	70.2
Direct labour	15,291	15.2	18,015	18.9	6,066	17.0	6,400	20.4
Manufacturing overheads	9,696	9.6	7,559	8.0	2,876	8.1	2,961	9.4
Total cost of sales	**100,924**	**100.0**	**95,085**	**100.0**	**35,570**	**100.0**	**31,361**	**100.0**

Note: Wires refer to PVC and silicon wires.

We are exposed to fluctuation of the prices of raw materials. While we may not be able to completely or in a timely fashion to transfer the increase in cost of raw materials to our customers, significant fluctuations in our cost of raw materials could have a material effect on our margins and profits. Taken into account the above, the percentage change figures used in the sensitivity analysis below are commensurate with the historical changes in overall increase in purchase of raw materials for FY2014 and FY2015 which was approximately 7.0%.

For illustration purpose only, the sensitivity analysis below illustrates the impact of hypothetical fluctuations in purchase of raw materials and products on our profit before taxation for the years/periods during the Track Record Period. Fluctuations are assumed to be 6%, 8% and 10% for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

Hypothetical Fluctuations	**+/–6%**	**+/–8%**	**+/–10%**
	HK$'000	*HK$'000*	*HK$'000*
Increase/decrease in purchase of raw materials and products			
Year ended 30 June 2014	+/–4,363	+/–5,817	+/–7,272
Year ended 30 June 2015	+/–4,667	+/–6,223	+/–7,778
Four months ended 31 October 2014	+/–1,711	+/–2,282	+/–2,852
Four months ended 31 October 2015	+/–1,670	+/–2,227	+/–2,784
Decrease/increase in profit before taxation			
Year ended 30 June 2014	–/+4,363	–/+5,817	–/+7,272
Year ended 30 June 2015	–/+4,667	–/+6,223	–/+7,778
Four months ended 31 October 2014	–/+1,711	–/+2,282	–/+2,852
Four months ended 31 October 2015	–/+1,670	–/+2,227	–/+2,784

Direct labour cost

Direct labour cost of our Group was approximately HK$15.3 million, HK$18.0 million, HK$6.1 million and HK$6.4 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, representing approximately 15.2%, 18.9%, 17.0% and 20.4% of our total cost of sales, respectively.

Competition for skilled labour in Malaysia and the PRC has been more intense in recent years. According to the Euromonitor Report, the average labour cost in Malaysia and the PRC has been on an increasing trend due to higher cost of living and the implementation of the Minimum Wages Order 2012 in Malaysia and the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》in the PRC. We cannot assure that we will be able to recruit and retain sufficient workforce in a timely manner or that our labour cost will remain stable in the future. For details, please refer to the section headed "Risk Factors" in this prospectus.

According to the Euromonitor Report, the CAGR of average hourly wages in manufacturing industry has grown by approximately 17.0% and 5.3% for the PRC and Malaysia respectively from 2010 to 2014. During the Track Record Period, we have also raised wages for our Malaysia and PRC employees to support our production and sales growth. Taken into account the increases in salary levels in keeping pace with Malaysia and the PRC labour markets and the probable future economic conditions, the percentage change figures used in the sensitivity analysis below are commensurate with the historical changes in direct labor cost.

For illustration purpose only, the sensitivity analysis below illustrates the impact of hypothetical fluctuations in the direct labour cost on our profit before taxation during the Track Record Period. Fluctuations in the direct labour cost are assumed to be 5%, 10% and 17%, for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015.

Hypothetical Fluctuations	**+/–5%**	**+/–10%**	**+/–17%**
	HK$'000	*HK$'000*	*HK$'000*
Increase/decrease in direct labour cost			
Year ended 30 June 2014	+/–765	+/–1,529	+/–2,599
Year ended 30 June 2015	+/–901	+/–1,802	+/–3,063
Four months ended 31 October 2014	+/–303	+/–607	+/–1,031
Four months ended 31 October 2015	+/–320	+/–640	+/–1,088
Decrease/increase in profit before taxation			
Year ended 30 June 2014	–/+765	–/+1,529	–/+2,599
Year ended 30 June 2015	–/+901	–/+1,802	–/+3,063
Four months ended 31 October 2014	–/+303	–/+607	–/+1,031
Four months ended 31 October 2015	–/+320	–/+640	–/+1,088

General economic and market conditions of our products

We derive substantially all of our revenue from the sale of wire/cable harnesses and power supply cords assembled products in both domestic and international markets. Domestic and global economic growth has a significant impact on all aspects of our operations, including but not limited to the demand for and pricing of our products.

Production capacity and utilisation rate

Our results of operations have been and are expected to continue to be affected by our production capacity. Our production expansion plan has been and is expected to be a direct factor to our results of operations. We measure our production capacity in terms of the total units of termination points produced annually. We plan to expand our existing production facility with a view to increasing our production capacity and improving product quality with reduced cost as well as meeting the demand for our products. We expect our production capacity in terms of termination points produced per annum will increase by approximately 15.0% through purchasing new machinery and equipment for the year ending 30 June 2017, as compared to FY2015. For details of our production capacity, please refer to the section headed "Business — Production" in this prospectus.

Our production capacity in terms of termination points produced for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015 was approximately 132.4 million, 155.7 million, 51.9 million, and 51.9 million, respectively. The utilisation rates of our production facilities were approximately 79.8%, 85.2%, 85.9% and 84.7% for the respective periods. We plan to increase the production capacity in terms of the total number of termination points to be produced at each of our manufacturing facilities at the Malaysia Factory and the PRC Factory up to its respective maximum annual manufacturing capacity by (i) purchasing additional equipment for the Malaysia Factory and the PRC Factory, and (ii) improving the existing production line.

We expect to gain the benefit of economic of scale from the expansion of our production capacity, gain market share and increase in our revenue. However, we cannot assure our profit to increase solely as an increase in our production capacity as such increase depends on other factors.

The expansion will utilise our existing space of the Malaysia Factory and the PRC Factory. For additional information regarding the expansion plan, please refer to the section headed "Business — Business Strategies" in this prospectus.

Pricing

We price our products subject to adjustments on a regular basis for both the manufacturing and trading segments, taking into account direct costs, selling and distribution costs, product specifications, relationship with customers, the size of our customers' orders and relevant market conditions.

Fluctuations in foreign currency exchange rate

Our revenue is substantially dominated in USD, while the daily operation and settlement of operating expenses are dominated in RMB, Ringgit, EURO and USD. Given that the transaction amount dominated in EURO was insignificant during the Track Record Period, our principal subsidiaries are mainly exposed to foreign exchange rates fluctuations of RMB and Ringgit against USD.

During the Track Record Period, our Group had experienced a net exchange gain for having RMB and Ringgit depreciated against USD at subsidiaries level. Further, any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs and earnings, and adversely affect the carrying value of our non-Hong Kong dollar denominated assets and the amount of our equity, and accordingly, our business, financial condition, results of operations and prospects.

During the Track Record Period, our Group did not experience material exchange losses and did not use derivative financial instruments to hedge currency risk.

For illustration purpose only, the sensitivity analysis below illustrates the impact of hypothetical fluctuation in exchange rates and details our Group's sensitivity to a 5% increase/(decrease) in the functional currencies of the relevant group entities against the foreign currencies. The average rates of currency changes of foreign currencies against the functional currencies of relevant group entities from 2011 to 2015 fell within the range of approximately 3% to 4%. Taken into consideration the historical changes in currency rates and current fluctuation, the percentage change figure of 5% is used in the sensitivity analysis.

	As at 30 June				**As at 31 October**	
	2014		**2015**		**2015**	
	Increase/(decrease) on profit before taxation if exchanges rates change by		**Increase/(decrease) on profit before taxation if exchanges rates change by**		**Increase/(decrease) on profit before taxation if exchanges rates change by**	
	+5%	**–5%**	**+5%**	**–5%**	**+5%**	**–5%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
USD	(1,573)	1,573	(958)	958	(1,354)	1,354
EURO	84	(84)	(166)	166	(107)	107
THB	(200)	200	(18)	18	(11)	11

The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number above indicates an increase in profit before taxation where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit before taxation. For details, please refer to note 30 to the Accountant's Report in Appendix I to this prospectus.

Our Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. Our Directors will continue to monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise considering the hedging costs involved.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future.

We believe the following critical accounting policies involve the most significant judgments in the preparation of our combined financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress as described below, are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The cost of property, plant and equipment, other than construction in progress less their residual values are depreciated over their estimated useful life as follows:

Plant and machinery	10%–50% per annum
Furniture and equipment	10%–50% per annum
Office equipment	20%–50% per annum
Motor vehicles	20%–30% per annum
Leasehold improvements	Over the period of the relevant lease

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Management of our Group determines the estimated useful lives and related depreciation expenses for our Group's property, plant and equipment. Our Group will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or nonstrategic assets that have been abandoned or sold.

Inventories

Inventories are stated at the lower of cost and net realisable value. For our Group's trading inventories, costs of inventories are determined on first-in, first-out method. For our Group's manufacturing inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected to be in one year or less, such trade and other receivables are classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Impairment of receivables

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the financial information, the assets and liabilities of our Group's operations are translated into the presentation currency of our Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of our Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of our Company are reclassified to profit or loss. For disposal of operation with functional currency as US$, the associated exchange differences accumulated in equity will not be reclassified to profit or loss.

RESULTS OF OPERATIONS

The table below sets out a summary, for the periods indicated, of our combined results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period:

Combined statements of profit or loss and other comprehensive income

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue	136,563	131,288	47,153	46,352
Cost of sales	(100,924)	(95,085)	(35,570)	(31,361)
Gross profit	**35,639**	**36,203**	**11,583**	**14,991**
Other income	440	394	91	125
Selling and distribution costs	(3,059)	(2,943)	(860)	(1,100)
Administrative expenses	(14,231)	(16,463)	(5,206)	(5,251)
Other gains and losses	487	3,993	52	2,777
Listing expenses	—	—	—	(4,840)
Finance costs	(16)	—	—	(6)
Profit before taxation	**19,260**	**21,184**	**5,660**	**6,696**
Income tax expense	(4,650)	(4,765)	(1,740)	(3,378)
Profit for the year/period	**14,610**	**16,419**	**3,920**	**3,318**
Other comprehensive expense				
Items that will not be reclassified to profit or loss:				
— Exchange difference arising on translation to presentation currency	16	(3)	(154)	(314)
Items that may be reclassified subsequently to profit or loss:				
— Exchange difference arising on translation of foreign operations	(812)	(7,492)	(1,147)	(7,459)
Other comprehensive expense for the year/period	(796)	(7,495)	(1,301)	(7,773)
Total comprehensive income (expense) for the year/period	**13,814**	**8,924**	**2,619**	**(4,455)**
Total comprehensive income (expense) attributable to:				
Owners of our Company	13,814	8,947	2,619	(4,455)
Non-controlling interests	—	(23)	—	—
	13,814	**8,924**	**2,619**	**(4,455)**

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue represents total revenue generated from both business segments, namely, (i) the manufacturing of wire/cable harnesses and power supply cords assembled products, and (ii) the sale of terminals and connectors.

We derive our revenue mainly from the manufacturing and sale of wire/cable harnesses and power supply cords assembled products. Our total revenue decreased slightly by approximately HK$5.3 million or 3.9% from approximately HK$136.6 million for FY2014 to approximately HK$131.3 million for FY2015. Excluding the Brascabos Group Transaction, the adjusted revenue increased slightly by approximately HK$2.4 million or 1.9% from approximately HK$128.0 million for FY2014 to approximately HK$130.4 million for FY2015. Such slight increase was primarily attributed by the manufacturing segment, and partially set off by the slight decrease in our revenue from the trading segment.

Our total revenue decreased slightly by approximately HK$0.8 million or 1.7% from approximately HK$47.2 million for the four months ended 31 October 2014 to approximately HK$46.4 million for the four months ended 31 October 2015. Excluding the Brascabos Group Transaction, the adjusted revenue increased slightly by approximately HK$0.1 million or 0.2% from approximately HK$46.3 million for the four months ended 31 October 2014 to approximately HK$46.4 million for the four months ended 31 October 2015. Such increase was primarily attributed by both the manufacturing of wire/cable harnesses and the sale of terminals and connectors.

During the Track Record Period, we focused on the manufacturing of wire/cable harnesses which involved well established long-term business relationship with several global brand name home/consumer appliances manufacturers which continuously contributed the business opportunities as well as revenue to our Group.

The table below sets out the breakdown of our revenue by business segments, customer types and geographical locations:

Revenue by business segments

The table below sets out a breakdown of our revenue by business segments and as a percentage of our total revenue during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Manufacturing								
— Wire/cable harnesses	103,411	75.7	107,924	82.2	37,378	79.2	39,457	85.1
— Power supply cords assembled products	14,221	10.4	15,240	11.6	6,675	14.2	4,316	9.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Terminals and connectors	10,355	7.6	7,259	5.5	2,235	4.8	2,579	5.6
— Other *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

We derive our revenue primarily from the manufacturing and sale of wire/cable harnesses and power supply cords assembled products. During the Track Record Period, the revenue generated from wire/cable harnesses products amounted to the largest portion of our Group's total revenue. Our revenue generated from wire/cable harnesses products was approximately HK$103.4 million, HK$107.9 million, HK$37.4 million and HK$39.5 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 75.7%, 82.2%, 79.2% and 85.1% of our total revenue, respectively. Our revenue generated from power supply cords assembled products was approximately HK$14.2 million, HK$15.2 million, HK$6.7 million and HK$4.3 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 10.4%, 11.6%, 14.2% and 9.3% of our total revenue, respectively.

Our revenue derived from the sale of terminals and connectors were approximately HK$10.4 million, HK$7.3 million, HK$2.2 million and HK$2.6 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 7.6%, 5.5%, 4.8% and 5.6% of our total revenue, respectively.

Revenue by customer types

Our revenue can also be principally divided into two customer types: (i) global brand name home/consumer appliances manufacturers, and (ii) OEMs.

The table below sets out the breakdown of our revenue by customer types and as a percentage of total revenue during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Manufacturing								
— Global brand name home/ consumer appliances manufacturers	89,344	65.4	88,368	67.3	31,357	66.5	31,571	68.1
— OEMs	28,288	20.7	34,796	26.5	12,696	26.9	12,202	26.3
Sub-total	**117,632**	**86.1**	**123,164**	**93.8**	**44,053**	**93.4**	**43,773**	**94.4**
Trading								
— Global brand name home/ consumer appliances manufacturers	2,699	2.0	2,012	1.5	634	1.4	1,418	3.1
— OEMs	7,656	5.6	5,247	4.0	1,601	3.4	1,161	2.5
— Other *(Note)*	8,576	6.3	865	0.7	865	1.8	—	—
Sub-total	**18,931**	**13.9**	**8,124**	**6.2**	**3,100**	**6.6**	**2,579**	**5.6**
Total revenue	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

Revenue from global brand name home/consumer appliances manufacturers

During the Track Record Period, our revenue from global brand name home/consumer appliances manufacturers contributed to greater portion of our total revenue in terms of the manufacturing segment. For the manufacturing segment, our revenue from global brand name home/consumer appliances manufacturers contributed approximately HK$89.3 million, HK$88.4 million, HK$31.4 million and HK$31.6 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 65.4%, 67.3%, 66.5% and 68.1% of our total revenue, respectively. For trading segment, our revenue from global brand name home/consumer appliances manufacturers contributed approximately HK$2.7 million, HK$2.0 million, HK$0.6 million and HK$1.4 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 2.0%, 1.5%, 1.4% and 3.1% of our total revenue, respectively.

Revenue from OEMs

For the manufacturing segment, our revenue from OEMs contributed approximately HK$28.3 million, HK$34.8 million, HK$12.7 million and HK$12.2 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 20.7%, 26.5%, 26.9% and 26.3% of our total revenue, respectively. For the trading segment, our revenue from OEMs contributed approximately HK$7.7 million, HK$5.2 million, HK$1.6 million and HK$1.2 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 5.6%, 4.0%, 3.4% and 2.5% of our total revenue, respectively.

We consider that our achievement in sales to global brand name home/consumer appliances manufacturers is our competitive edge over other competitors in the wire/cable harnesses manufacturing industry in Malaysia and the PRC. Due to the demand required for the manufacturing of our products associated with higher productivity, such as those relating to design and specification and product reliability and cost competitive operating environment, only manufacturers with competitive research and development capabilities on application design and quality control could cater for the requirements of global brand name home/consumer appliances manufacturers and compete in this market. It forms a technical barrier to entry to the wire/cable harnesses manufacturing industry.

Revenue by geographical locations

We categorise our revenue by major countries/regions to which we billed our customers during the Track Record Period which represented over 5% of our total revenue in any of the periods/years during the Track Record Period. The table below sets out a breakdown of our revenue by major countries/regions which we bill our our customers and as a percentage of our total revenue during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
PRC	28,194	20.6	35,274	26.9	11,499	24.4	13,123	28.3
Thailand	52,425	38.4	61,863	47.1	21,475	45.5	23,365	50.4
Malaysia	10,440	7.6	11,556	8.8	4,763	10.1	3,583	7.7
Singapore	6,206	4.5	6,883	5.3	2,486	5.3	1,644	3.6
Switzerland	4,401	3.2	8,290	6.3	2,536	5.4	2,948	6.4
USA	21,832	16.0	3,317	2.5	2,272	4.8	665	1.4
Other countries/regions *(Note)*	13,065	9.7	4,105	3.1	2,122	4.5	1,024	2.2
Total revenue/regions	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Note: Other countries/regions include Australia, Hong Kong, Indonesia, New Zealand, Taiwan, Germany, Italy, Austria and Brazil. The revenue contributed from Brazil relates only the Brascabos Group Transaction.

During the Track Record Period, Thailand market was our largest market which contributed approximately HK$52.4 million, HK$61.9 million, HK$21.5 million and HK$23.4 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and accounted for approximately 38.4%, 47.1%, 45.5% and 50.4% of our total revenue, respectively. Our revenue derived from the PRC market contributed approximately HK$28.2 million, HK$35.3 million, HK$11.5 million and HK$13.1 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and accounted for approximately 20.6%, 26.9%, 24.4% and 28.3% of our total revenue, respectively.

The table below sets out a breakdown of our revenue generated by geographical locations which we bill our customers and as a percentage of our total revenue during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
PRC	28,194	20.6	35,274	26.9	11,499	24.4	13,123	28.3
Asia Pacific *(Note 1)*	73,184	53.6	83,216	63.4	29,836	63.3	29,465	63.6
Western Europe	4,787	3.5	8,614	6.6	2,681	5.7	3,099	6.7
Others *(Note 2)*	30,398	22.3	4,184	3.1	3,137	6.6	665	1.4
Total	**136,563**	**100.0**	**131,288**	**100.0**	**47,153**	**100.0**	**46,352**	**100.0**

Notes:

1. Asia Pacific includes the countries in Asia Pacific Region, but excludes the PRC ("**Asia Pacific**").

2. Others include the revenue generated from North America, and the revenue of the Brascabos Group Transaction.

During the Track Record Period, the Asia Pacific market was our largest market which contributed approximately HK$73.2 million, HK$83.2 million, HK$29.8 million and HK$29.5 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 53.6%, 63.4%, 63.3% and 63.6% of our total revenue, respectively. Our revenue derived from the PRC market was our second largest market which contributed approximately HK$28.2 million, HK$35.3 million, HK$11.5 million and HK$13.1 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 20.6%, 26.9%, 24.4% and 28.3% of our total revenue, respectively. Save for the exclusion of South America for the purpose of business delineation with the excluded business, there is no specific geographical strategy was adopted and will be adopted by our Group. For further details of the Excluded Business, please refer to the section headed "Relationship with Controlling Shareholders — The Excluded Business" in this prospectus.

Cost of sales

Our cost of sales primarily consisted of cost of raw materials and products, direct labour cost and manufacturing overheads such as depreciation and utility charges.

The table below sets out the breakdown of cost of sales during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*% of cost of sales*	*HK$'000*	*% of cost of sales*	*HK$'000*	*% of cost of sales*	*HK$'000*	*% of cost of sales*
					(unaudited)			
Purchase of raw materials and products *(Note)*	72,717	72.1	77,782	81.8	28,522	80.2	27,841	88.8
Inventory movement	3,220	3.1	(8,271)	(8.7)	(1,894)	(5.3)	(5,841)	(18.6)
Sub-total of cost of raw materials and products	**75,937**	**75.2**	**69,511**	**73.1**	**26,628**	**74.9**	**22,000**	**70.2**
Direct labour	15,291	15.2	18,015	18.9	6,066	17.0	6,400	20.4
Manufacturing overheads	9,696	9.6	7,559	8.0	2,876	8.1	2,961	9.4
Total cost of sales	**100,924**	**100.0**	**95,085**	**100.0**	**35,570**	**100.0**	**31,361**	**100.0**

Note: Including the Brascabos Group Transaction.

Our total cost of sales decreased by approximately HK$5.8 million or 5.7% from approximately HK$100.9 million for FY2014 to approximately HK$95.1 million for FY2015 while our total cost of sales decreased by approximately HK$4.2 million or 11.8%, from approximately HK$35.6 million for the four months ended 31 October 2014 to approximately HK$31.4 million for the four months ended 31 October 2015.

Excluding the Brascabos Group Transaction, the adjusted total cost of sales was increased slightly by approximately HK$1.8 million or 1.9% from approximately HK$92.5 million for FY2014 to HK$94.3 million for FY2015, respectively, which was in line with the increase in adjusted sales of approximately HK$128.0 million and HK$130.4 million for FY2014 and FY2015, respectively. The adjusted cost of sales decreased by approximately HK$3.4 million or 9.8% from approximately HK$34.8 million for the four months ended 31 October 2014 to approximately HK$31.4 million for the four months ended 31 October 2015 while the total revenue remained stable.

Purchase of raw materials and products

Our primary raw materials for the manufacturing of wire/cable harnesses are terminals and connectors and wires which include PVC and silicon wires. Our purchase of raw materials and products was approximately HK$72.7 million, HK$77.8 million, HK$28.5 million and HK$27.8 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and represented approximately 72.1%, 81.8%, 80.2% and 88.8% of our total cost of sales, respectively.

The table below sets out the total purchase of raw materials and products during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*% of total purchase of raw materials and products*	*HK$'000*	*% of total purchase of raw materials and products*	*HK$'000* (unaudited)	*% of total purchase of raw materials and products*	*HK$'000*	*% of total purchase of raw materials and products*
Terminals and connectors	26,045	35.8	26,856	34.6	10,911	38.3	10,348	37.2
Wires *(Note 1)*	15,476	21.3	17,975	23.1	6,171	21.6	6,441	23.1
Power supply cords	10,683	14.7	11,929	15.3	3,113	10.9	3,941	14.2
Others *(Note 2)*	20,513	28.2	21,022	27.0	8,327	29.2	7,111	25.5
Total purchase of raw materials and products	**72,717**	**100.0**	**77,782**	**100.0**	**28,522**	**100.0**	**27,841**	**100.0**

Notes:

1. Wires refer to PVC and silicon wires.

2. Others mainly include (i) thermistor, timer, tube and sleeve and related accessories, and (ii) the Brascabos Group Transaction.

The purchase of terminals and connectors were approximately HK$26.0 million, HK$26.9 million, HK$10.9 million and HK$10.3 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015 respectively.

The purchase of wires was approximately HK$15.5 million, HK$18.0 million, HK$6.2 million and HK$6.4 million for FY2014, FY2015 and the four month ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 21.3%, 23.1%, 21.6% and 23.1% of our total purchase of raw materials and products of our Group, respectively. As wires are the major components for wire/cable harnesses, the increase in the purchase of wires during the Track Record Period was in line with the increase in the production volumes and orders for the manufacturing of wire/cable harnesses amidst the reduction in LME copper monthly cash settlement average price which may affect the cost of wires.

The purchase of power supply cords was approximately HK$10.7 million, HK$11.9 million, HK$3.1 million and HK$3.9 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively and equivalent to approximately 14.7%, 15.3%, 10.9% and 14.2% of our total purchase of raw materials and products of our Group, respectively. Due to our Group's inventory control measures and products delivery schedule, the overall increase in the purchase of power supply cords was based on the pre-arranged purchase price agreed with suppliers despite a downward trend of LME copper monthly cash settlement price which began to incur in early 2014.

The purchase of other components was approximately HK$20.5 million, HK$21.0 million, HK$8.3 million and HK$7.1 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively and equivalent to approximately 28.2%, 27.0%, 29.2% and 25.5% of our total purchase of raw materials and products of our Group, respectively.

Direct labour costs

Direct labour costs consisted of salaries and benefits for employees in our manufacturing operations were of approximately HK$15.3 million, HK$18.0 million, HK$6.1 million and HK$6.4 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 15.2%, 18.9%, 17.0% and 20.4% of our total cost of sales, respectively. Our direct labour costs represented approximately 11.2%, 13.7%, 12.9% and 13.8% of our total revenue for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

Manufacturing overheads

Manufacturing overheads consisted of ancillary items, depreciation of plant and machineries, manufacturing equipment maintenance costs, utilities and other miscellaneous production costs, which accounted for approximately 9.6%, 8.0%, 8.1% and 9.4% of our total cost of sales for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

Our manufacturing overheads represented approximately 7.1%, 5.8%, 6.1% and 6.4% of our total revenue for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

The table below sets out the breakdown of our cost of sales by (a) business segments, and (b) customer types during the Track Record Period:

(a) Cost of sales by business segments

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*	*HK$'000* (unaudited)	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*
Manufacturing								
— Wire/cable harnesses	75,296	74.6	78,558	82.6	28,238	79.4	26,706	85.2
— Power supply cords assembled products	12,459	12.4	13,170	13.9	5,264	14.8	3,526	11.2
Sub-total	**87,755**	**87.0**	**91,728**	**96.5**	**33,502**	**94.2**	**30,232**	**96.4**
Trading								
— Terminals and connectors	4,760	4.7	2,571	2.7	1,282	3.6	1,129	3.6
— Other *(Note)*	8,409	8.3	786	0.8	786	2.2	—	—
Sub-total	**13,169**	**13.0**	**3,357**	**3.5**	**2,068**	**5.8**	**1,129**	**3.6**
Total cost of sales	**100,924**	**100.0**	**95,085**	**100.0**	**35,570**	**100.0**	**31,361**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

The cost of sales contributed by the manufacturing of wire/cable harnesses was the largest component of our total cost of sales which was in line with the corresponding proportion of our total revenue. The cost of sales contributed by wire/cable harnesses for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015 were approximately HK$75.3 million, HK$78.6 million, HK$28.2 million and HK$26.7 million, respectively, and equivalent to approximately 74.6%, 82.6%, 79.4% and 85.2% of our total cost of sales, respectively. The cost of sales contributed by power supply cords assembled products for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015 were approximately of HK$12.5 million, HK$13.2 million, HK$5.3 million and HK$3.5 million, respectively, and equivalent to approximately 12.4%, 13.9%, 14.8% and 11.2% of our total cost of sales, respectively.

The cost of sales contributed by trading of terminals and connectors were approximately HK$4.8 million, HK$2.6 million, HK$1.3 million and HK$1.1 million, respectively, and equivalent to approximately 4.7%, 2.7%, 3.6% and 3.6% of our total cost of sales for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively.

(b) Cost of sales by customer types

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*	*HK$'000* (unaudited)	*% of total cost of sales*	*HK$'000*	*% of total cost of sales*
Manufacturing								
— Global brand name home/ consumer appliances manufacturers	66,522	65.9	66,174	69.6	24,016	67.5	22,053	70.3
— OEMs	21,233	21.1	25,554	26.9	9,486	26.7	8,179	26.1
Sub-total	**87,755**	**87.0**	**91,728**	**96.5**	**33,502**	**94.2**	**30,232**	**96.4**
Trading								
— Global brand name home/ consumer appliances manufacturers	530	0.5	927	1.0	226	0.6	337	1.1
— OEMs	4,230	4.2	1,644	1.7	1,056	3.0	792	2.5
— Other *(Note)*	8,409	8.3	786	0.8	786	2.2	—	—
Sub-total	**13,169**	**13.0**	**3,357**	**3.5**	**2,068**	**5.8**	**1,129**	**3.6**
Total cost of sales	**100,924**	**100.0**	**95,085**	**100.0**	**35,570**	**100.0**	**31,361**	**100.0**

Note: Other refers to the Brascabos Group Transaction.

Cost of sales to global brand name home/consumer appliances manufacturers

During the Track Record Period, our cost of sales to global brand name home/consumer appliances manufacturers contributed to a greater portion of our total cost of sales.

For the manufacturing segment, the cost of sales to global brand name home/consumer appliances manufacturers amounted to approximately HK$66.5 million, HK$66.2 million, HK$24.0 million and HK$22.1 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 65.9%, 69.6%, 67.5% and 70.3% of our total cost of sales, respectively.

For the trading segment, the cost of sales to global brand name home/consumer appliances manufacturers amounted to approximately HK$0.5 million, HK$0.9 million, HK$0.2 million and HK$0.3 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 0.5%, 1.0%, 0.6% and 1.1% of our total cost of sales, respectively.

Cost of sales to OEMs

For the manufacturing segment, the cost of sales to OEMs was approximately of HK$21.2 million, HK$25.6 million, HK$9.5 million and HK$8.2 million of FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 21.1%, 26.9%, 26.7% and 26.1% of our total cost of sales, respectively.

For the trading segment, the cost of sales to OEMs was approximately of HK$4.2 million, HK$1.6 million, HK$1.1 million and HK$0.8 million for FY2014, FY2015 and the four months ended 31 October 2014 and 31 October 2015, respectively, and equivalent to approximately 4.2%, 1.7%, 3.0% and 2.5% of our total cost of sales, respectively.

Gross profit and gross profit margin

Our overall gross profit increased slightly by approximately HK$0.6 million or 1.7%, from approximately HK$35.6 million for FY2014 to approximately HK$36.2 million for FY2015.

Our overall gross profit margin increased slightly from approximately 26.1% for FY2014 to approximately 27.6% for FY2015.

Our overall gross profit increased by approximately HK$3.4 million or 29.3%, from approximately HK$11.6 million for the four months ended 31 October 2014 to approximately HK$15.0 million for the four months ended 31 October 2015. The increase in overall gross profit margin was mainly contributed to the significant increase in gross profit margin from the manufacturing of wire/cable harnesses from approximately 24.5% for the four months ended 31 October 2014 to approximately 32.3% for the four months ended 31 October 2015 and the increase in gross profit margin from the trading segment from approximately 33.3% for the four months ended 31 October 2014 to approximately 56.2% for the four months ended 31 October 2015.

Our overall gross profit margin increased from approximately 24.6% for the four months ended 31 October 2014 to approximately 32.3% for the four months ended 31 October 2015, respectively.

During the Track Record Period, our Group's gross profit margin was approximately 26.1% for FY2014 and increased to approximately 27.6% for FY2015, and further increased to approximately 32.3% for the four months ended 31 October 2015, which was primarily due to (i) the improvement in our production efficiency by using additional fully-automated machineries in the PRC Factory for FY2015, and (ii) tighter cost control on the raw materials and products, by carrying out regular purchase price negotiation with our suppliers over our major raw materials to ensure that our raw materials purchase price are cost favourable to our Company as a whole, assessing the appropriate use of indirect materials and stringent production process control in order to minimize waste of raw materials. Our Company expects that the increase in the level of automation of our operation by using additional fully-automated machineries as stated in our future plan may further improve our production efficiency and our gross profit in the future.

The tables below sets out the breakdown of our gross profits and gross profit margin by (a) business segments, and (b) customer types during the Track Record Period:

(a) Gross profit by business segments

	Year ended 30 June				Four months ended 31 October			
	2014		**2015**		**2014**		**2015**	
	Gross profit HK$'000	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000* (unaudited)	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*
Manufacturing								
— Wire/cable harnesses	28,115	27.2	29,366	27.2	9,140	24.5	12,751	32.3
— Power supply cords assembled products	1,762	12.4	2,070	13.6	1,411	21.1	790	18.3
Sub-total	**29,877**	**25.4**	**31,436**	**25.5**	**10,551**	**24.0**	**13,541**	**30.9**
Trading								
— Terminals and connectors	5,595	54.0	4,688	64.6	953	42.6	1,450	56.2
— Other *(Note)*	167	1.9	79	9.1	79	9.1	—	—
Sub-total	**5,762**	**30.4**	**4,767**	**58.7**	**1,032**	**33.3**	**1,450**	**56.2**
Overall gross profit	**35,639**	**26.1**	**36,203**	**27.6**	**11,583**	**24.6**	**14,991**	**32.3**

Note: Other refers to the Brascabos Group Transaction.

(b) Gross profit by customer types

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	Gross profit HK$'000	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000* (unaudited)	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*
Manufacturing								
— Global brand name home/ consumer appliances manufacturers	22,822	25.5	22,194	25.1	7,341	23.4	9,518	30.1
— OEMs	7,055	24.9	9,242	26.6	3,210	25.3	4,023	33.0
Sub-total	**29,877**	**25.4**	**31,436**	**25.5**	**10,551**	**24.0**	**13,541**	**30.9**
Trading								
— Global brand name home/ consumer appliances manufacturers	2,169	80.4	1,085	53.9	408	64.4	1,081	76.2
— OEMs	3,426	44.7	3,603	68.7	545	34.0	369	31.8
— Other (Note)	167	1.9	79	9.1	79	9.1	—	—
Sub-total	**5,762**	**30.4**	**4,767**	**58.7**	**1,032**	**33.3**	**1,450**	**56.2**
Overall gross profit	**35,639**	**26.1**	**36,203**	**27.6**	**11,583**	**24.6**	**14,991**	**32.3**

Note: Other refers to the Brascabos Group Transaction.

Sales volume and average selling price

The tables below sets out the (a) revenue, (b) sales volume, and (c) average selling price per unit by business segments during the Track Record Period:

	Year ended 30 June						Four months ended 31 October 2015		
	2014			2015					
	Revenue *HK$'000*	**Sales volume** *thousand*	**Average selling price per unit** *HK$*	**Revenue** *HK$'000*	**Sales volume** *thousand*	**Average selling price per unit** *HK$*	**Revenue** *HK$'000*	**Sales volume** *thousand*	**Average selling price per unit** *HK$*
Manufacturing	117,632	22,686	5.2	123,164	26,774	4.6	43,773	9,215	4.8
Trading (Note)	10,355	39,903	0.26	7,259	27,405	0.26	2,579	6,085	0.42

Note: Excluding the Brascabos Group Transaction.

Our sales volume for the manufacturing segment for FY2014, FY2015 and the four months ended 31 October 2015 were approximately 22.7 million units, 26.8 million units and 9.2 million units, respectively. Our sales volume for the trading segment for FY2014, FY2015 and the four months ended 31 October 2015 were approximately 39.9 million units, 27.4 million units and 6.1 million units, respectively.

Our average selling price per unit under the manufacturing segment amounted to approximately HK$5.2 and HK$4.6 and HK$4.8 for FY2014, FY2015 and the four months ended 31 October 2015, respectively.

Our selling price of our products was determined by and based on a variety of factors, including direct costs, selling and distribution costs, product specifications, relationship with customers, the size of our customers' orders and relevant market condition. We apply this pricing policy to all of our customers. Our average selling price is mainly affected by different factors such as product complexity, specification and quality requirements.

Other income

Our other income mainly consisted of bank interest income and income from the sale of scrap metal, which amounted to approximately HK$440,000 and HK$394,000 for FY2014 and FY2015, respectively, and approximately HK$91,000 and HK$125,000 for the four months ended 31 October 2014 and 31 October 2015, respectively.

The table below sets out the breakdown of our other income during the Track Record Period:

	Year ended 30 June		**Four months ended 31 October**	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Bank interest income	274	161	27	63
Others	166	233	64	62
Total other income	**440**	**394**	**91**	**125**

Other gains and losses

Other gains and losses consisted primarily of net exchange gain, gain or loss on disposal of property, plant and equipment, allowance and reversal of allowance for bad and doubtful debts, and impairment loss on goodwill. We had other gains and losses of approximately HK$0.5 million and HK$4.0 million for FY2014 and FY2015, respectively, and approximately HK$52,000 and HK$2.8 million for the four months ended 31 October 2014 and 31 October 2015, respectively.

The table below sets out the breakdown of our other gains and losses during the Track Record Period:

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net exchange gain	500	4,099	336	2,777
Gain/(loss) on disposal of property, plant and equipment	22	(164)	(160)	—
(Allowance)/reversal of allowance for bad and doubtful debts, net	(35)	182	—	—
Impairment loss on goodwill	—	(124)	(124)	—
	487	3,993	52	2,777

Selling and distribution costs

Our selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs. The table below sets out the breakdown of the key components of our selling and distribution costs during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		**2015**		**2014**		**2015**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Transportation expenses	1,795	58.7	1,738	59.0	515	59.9	746	67.8
Travelling expenses	649	21.2	670	22.8	148	17.2	196	17.8
Storage expenses	369	12.0	345	11.7	123	14.3	89	8.1
Marketing and exhibition expenses	97	3.2	79	2.7	35	4.1	4	0.4
Entertainment expenses	149	4.9	111	3.8	39	4.5	65	5.9
	3,059	100.0	2,943	100.0	860	100.0	1,100	100.0

The decrease in our selling and distribution costs for FY2015 as compared with FY2014 was primarily due to reduction in transportation costs, storage expenses and entertainment expenses. The increase in the selling and distribution costs for the four months ended 31 October 2015 was primarily due to the increase in transportation expenses.

Administrative expenses

Our administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, office expenses and utilities, depreciation and amortisation and profession services fees.

The table below sets out the breakdown of the key components of our administrative expenses during the Track Record Period:

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Salaries, welfare and other benefits	8,745	61.5	9,632	58.5	3,195	61.4	3,290	62.7
Rent and rates	1,218	8.6	1,459	8.9	469	9.0	494	9.4
Office expenses and utilities	1,039	7.3	985	6.0	305	5.9	279	5.3
Depreciation and amortisation	680	4.8	1,126	6.8	356	6.8	384	7.3
Professional service fees	470	3.3	687	4.2	115	2.2	74	1.4
Insurance	434	3.0	367	2.2	143	2.7	93	1.8
License fee	165	1.2	507	3.1	47	0.9	145	2.8
Other taxes	342	2.4	291	1.8	96	1.8	138	2.6
Travelling and entertainment	227	1.6	333	2.0	123	2.4	41	0.8
Bank charges	231	1.6	192	1.2	81	1.6	56	1.1
Others	680	4.7	884	5.3	276	5.3	257	4.8
	14,231	100.0	16,463	100.0	5,206	100.0	5,251	100.0

Our administrative expenses increased by approximately HK$2.3 million or 16.2% from approximately HK$14.2 million for FY2014 to approximately HK$16.5 million for FY2015. The increase was primarily attributable to the increase in (i) salaries, welfare and other benefits, (ii) depreciation and amortisation, and (iii) license fee. The administrative expenses remained stable at approximately HK$5.2 million and HK$5.3 million for the four months ended 31 October 2014 and 31 October 2015, respectively.

Finance costs

	Year ended 30 June				Four months ended 31 October			
	2014		2015		2014		2015	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Interest on bank borrowing	—	—	—	—	—	—	6	100.0
Interest on finance leases	16	100.0	—	—	—	—	—	—
	16	100.0	—	—	—	—	6	100.0

During the Track Record Period, our finance costs represented interest expense on bank loans and interest on finance leases. As at 30 June 2014 and 30 June 2015, we had bank borrowing of nil and approximately HK$960,000, respectively. This bank borrowing had been settled in August 2015. The weighted average effective interest rate of the bank borrowing was nil and approximately 1.35% per annum for FY2014 and FY2015, respectively. We had finance costs of approximately HK$16,000 and nil for FY2014 and FY2015, respectively, and approximately nil and HK$6,000 for the four months ended 31 October 2014 and 31 October 2015, respectively.

Income tax expense

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

The companies incorporated, re-registered or deemed to have re-registered under the BVI BC Act are exempt from all provisions of the Income Tax Act (as amended) of BVI. All dividends, interest, rents, royalties, compensations and other amounts paid by such BVI companies to persons who are not resident in BVI, and capital gains realised with respect to any shares, debt obligations or other securities of such BVI companies by persons who are not resident in the BVI, are exempt from the provisions of the Income Tax Act. All instruments relating to transfers of the shares, debt obligations or other securities of such BVI companies are exempt from the payment of stamp duty in BVI, provided that such BVI companies do not have any interest in land in BVI. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligations or other securities of such BVI companies.

Taxation consists of current and deferred tax expenses for jurisdictions in which our Company and our subsidiaries are subject to tax. During the Track Record Period, our subsidiaries had operations in several jurisdictions and the taxation arising in each jurisdiction was calculated at the prevailing rates in each relevant jurisdiction.

The standard tax rates in the jurisdictions where we operate during the Track Record Periods are set out below:

Hong Kong — Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit arising in Hong Kong.

PRC — Pursuant to the EIT Law, a uniform 25.0% enterprise income tax rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Malaysia — Malaysian income tax is calculated at the statutory rate of 25.0% of the estimated taxable profit for FY2014 and FY2015, and at the statutory rate of 24.0% of the estimated taxable profit for the four months ended 31 October 2015.

Singapore — Singaporean income taxes are calculated at the statutory rate of 17.0%.

The difference between our Company's statutory tax rate and our effective tax rate was primarily due to the location of our operations in differing tax jurisdictions relative to our Company, Hong Kong. No provision for Hong Kong Profits Tax has been made as our Group has no assessable profits during the Track Record Period.

Please refer to notes 10 and 16 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Our Directors are of the view that our Group has made sufficient and adequate tax provision on the assessable profit based on the tax rates as required in all relevant jurisdictions in which our Group operated in during the Track Record Period. Payments of taxes is made in accordance with the payment schedule stipulated by the relevant tax authorities.

Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

Effective tax rate

The effective tax rate of our Group for FY2014, FY2015 and the four months ended 31 October 2015 was approximately 24.1%, 22.5% and 50.4%, respectively. For the four months ended 31 October 2015, we was mainly incurred Listing expenses of approximately HK$4.8 million which was non-deductible in Hong Kong for tax purpose and resulted in significantly higher effective tax rate of approximately 50.4% for the four months ended 31 October 2015 compared to FY2014 and FY2015.

Other comprehensive expense

Other comprehensive expenses increased by approximately HK$6.7 million or 8.4 times from approximately HK$0.8 million for FY2014 to approximately HK$7.5 million for FY2015. The significant increase was mainly contributed by the exchange difference arising from the translation effect of Ringgit, being the functional currency of TEM Malaysia, against HK$, being the presentation currency of our Group. For FY2015, Ringgit had depreciated significantly against HK$ by approximately 12.0%, led to the translation effect of currency of approximately HK$7.6 million as contributed by TEM Malaysia.

Other comprehensive expenses increased by approximately HK$6.5 million or 5.0 times from approximately HK$1.3 million for the four months ended 31 October 2014 to approximately HK$7.8 million for the four months ended 31 October 2015. The significant increase was mainly contributed by the exchange difference arising from the translation effect of Ringgit, being the functional currency of TEM Malaysia, against HK$, being the presentation currency of our Group. For the four months ended 31 October 2015, Ringgit had depreciated significantly against HK$ by approximately 14.9%, led to the translation effect of currency of approximately HK$6.6 million as contributed by TEM Malaysia.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 30 June 2015 compared to year ended 30 June 2014

Revenue

Our revenue decreased slightly by approximately HK$5.3 million or 3.9% from approximately HK$136.6 million for FY2014 to approximately HK$131.3 million for FY2015. The decrease was primarily due to the discontinued trading of machinery and equipment with the Brascabos Group of approximately HK$8.6 million incurred in FY2014 under trading segment for our Group as a whole.

Revenue of manufacturing segment

Our revenue from the manufacturing of wire/cable harnesses and power supply cords assembled products showed an increase from FY2014 to FY2015. Our revenue from the manufacturing of wire/cable harnesses increased by approximately HK$4.5 million or 4.4% from approximately HK$103.4 million for FY2014 to approximately HK$107.9 million for FY2015, while revenue from manufacturing of power supply cord assembled products increased by approximately HK$1.0 million or 7.0% from approximately HK$14.2 million for FY2014 to approximately HK$15.2 million for FY2015. Our Directors consider that the increase in revenue was mainly contributed by (i) the increase in sales orders from Customer F, who is one of our five largest customers based in the PRC, was contributed by increase in new production orders of wire/cable harnesses which were expected to be applied on control panel in relation to kitchen products, and (ii) the expansion of production capacity at the PRC Factory.

Revenue of trading segment

Revenue from the trading segment decreased by approximately HK$10.8 million or 57.1% from approximately HK$18.9 million for FY2014 to approximately HK$8.1 million for FY2015, which was due to the discontinued Brascabos Group Transaction. The reduction in sales from the trading segment was also mainly due to the reduction in sales from OEMs by approximately HK$2.5 million or 32.5% from approximately HK$7.7 million for FY2014 to approximately HK$5.2 million for FY2015 given that we charged a high premium on our products.

Revenue of geographical locations

Revenue from both the PRC market and the Asia Pacific market increased from FY2014 to FY2015. The revenue from the PRC market increased by approximately HK$7.1 million or 25.2%, from approximately HK$28.2 million for FY2014 to approximately HK$35.3 million for FY2015 owing to increased sales orders from Customer F, who was one of our five largest customers based in the PRC contributed by increased in new production orders which would be applied on control panel in relation to kitchen products, while the revenue from the Asia Pacific market increased from approximately HK$73.2 million for FY2014 to approximately HK$83.2 million for FY2015, by approximately HK$10.0 million or 13.7% attributed by increase in sales from Customer A in Thailand, who was one of our five largest customers operated in Thailand, as a result of reallocation of sales orders by Customer A from USA to Thailand amid the decrease in overall sales from Customer A.

Cost of sales

Our adjusted cost of sales excluding the Brascabos Group Transaction increased slightly by approximately HK$1.8 million or 1.9%, from approximately HK$92.5 million for FY2014 to approximately HK$94.3 million for FY2015. The increase in adjusted cost of sales was primarily attributable to an increase in the total adjusted cost of raw materials and products by approximately HK$1.2 million or 1.8%, from approximately HK$67.5 million for FY2014 to approximately HK$68.7 million for FY2015 which was in line with slight increase in total adjusted sales in FY2014.

The cost of raw materials and direct labour costs increased from FY2014 to FY2015 which was in line with the increase in revenue contributed by manufacturing of wire/cable harnesses and power supply cord assembled products. The total costs of raw materials and products increased by approximately HK$5.1 million or 7.0%, from approximately HK$72.7 million for FY2014 to approximately HK$77.8 million for FY2015 was mainly contributed by increase in the purchase of (i) wires, and (ii) power supply cords.

The purchase of terminals and connectors increased slightly by approximately HK$0.9 million or 3.5% from approximately HK$26.0 million for FY2014 to approximately HK$26.9 million for FY2015. The increase was due to a slight upward pricing adjustment by Supplier A, who was one of the five largest suppliers during the Track Record Period.

The purchase of wires increased by approximately HK$2.5 million or 16.1% from approximately HK$15.5 million for FY2014 to approximately HK$18.0 million for FY2015. The increase in the purchase of wires was in line with the increase in the production volumes and orders for the manufacturing of wire/cable harnesses amidst the reduction in LME copper monthly cash settlement average price which may affect the cost of wires. The LME copper monthly cash settlement average price reduced by approximately USD643 per metric tonne or 9.2%, from approximately USD7,014 per metric tonne for FY2014 to approximately average USD6,371 per metric tonne for FY2015.

The purchase of power supply cords increased by approximately HK$1.2 million or 11.2% from approximately HK$10.7 million for FY2014 to approximately HK$11.9 million for FY2015 due to our Group's inventory control measures and products delivery schedule, the overall increase in the purchase of power supply cords was based on the pre-arranged purchase price agreed with suppliers despite a downward trend of LME copper monthly cash settlement price which began to incur in early 2014.

The purchase of other components increased by approximately HK$0.5 million or 2.4% from approximately HK$20.5 million for FY2014 to approximately HK$21.0 million for FY2015, which was mainly due to an increase in the purchase of tube and sleeve, electro-mechanical parts and thermistors that were particularly used in the made-to-order design and specifications of customers' harnesses.

The direct labour costs increased by approximately HK$2.7 million or 17.6% from approximately HK$15.3 million for FY2014 to approximately HK$18.0 million for FY2015 owing to upward salary adjustment in compliance with the minimum wage requirements in the PRC and Malaysia and the increase in total number of staff, which was in line with the increase in revenue from manufacturing segment by approximately HK$5.6 million or 4.8% from approximately HK$117.6 million for FY2014 to approximately HK$123.2 million for FY2015.

The manufacturing overheads decreased by approximately HK$2.1 million or 21.6%, from approximately HK$9.7 million for FY2014 to approximately HK$7.6 million for FY2015, which was mainly due to tighter cost control measures taken on purchase and consumption of packing materials and the improvement in cost efficiency by installing energy saving lighting system.

Cost of sales to global brand name home/consumer appliances manufacturers

For the manufacturing segment, the cost of sales to global brand name home/consumer appliances manufacturers decreased slightly by approximately HK$0.3 million or 0.5% from approximately HK$66.5 million for FY2014 to approximately HK$66.2 million for FY2015 which was in line with the slight decrease in sales to global brand name home/consumer appliances.

For the trading segment, the cost of sales to global brand name home/consumer appliances manufacturers increased by approximately HK$0.4 million or 80.0%, from approximately HK$0.5 million for FY2014 to approximately HK$0.9 million for FY2015 which was primarily due to the upward price adjustment on the products purchased from Supplier A.

Cost of sales to OEMs

For the manufacturing segment, the cost of sales to OEMs increased by approximately HK$4.4 million or 20.8% from approximately HK$21.2 million for FY2014 to approximately HK$25.6 million for FY2015 which was in line with the increase in sales to OEMs as well as the to increase in sales from Customer B, who is one of our five largest customers which located in the PRC, contributed by overall increase in sales orders particularly for new projects from end customers of Customer B for consumer home appliances.

For the trading segment, the cost of sales to OEMs decreased by approximately HK$2.6 million or 61.9% from approximately HK$4.2 million for FY2014 to approximately HK$1.6 million for FY2015 which was in line with the decrease in sales to OEMs.

Gross profit and gross profit margin

As a result of the above, our overall gross profit increased slightly by approximately HK$0.6 million or 1.7% from approximately HK$35.6 million for FY2014 to approximately HK$36.2 million for FY2015 which was attributable to the increase in gross profit from the manufacturing of wire/cable harnesses by approximately HK$1.3 million or 4.6% from approximately HK$28.1 million for FY2014 to approximately HK$29.4 million for FY2015. Our overall gross profit margin increased slightly from approximately 26.1% for FY2014 to approximately 27.6% for FY2015 which was mainly attributable to the increase in gross profit margin of the manufacturing of power supply cords assembled products from approximately 12.4% for FY2014 to approximately 13.6% for FY2015.

Gross profit and gross profit margin by business segments

The slight increase in gross profit and gross profit margin from the manufacturing segment from approximately HK$29.9 million and 25.4% for FY2014 to approximately HK$31.4 million and 25.5% for FY2015, which was mainly due to change in product mix and overall increase in sales orders for new projects from Customer B, who was one of our five largest customers given that the increase in demand on our products with higher gross margin.

Excluding the Brascabos Group Transaction, our adjusted gross profit and gross profit margin of trading segment were approximately HK$5.6 million and 54.0% for FY2014 and approximately HK$4.7 million and 64.6% for FY2015, respectively. The increase in gross profit margin was mainly because we were able to fulfil the minimum order quantity ("MOQ") requirements from Supplier A and maintained sufficient inventory level, so that we could deliver our products in a short lead time and charged to our trading customers at high premium.

Gross profit and gross profit margin by customer types

The gross profit and gross profit margin of the trading business to global brand name home/ consumer appliances manufacturers decreased by approximately HK$1.1 million and 26.5%, from approximately HK$2.2 million and 80.4% for FY2014 to approximately HK$1.1 million and 53.9% for FY2015, respectively. Such decrease was mainly due to the upward price adjustment on the products from Supplier A, which we had not transferred the increased cost to our customers for FY2015. The gross profit and gross profit margin of the trading to OEMs increased by approximately HK$0.2 million or 24.0%, from approximately HK$3.4 million and 44.7% for FY2014 to approximately HK$3.6 million and 68.7% for FY2015, respectively. The gross profit margin of the trading segment to global brand name home/consumer appliances manufacturers was higher than those to OEMs in general owing to the fact that our Group adopted different pricing strategies to different customer types, as higher premium changed to with global brand name home/consumer appliances manufacturers that we generally offer order placing flexibility with lower order quantity than the standard MOQ and shorter lead/delivery time of products.

Other income

Our other income remained stable of approximately HK$0.4 million for FY2014 and FY2015. The other income was primarily attributable to bank interest income of approximately HK$0.3 million and HK$0.2 million for FY2014 and FY2015, respectively.

Selling and distribution costs

Our selling and distribution costs decreased slightly by approximately HK$0.2 million or 6.5% from approximately HK$3.1 million for FY2014 to HK$2.9 million for FY2015. The decrease was primarily attributable to the decrease in storage expenses by approximately HK$0.1 million or 25.0% from approximately HK$0.4 million for FY2014 to approximately HK$0.3 million for FY2015. Transportation expenses in relation to products delivery decreased by approximately HK$0.1 million or 5.6% from approximately HK$1.8 million for FY2014 to approximately HK$1.7 million for FY2015.

Administrative expenses

Our administrative expenses increased by approximately HK$2.3 million or 16.2%, from approximately HK$14.2 million for FY2014 to approximately HK$16.5 million for FY2015. The increase was primarily due to an increase in salaries, welfare and other benefits by approximately HK$0.9 million or 10.3%, from approximately HK$8.7 million for FY2014 to approximately HK$9.6 million for FY2015 due to the overall upward adjustment in staff salary and the increase in the total number of staff in TEM Jiangmen. The depreciation and amortisation increased by approximately HK$0.4 million or 57.1%, from approximately HK$0.7 million for FY2014 to approximately HK$1.1 million for FY2015 owing to an increase in overall capital expenditure. The licence fee increased by approximately HK$0.3 million or 1.5 times, from approximately HK$0.2 million for FY2014 to approximately HK$0.5 million for FY2015, due to the application for certificates in relation product safety standard and quality control management. The rates and rent increased by approximately HK$0.3 million or 25.0%, from approximately HK$1.2 million for FY2014 to approximately HK$1.5 million for FY2015 owing to the expansion of office and factory premises.

Other gains and losses

Our other gains and losses increased significantly by approximately HK$3.5 million or 7.0 times, from approximately HK$0.5 million for FY2014 to approximately HK$4.0 million for FY2015. The significant increase was primarily attributable to the significant increase in net exchange gain by approximately HK$3.6 million or 7.2 times, from approximately HK$0.5 million to HK$4.1 million owing to the effect of appreciation of USD against Ringgit over the monetary assets at TEM Malaysia.

Finance costs

Our finance costs remained low from FY2014 to FY2015 as our Group had no secured bank loan for FY2014 and approximately HK$1.0 million with effective interest rate at 1.35% for FY2015.

Profit before taxation

As a result of the foregoing factors, our profit before taxation increased by approximately HK$1.9 million or 9.8%, from approximately HK$19.3 million for FY2014 to approximately HK$21.2 million for FY2015.

Income tax expense

Our income tax expense increased slightly by approximately HK$0.1 million or 2.1%, from approximately HK$4.7 million for FY2014 to approximately HK$4.8 million for FY2015, as a combined results of increase in taxable income but decrease in effective tax rate from approximately 24.1% to approximately 22.5% owing to (i) a deferred tax credit in FY2015, and (ii) the withholding tax on distributed earnings from TEM Jiangmen for FY2014. Our effective tax rate decreased from approximately 24.1% for FY2014 to approximately 22.5% for FY2015.

Profit for the year

As a result of the effect of the above factors, our net profit after interest and taxation increased by approximately HK$1.8 million or 12.3%, from approximately HK$14.6 million for FY2014 to HK$16.4 million for FY2015.

Our net profit margin increased by approximately 1.8%, from approximately 10.7% for FY2014 to approximately 12.5% for FY2015 which mainly resulted from the improved gross profit margin and the net exchange gain with approximately HK$4.1 million which classified as other gains and losses for FY2015.

Four months ended 31 October 2015 compared to four months ended 31 October 2014

Revenue

Our total revenue decreased slightly by approximately HK$0.8 million or 1.7%, from approximately HK$47.2 million for the four months ended 31 October 2014 to approximately HK$46.4 million for the four months ended 31 October 2015. The decrease was mainly due to (i) the discontinued Brascabos Group Transaction of approximately HK$0.9 million for the four months ended 31 October 2014, and (ii) the decrease in the revenue generated for power supply cords assembled products under manufacturing segment by approximately HK$2.4 million or 35.8%, from approximately HK$6.7 million for the four months ended 31 October 2014 to approximately HK$4.3 million for the four months ended 31 October 2015 and was mainly contributed by Customer C, who was one of our five largest customers based in Malaysia. The revenue contributed by Customer C decreased by approximately 44.9% from the four months ended 31 October 2014 to the four months ended 31 October 2015, which was mainly due to the transitional period of phasing out old models by replacing new models of products of Customer C.

Cost of sales

Our cost of sales decreased by approximately HK$4.2 million or 11.8% from approximately HK$35.6 million for the four months ended 31 October 2014 to approximately HK$31.4 million for the four months ended 31 October 2015. Excluding the cost of sales in relation to the Brascabos Group Transaction which amounted to approximately HK$0.8 million and nil for the four months ended 31 October 2014 and 31 October 2015, respectively, the respective adjusted total cost of sales were approximately HK$34.8 million and HK$31.4 million for the four months ended 31 October 2014 and 31 October 2015, respectively, and decreased by approximately HK$3.4 million or 9.8% primarily attributable to decrease in total cost of raw materials and products.

The total cost of raw materials and products decreased by approximately HK$4.6 million or 17.3%, from approximately HK$26.6 million for the four months ended 31 October 2014 to approximately HK$22.0 million for the four months ended 31 October 2015 which was in line with the decrease in revenue generated from power supply cords assembled products under manufacturing segment by approximately HK$2.4 million or 35.8% from approximately HK$6.7 million for the four months ended 31 October 2014 to approximately HK$4.3 million for the four months ended 31 October 2015.

Our total purchase costs for the four months ended 31 October 2014 decreased by approximately HK$0.7 million or 2.5% from approximately HK$28.5 million for the four months ended 31 October 2014 to approximately HK$27.8 million for the four months ended 31 October 2015, which was mainly contributed by decrease in the purchase of other components and terminals and connectors.

The purchase of terminals and connectors decreased by approximately HK$0.6 million or 5.5% from approximately HK$10.9 million for the four month ended 31 October 2014 to approximately HK$10.3 million for the four months ended 31 October 2015. Such decrease in purchase was mainly owing to sufficient stock level maintained for the four months 31 October 2015 as a result of active inventory control performed by our Group.

The purchase of wires increased by approximately HK$0.2 million or 3.2% from approximately HK$6.2 million for the four month ended 31 October 2014 to approximately HK$6.4 million for the four months ended 31 October 2015. As wires are the major components for wire/cable harnesses, the increase in the purchase of wires during the Track Record Period was in line with the increase in the production volumes and orders for the manufacturing of wire/cable harnesses amidst the reduction in LME copper monthly cash settlement average price which may affect the cost of wire. The LME copper monthly cash settlement average price reduced by approximately USD1,685 per metric tonne or 24.3%, from approximately USD6,929 per metric tonne for the four months ended 31 October 2014 to approximately average USD5,244 per metric tonne for the four month ended 31 October 2015.

The purchase of power supply cords increased by approximately HK$0.8 million or 25.8% from approximately HK$3.1 million for the four month ended 31 October 2014 to approximately HK$3.9 million for the four months ended 31 October 2015. The increase was mainly due to the increase in the purchase price of power supply cords based on the pre-arranged purchase price agreed with suppliers.

The purchase of other components decreased by approximately HK$1.2 million or 14.5% from approximately HK$8.3 million for the four month ended 31 October 2014 to approximately HK$7.1 million for the four months ended 31 October 2015. The decrease was mainly due to the decrease in the purchase of tube and sleeve, electro-mechanical parts and thermistors that were particularly used in the made-to-order design and specifications of customers' harnesses.

The increase in direct labour costs by approximately HK$0.3 million or 4.9% from approximately HK$6.1 million for the four months ended 31 October 2014 to approximately HK$6.4 million for the four months ended 31 October 2015 was mainly attributable to (i) an increase in number of workers in the PRC, (ii) an upward adjustment of annual salary, and (iii) an increase in minimum wages requirement in both Malaysia and the PRC.

The increase in manufacturing overheads by approximately HK$0.1 million or 3.4% from approximately HK$2.9 million for the four months ended 31 October 2014 to approximately HK$3.0 million for the four months ended 31 October 2015 was mainly due to higher repair cost required for the unique spare parts replaced to a fully automated machine during the period.

Cost of sales to global brand name home/consumer appliances manufacturers

For the manufacturing segment, the cost of sales to global brand name home/consumer appliances manufacturers decreased by approximately HK$1.9 million or 7.9% from HK$24.0 million for the four months ended 31 October 2014 to approximately HK$22.1 million for the four months ended 31 October 2015 which was primarily due to the consumption of inventories at lower cost for the four months ended 31 October 2015.

For the trading segment, the cost of sales to global brand name home/consumer appliances manufacturers increased by approximately HK$0.1 million or 50.0% from HK$0.2 million for the four months ended 31 October 2014 to approximately HK$0.3 million for the four months ended 31 October 2015 which was in line with the increase of sales to global brand name home/consumer appliances.

Cost of sales to OEMs

For the manufacturing segment, the cost of sales to OEMs decreased by approximately HK$1.3 million or 13.7% from approximately HK$9.5 million for the four months ended 31 October 2014 to approximately HK$8.2 million for the four months ended 31 October 2015 which was primarily due to the consumption of inventories at lower cost for the four months ended 31 October 2015 and in line with the decrease of sales to OEMs.

For the trading segment, the cost of sales to OEMs decreased by approximately HK$0.3 million or 27.3% from approximately HK$1.1 million for the four months ended 31 October 2014 to approximately HK$0.8 million for the four months ended 31 October 2015 which was in line with the decrease of sales to OEMs.

Gross profit and gross profit margin

Our overall gross profit and gross profit margin increased from approximately HK$11.6 million and 24.6% for the four months ended 31 October 2014 to approximately HK$15.0 million and 32.3% for the four months ended 31 October 2015. The increase in gross profit which was mainly attributable to (i) an increase in gross profit from the manufacturing of wire/cable harnesses by approximately HK$3.7 million or 40.7% from approximately HK$9.1 million for the four months ended 31 October 2014 to approximately HK$12.8 million for the four months ended 31 October 2015, and (ii) an increase in gross profit from the trading segment by approximately HK$0.5 million or 50.0% from approximately HK$1.0 million for the four months ended 31 October 2014 to approximately HK$1.5 million for the four months ended 31 October 2015. The increase in overall gross profit margin of our Group was mainly contributed to the increase in gross profit margin from the manufacturing of wire/cable harnesses from approximately 24.5% for the four months ended 31 October 2014 to approximately 32.3% for the four months ended 31 October 2015 and an increase in gross profit margin from the trading segment from approximately 33.3% for the four months ended 31 October 2014 to approximately 56.2% for the four months ended 31 October 2015.

Gross profit and gross profit margin by business segments

Our gross profit and gross profit margin of the manufacturing segment of wire/cable harnesses increased by approximately HK$3.7 million and 7.8%, from approximately HK$9.1 million and 24.5% for the four months ended 31 October 2014 to approximately HK$12.8 million and 32.3% for the four months ended 31 October 2015 was primarily due to decrease in cost of sales attributable by consumption of inventories at lower cost. The decrease in gross profit and gross profit margin of the manufacturing of power supply cords assembled products from approximately HK$1.4 million and 21.1% for the four months ended 31 October 2014 to approximately HK$0.8 million and 18.3% for the four months ended 31 October 2015 which was mainly due to the decrease in sales order resulting in the decrease in revenue of approximately HK$2.4 million or 35.8% from approximately HK$6.7 million for the four months ended 31 October 2014 to approximately HK$4.3 million for the four months ended 31 October 2015, because of the decrease in overall average selling price and decrease in sales order from Customer C as a result of lower market demand of its consumer home appliances.

The gross profit and gross profit margin of trading segment increased from approximately HK$1.0 million and 33.3% for the four months ended 31 October 2014 to approximately HK$1.5 million and 56.2% for the four months ended 31 October 2015. Excluding the Brascabos Group Transaction, such increase was mainly contributed by the significant increase in trading of terminals and connectors while the gross profit margin increased from approximately 42.6% for the four months ended 31 October 2014 to approximately 56.2% for the four months ended 31 October 2015, which was mainly due to high premium charged to our trading customers, as we generally offer order placing flexibility with lower order quantity than the standard MOQ and shorter lead/delivery time of products.

Gross profit and gross profit margin by customer types

Our gross profit and gross profit margin of the manufacturing segment to (i) global brand name home/consumer appliances manufacturers increased from approximately HK$7.3 million and 23.4%, to approximately HK$9.5 million and 30.1%, and (ii) OEMs increased from approximately HK$3.2 million and 25.3%, to approximately HK$4.0 million and 33.0%, from the four months ended 31 October 2014 to the four months ended 31 October 2015, respectively. Both increase was mainly due to the consumption of inventories at lower cost for the four months ended 31 October 2015.

Our gross profit and gross profit margin of trading segment increased respectively, from approximately HK$1.0 million and 33.3% for the four months ended 31 October 2014 to approximately HK$1.5 million and 56.2% for the four months ended 31 October 2015. This was mainly attributable to significant increase in gross profit margin from global brand name home/consumer appliances manufacturers from approximately 64.4% for the four months ended 31 October 2014 to approximately 76.2% for the four months ended 31 October 2015, which was resulted from increase in gross profit from trading of terminals and connectors to global brand name/consumer appliances manufacturers by approximately HK$0.7 million or 1.8 times, due to higher premium charged over lower order quantity and short lead/delivery time of products, from approximately HK$0.4 million for the four months ended 31 October 2014 to approximately HK$1.1 million for the four months 31 October 2015.

Other income

Our other income increased by approximately 37.4%, from approximately HK$91,000 for the four months ended 31 October 2014 to approximately HK$125,000 for the four months ended 31 October 2015. The increase was primarily attributable to bank interest income.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK$0.2 million or 22.2%, from approximately HK$0.9 million for the four months ended 31 October 2014 to approximately HK$1.1 million for the four months ended 31 October 2015. The increase was primarily attributable to increase in transportation costs of products delivery incurred in the PRC by approximately HK$0.2 million or 40.0%, from approximately HK$0.5 million for the four months ended 31 October 2014 to approximately HK$0.7 million for the four months ended 31 October 2015.

Administrative expenses

Our administrative expenses increased slightly by approximately HK$0.1 million or 1.9% from approximately HK$5.2 million for the four months ended 31 October 2014 to approximately HK$5.3 million for the four months ended 31 October 2015. The slight increase was primarily due to an increase in salaries, welfare and other benefits by approximately HK$0.1 million or 3.1% from approximately HK$3.2 million for the four months ended 31 October 2014 to approximately HK$3.3 million for the four months ended 31 October 2015 which was in line with inflation rate.

Other gains and losses

Our other gains and losses increased by approximately HK$2.7 million, or 52.8 times from approximately HK$52,000 for the four months ended 31 October 2014 to approximately HK$2.8 million for the four months ended 31 October 2015. The increase was primarily attributable to the net exchange gain at subsidiaries level incurred over cost of raw materials and products for daily operation in EURO and Ringgit.

Listing expenses

We incurred a Listing expenses of approximately HK$4.8 million for the four months ended 31 October 2015.

Finance costs

Our finance costs increased from nil for the four months ended 31 October 2014 to approximately HK$6,000 for the four months ended 31 October 2015 as a result of a short-term borrowing of TEM Malaysia incurred during the period.

Profit before taxation

As a result of the foregoing factors, our profit before taxation increased by approximately HK$1.0 million or 17.5% from approximately HK$5.7 million for the four months ended 31 October 2014 to approximately HK$6.7 million for the four months ended 31 October 2015.

Income tax expense

Our income tax expense increased by approximately HK$1.7 million or 1.0 times from approximately HK$1.7 million for the four months ended 31 October 2014 to approximately HK$3.4 million for the four months ended 31 October 2015. Our effective tax rate increased from approximately 30.7% for the four months ended 31 October 2014 to approximately 50.4% for the four months ended 31 October 2015. Both increase was owing to the non-tax deductible expenses in relation the Listing which amounted to approximately HK$4.8 million incurred for the four months ended 31 October 2015.

Profit for the period

As a result of the effects of the above factors, our net profit after interest and taxation decreased by approximately HK$0.6 million, or 15.4% from approximately HK$3.9 million for the four months ended 31 October 2014 to approximately HK$3.3 million for the four months ended 31 October 2015. The net profit margin decreased from approximately 8.3% for the four months ended 31 October 2014 to approximately 7.2% for the four months ended 31 October 2015.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our operations primarily through a combination of net cash flow generated from our operations, and bank borrowing. As at 31 October 2015, we had approximately HK$19.6 million in cash and cash equivalents. Our cash and cash equivalents primarily consist of bank balances and cash.

Our principal uses of cash have been, and are expected to fund our operations, capital expenditure for the purchase of machinery and equipment.

Cash flows of our Group

The table below sets out a summary of our consolidated statements of cash flows for the periods indicated.

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	(847)	12,308	(3,637)	(3,541)
Net cash generated from/(used in) investing activities	(12,060)	(14,437)	(9,475)	5,350
Net cash generated from/(used in) financing activities	(300)	936	—	(5,890)
Net increase/(decrease) in cash and cash equivalents	(13,207)	(1,193)	(13,112)	(4,081)
Cash and cash equivalents at beginning of the year/period	**42,213**	**28,703**	**28,703**	**25,242**
Effect of foreign exchange rate changes, net	(303)	(2,268)	(154)	(1,596)
Cash and cash equivalents at end of the year/period	**28,703**	**25,242**	**15,437**	**19,565**

Cash flow from operating activities

We derived our cash inflows from operations principally from the receipts in respect of the sales of our products. Our cash outflows from operations were principally payments for purchases of products and raw materials, selling and distribution expenses, administrative expenses and other operating expenses.

Cash generated from operations reflects our profit before income tax, adjusted for (i) the cash flow effects of certain income statement items, including finance costs, interest income, gain or loss on disposal of items of property, plant and equipment, depreciation, write-down and reversal of write-down of inventories, allowance and reversal of allowance of doubtful debts, impairment loss on goodwill, unrealised exchange gain or loss, and (ii) the effects of changes in our working capital, including changes in inventories, trade receivables, prepayments, deposits and other receivables, trade payables, other payables and advances from customers and accruals.

For the four months ended 31 October 2015, net cash used in operating activities was approximately HK$3.5 million and consisted of cash used in operations of approximately HK$1.7 million and income tax paid of approximately HK$1.8 million. Our cash flow before working capital adjustments was approximately HK$7.2 million. Negative working capital adjustments reflected increase in inventories of approximately HK$4.4 million, primarily due to the increase in the procurement of raw materials to ensure sufficient stock to cater to sales orders prior to the long public holidays in October in the PRC and a decrease in trade and other payables of approximately HK$3.1 million resulting from repayment of utility and other accrual.

For the four months ended 31 October 2014, net cash used in operating activities was approximately HK$3.6 million and consisted of cash used in operations of approximately HK$1.4 million and income tax paid of approximately HK$2.3 million. Our cash flow before working capital adjustments was approximately HK$6.4 million. Negative working capital adjustments reflected an increase in trade and other receivables of approximately HK$3.1 million resulting from an increase in sales incurred compared to prior year and a decrease in trade and other payables of approximately HK$6.0 million resulting from the repayment for the purchase of raw materials in transit which was partially offset by a decrease in inventory of approximately HK$1.4 million.

For FY2015, net cash generated from operating activities was approximately HK$12.3 million, consisting of cash generated from operations of approximately HK$17.7 million and income tax paid of approximately HK$5.4 million. Our cash flow before working capital adjustments was approximately HK$21.5 million. Negative working capital adjustments reflected an increase in inventories of approximately HK$5.6 million owing to the increase in the procurement of raw materials for our new production projects. Such negative adjustments were partially offset by an increase in trade and other payables of approximately HK$4.3 million which was primarily attributable to the increase in trade payables in relation to the procurement of raw materials incurred by the Malaysia Factory and an increase in other payables and accruals due to utility expenses incurred.

For FY2014, net cash used in operating activities was approximately HK$0.8 million, consisting of cash generated from operations of approximately HK$3.1 million and income tax paid of approximately HK$3.9 million. Our cash flow before working capital adjustments was approximately HK$18.9 million. Negative working capital adjustments reflected an increase in trade and other receivables of approximately HK$6.7 million as a result of an increase in the demand of our products from one of the five largest customers and a decrease in trade and other payables of approximately HK$9.8 million. Such negative adjustments were partially offset by a decrease in inventory of approximately HK$0.6 million due to delivery of finished goods near to the year end date.

Cash flow from investing activities

Our cash outflows from investing activities reflected purchases of items of property, plant and equipment, advance to a related company, and placement of pledged deposits. Our cash inflows from investing activities reflected interest received, proceeds from disposal of items of property, plant and equipment, repayment from a related company and net cash from the acquisition of a subsidiary.

Net cash generated from the investing activities for the four months ended 31 October 2015 was approximately HK$5.4 million, which was primarily attributable to repayment from a related company of approximately HK$6.3 million which was of non-trade nature, unsecured, interest free and repayable on demand and partially due to the purchase of property, plant and equipment of approximately HK$0.9 million and improvement of existing production unit of the PRC Factory and purchase of tooling machinery.

Net cash used in the investing activities for the four months ended 31 October 2014 was approximately HK$9.5 million, which was primarily attributable to the following: (i) net advance to a related company of approximately HK$5.1 million which was of non-trade nature, unsecured, interest free and repayable in demand, (ii) purchases of property, plant and equipment of approximately HK$2.1 million and improvement of existing production unit of the PRC Factory, and implementation of ERP System, and (iii) placement of pledged bank deposits of approximately HK$2.4 million.

Net cash used in investing activities for FY2015 was approximately HK$14.4 million, which was primarily attributable to the following: (i) purchases of property, plant and equipment of approximately HK$5.8 million for the expansion and improvement of production units of Malaysia Factory and PRC Factory, (ii) net advance to a related company of approximately HK$6.7 million which was of non-trade nature, unsecured, interest free and repayable in demand, and (iii) placement of pledged bank deposits of approximately HK$2.1 million.

Net cash used in investing activities for FY2014 was approximately HK$12.1 million, which was primarily attributable to (i) net advance to a related company of approximately HK$10.0 million which was of non-trade nature, unsecured, interest free and repayable in demand, (ii) purchases of property, plant and equipment of approximately HK$2.7 million at Malaysia Factory, and (iii) partially offset by interest received approximately HK$0.3 million from bank deposits and proceeds from disposal of property, plant and equipment of approximately HK$0.3 million.

Cash flow from financing activities

Our cash inflows from financing activities primarily include cash received from new bank loans. Our cash outflows from financing activities primarily include dividend paid, repayment of bank borrowing, interest paid and repayment of obligations under finance leases.

Net cash used in financing activities for the four months ended 31 October 2015 was approximately HK$5.9 million, which was attributable to the following: (i) dividend payment to a related company of approximately HK$5.0 million, and (ii) repayment of bank borrowing of approximately HK$0.8 million. As at the Latest Practicable Date, such bank borrowing was fully settled and bank facilities agreement with respective bank was terminated on 16 November 2015.

No cash used in or generated from financing activities for the four months ended 31 October 2014.

Net cash generated from financing activities for FY2015 was approximately HK$0.9 million, which was mainly attributable to bank borrowing obtained with approximately HK$1.0 million incurred.

Net cash used in financing activities for FY2014 was approximately HK$0.3 million, which was attributable to repayment of obligations under finance leases of approximately HK$0.3 million.

CAPITAL EXPENDITURES

Our capital expenditures were approximately HK$2.7 million, HK$5.8 million and HK$0.9 million for FY2014, FY2015 and the four months ended 31 October 2015, respectively. Our capital expenditures were used primarily for (i) machinery and equipment, (ii) implementation of a new ERP system, and (iii) factory and office expansion. During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations.

The table below sets out our capital expenditures for the periods indicated:

	Year ended 30 June		Four months ended 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Additions to:			
Property, plant and equipment	2,650	5,837	909
Total	2,650	5,837	909

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital commitments

The table below sets out the total amount of our capital expenditures contracted for but not yet provided as at the dates indicated:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	163	129	117

Operating lease commitments

(a) Our Group as lessee

We leased certain of our office and dormitory properties as lessee under operating lease arrangements. The terms of the operating lease arrangements are of a range of two to three years with an option for renewal after the end of the lease terms, at which time all terms will be renegotiated.

The table below sets out the aggregate future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June		**As at 31 October**
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,062	2,818	3,425
In the second to fifth year, inclusive	5,065	2,059	1,731
	8,127	4,877	5,156

As at 31 October 2015, no advance payments were made under the lease agreements.

ANALYSIS OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment increased by approximately HK$2.0 million or 23.8% from approximately HK$8.4 million as at 30 June 2014 to approximately HK$10.4 million as at 30 June 2015, primarily due to the addition of property, plant and equipment of approximately HK$5.8 million, depreciation of approximately HK$2.6 million and a decrease in carrying value of property, plant and equipment of approximately HK$1.0 million owing to exchange differences realignment.

Our property, plant and equipment decreased by approximately HK$0.8 million or 7.7% from approximately HK$10.4 million as at 30 June 2015 to approximately HK$9.6 million as at 31 October 2015, primarily due to additions of property, plant and equipment approximately HK$0.9 million, depreciation of approximately HK$0.9 million and a decrease in carrying value of property, plant and equipment approximately HK$0.8 million owing to exchange differences realignment.

Inventories

Our inventories consisted of raw materials, work in progress and finished goods. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories can help us deliver our products to meet the market demand in a timely manner without straining our liquidity. The value of our inventories accounted for approximately 32.9%, 32.9% and 38.5% of our total current assets as at 30 June 2014, 30 June 2015 and 31 October 2015, respectively.

The table below sets out a summary of our inventory balances as at the dates indicated:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	20,483	22,447	24,383
Work in progress	3,327	4,670	3,933
Finished goods	8,842	8,700	8,701
	32,652	35,817	37,017

Our inventory increased by approximately HK$3.1 million or 9.5% from approximately HK$32.7 million as at 30 June 2014 to approximately HK$35.8 million as at 30 June 2015, primarily due to an increase in raw materials and work in progress which was in line with the increase in the manufacturing segment for the periods.

Our inventory increased slightly by approximately HK$1.2 million or 3.4% from approximately HK$35.8 million as at 30 June 2015 to approximately HK$37.0 million as at 31 October 2015, primarily due to an increase in the inventory of raw materials by approximately HK$2.0 million or 8.9% from approximately HK$22.4 million as at 30 June 2015 to approximately HK$24.4 million as at 31 October 2015.

As at 29 February 2016, approximately HK$31.2 million or 84.2% of our inventory as at 31 October 2015 had been used or consumed subsequently.

The table below sets out our inventory turnover days for the periods indicated:

	Year ended 30 June		Four months ended 31 October
	2014	2015	2015
Inventory turnover days *(Note)*	114	131	143

Note: Average inventory turnover days is equal to the average inventory divided by cost of sales and multiplied by 365 days for the years ended 30 June 2014 and 30 June 2015, and multiplied by 123 days for the four months ended 31 October 2015. Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

Our inventory turnover days increased from approximately 114 days for FY2014 to approximately 131 days for FY2015 and further increased to approximately 143 days for the four months ended 31 October 2015. A majority of our customers provide us the projections of the quantities of the products they expect to procure from us. Based on those information, we will work out the purchase requirements for components based on manufacturing and materials lead-time from time to time. The increase in the inventory turnover days was due to increase in inventory stock-up to meet up with new production projects according to the customers' order projections during the Track Record Period. We aim to continue to actively manage our inventory turnover days in the future. Our Group expects that the similar stock-up pattern will continue given that it is expected an increase in the number of new production projects going forward in future.

At each balance sheet date, we state inventory at the lower of cost and net realisable value. If the cost is higher than the net realisable value, we will make the provision for inventory losses through profit or loss. If factors that resulted in the provision for the inventory have disappeared and the net realisable value therefore became higher than the book value, we will reverse the amount of write-down, and recognise the reversed amount in the income statement for the current period. As at 30 June 2014, 30 June 2015 and 31 October 2015, the write-down of inventories were approximately HK$3.5 million, HK$2.4 million and HK$2.2 million, respectively.

Trade receivables

The table below sets out our trade receivables as at the dates indicated:

	As at 30 June		**As at 31 October**
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	37,387	32,816	31,122
Less: Impairment of trade receivables	(5,885)	—	—
Trade receivables — net	31,502	32,816	31,122

Our trade receivables represent receivables from our customers. We generally grant our customers a credit terms ranging from 30 to 120 days from the date of billing.

Our trade receivables increased by approximately HK$1.3 million or 4.1% from approximately HK$31.5 million as at 30 June 2014 to approximately HK$32.8 million as at 30 June 2015, primarily due to an increase of sales from one of our five largest customers during the Track Record Period. As at 30 June 2014, the impairment of trade receivables of approximately HK$5.9 million which was provided in 2009 and our Group did not expect such overdue balance to be recoverable and hence was fully written off for FY2015. Our trade receivables decreased by approximately HK$1.7 million or 5.2% from approximately HK$32.8 million as at 30 June 2015 to approximately HK$31.1 million as at 31 October 2015, primarily due to the tighten control on receipt of trade receivable.

The table below sets out our trade receivables turnover days for the periods indicated:

	Year ended 30 June		Four months ended 31 October
	2014	2015	2015
Trade receivables turnover days *(Note)*	77	89	85

Note: Average trade receivables turnover days is equal to the average trade receivables divided by sales and multiplied by 365 days for the years ended 30 June 2014 and 30 June 2015, and multiplied by 123 days for the four months ended 31 October 2015. Average trade receivables equals trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two.

Our trade receivables turnover days increased from approximately 77 days for FY2014 to approximately 89 days for FY2015, primarily due to the increased in overall sales as a result of our Group offered a longer credit period to one of our five largest customers. Our trade and receivables turnover days decreased to approximately 85 days for the four months ended 31 October 2015. We intend to maintain our trade receivables turnover days at a level of less than approximately 90 days and have undertaken measures aimed at reducing our trade receivables turnover days. We regularly review our customers' payment history and also review the aging of our trade receivables on a monthly basis. We believe our credit control policy is appropriate.

The table below sets out the aging analysis of our trade receivables as at the dates indicated, based on the invoice date/date of delivery of goods and net of provisions:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	15,296	17,491	14,278
31–60 days	7,497	10,910	11,735
61–90 days	7,594	3,128	3,416
Over 90 days	1,115	1,287	1,693
	31,502	32,816	31,122

The table below sets out the aging analysis of our trade receivables that were past due but not impaired as at the dates indicated:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Overdue:			
1–30 days	4,569	3,732	3,976
31–60 days	1,725	928	642
61–90 days	187	77	25
Over 90 days	505	452	578
	6,986	5,189	5,221

We consider an amount that is not paid on schedule pursuant to the credit term agreed with us to be past due. As at 30 June 2014, 30 June 2015 and 31 October 2015, the amounts past due but not impaired of our trade receivables were approximately HK$7.0 million, HK$5.2 million and HK$5.2 million, representing approximately 22.2%, 15.8% and 16.8% of our net trade receivables, respectively. The decrease in the amounts past due of our trade receivables as at 30 June 2015 was primarily due to closer monitor of the collection of trade receivables and past due amount. We do not hold any collateral against our trade receivables. We review the aging of trade receivables on a monthly basis.

As at 29 February 2016, approximately HK$30.3 million, or 97.3% of our trade receivables outstanding as at 31 October 2015 had been subsequently settled.

Prepayments, deposits and other receivables

The table below sets out our prepayments, deposits and other receivables as at the dates indicated:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Prepayment, deposits and other receivables	2,511	2,281	2,290

Our prepayments, deposits and other receivables decreased by approximately HK$0.2 million or 8.0% from HK$2.5 million as at 30 June 2014 to approximately HK$2.3 million as at 30 June 2015, primarily due to deposit made for lease agreement of our Group. Our prepayments, deposits and other receivables remained stable as at 31 October 2015 with approximately HK$2.3 million.

Pledged bank deposits/bank balances and cash

Pledged bank deposits represent guaranteed bank deposits in a designated bank account as security for our general banking facilities granted to TEM Malaysia. Bank balances and cash comprised of short-term bank deposit and cash held by us. During the Track Record Period, pledged bank deposits and bank balances carried interest at interest rates ranging from approximately 0.01% to 4.05% per annum.

The table below sets out the breakdown of our bank balances and cash that are denominated in currencies other than the functional currencies at subsidiary levels as at the dates indicated:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash			
— USD	15,279	6,734	11,465
— THB	3,992	436	230
— EUR	770	3,248	2,332

Amounts due from/to a related company

As at 30 June 2014, 30 June 2015 and 31 October 2015, the amount due from a related company was approximately HK$3.2 million, HK$10.0 million and HK$3.7 million, respectively, which had been settled as at the Latest Practicable Date. The amount due from a related company, namely New Universe, was a non-trade nature, unsecured, interest-free and repayable on demand.

As at 29 February 2016, the amount due to a related company, namely New Universe, was approximately HK$3.9 million, which will be fully settled prior to the Listing.

Trade payables

As at 30 June 2014, 30 June 2015 and 31 October 2015, our trade payables were approximately HK$15.3 million, HK$16.4 million and HK$12.4 million, respectively.

Our trade payables mainly relate to the purchase of raw materials from our suppliers. Our suppliers generally granted us credit terms of approximately 30 to 90 days during the Track Record Period. Our trade payables increased by approximately HK$1.1 million or 7.2% from approximately HK$15.3 million as at 30 June 2014 to HK$16.4 million as at 30 June 2015, primarily due to an increase in purchase of raw materials. Our trade payables decreased to approximately HK$12.4 million as at 31 October 2015.

The table below sets out our trade payables turnover days for the periods indicated:

	Year ended 30 June		Four months ended 31 October
	2014	2015	2015
Trade payables turnover days (Note)	49	61	56

Note: Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days for the years ended 30 June 2014 and 30 June 2015, and multiplied by 123 days for the four months ended 31 October 2015. Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period and divided by two.

Our trade payables turnover days increased from approximately 49 days for FY2014 to approximately 61 days for FY2015, primarily due to a high balance of our trade payable as at 30 June 2015, resulting from an increase in our purchase of raw materials and products in the first half of 2015. Our trade payables turnover days were approximately 56 days for the four months ended 31 October 2015.

The table below sets out the aging analysis of our trade payables as at the dates indicated, based on the invoice date:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	8,723	6,449	4,788
31-60 days	3,433	5,353	3,268
61–90 days	3,004	3,601	3,513
More than 90 days	129	961	809
	15,289	16,364	12,378

As at 29 February 2016, approximately HK$12.4 million, or 99.9% of our trade payables as at 31 October 2015 had been subsequently settled.

Other payables and accrued expenses

The table below sets out the breakdown of our other payables and accrued expenses as at the dates indicated:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	1,384	2,352	1,490
Accrued expenses	2,826	3,095	3,246
	4,210	5,447	4,736

Our other payables and accrued expenses increased by approximately HK$1.2 million or 28.6% from approximately HK$4.2 million as at 30 June 2014 to approximately HK$5.4 million as at 30 June 2015 primarily due to an increase in (i) accrued salaries and wages, (ii) other payable for expansion of the PRC Factory, and (iii) VAT payable at TEM Jiangmen.

Our other payables and accrued expenses were approximately HK$4.7 million as at 31 October 2015.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

Interest-bearing bank borrowing

During the Track Record Period, we used bank loans to manage our general working capital requirements.

The table below sets out the breakdown of our bank loans as at the dates indicated:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	—	960	—

As at 30 June 2015, the effective interest rate of our bank loans was approximately 1.35% per annum.

RELATED PARTY TRANSACTIONS

As at 30 June 2014, 30 June 2015 and 31 October 2015, amounts due from a related company were approximately HK$3.2 million, HK$10.0 million and HK$3.7 million, respectively. For details, please refer to note 18 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, our Group entered into the Brascabos Group Transaction, a related party transaction, details of which are set out below:

		Year ended 30 June		Four months ended 31 October	
Related party	**Nature of transaction**	**2014**	**2015**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Brascabos Group	Sale of machineries and equipment	8,576	865	865	—

On 9 October 2015, our Group entered into a service contract with REF Holdings for the printing services in relation to the proposed initial listing of the shares of our Company on GEM. For the four months ended 31 October 2015, no expenses are yet recognised in profit or loss.

During the Track Record Period, the following financial guarantees were given by related parties to our Group:

- as at 30 June 2015 and 31 October 2015, the general banking facilities granted by a bank to TEM Malaysia was secured by a personal guarantee of RM5,200,000 and RM5,200,000 (equivalent to approximately HK$10,657,000 and HK$9,326,000, respectively) from Mr. Lau. The banking facilities was terminated on 16 November 2015; and

- as at 30 June 2014, another banking facility granted to BAP Trading was secured by a personal guarantee of HK$10,000,000 provided by Mr. Lau and corporate guarantee of HK$10,000,000 provided by the Brascabos Group. The banking facilities has been terminated during the year ended 30 June 2015.

For details of related party transactions, see note 28 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances with related parties and personal guarantee provided by Mr. Lau will be settled and/or released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

NET CURRENT ASSETS

The following table sets out the breakdown of our current assets, current liabilities, and net current assets as at 30 June 2014, 30 June 2015, 31 October 2015 and 29 February 2016, being the latest practicable date for determining our Group's indebtedness:

	As at 30 June		As at 31 October	As at 29 February
	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Inventories	32,652	35,817	37,017	33,001
Amount due from a related company	3,240	9,982	3,724	—
Trade and other receivables	34,013	35,097	33,412	27,112
Pledged bank deposits	723	2,664	2,390	729
Bank balances and cash	28,703	25,242	19,565	25,991
Total current assets	**99,331**	**108,802**	**96,108**	**86,833**
Current liabilities				
Amount due to a related company	—	—	—	3,908
Trade and other payables	19,499	21,811	17,114	9,218
Bank borrowing	—	960	—	—
Tax payable	686	867	2,650	1,797
Total current liabilities	**20,185**	**23,638**	**19,764**	**14,923**
Net current assets	**79,146**	**85,164**	**76,344**	**71,910**

As at 31 October 2015, our net current assets decreased by approximately HK$8.9 million or 10.4% from approximately HK$85.2 million as at 30 June 2015 to approximately HK$76.3 million as at 31 October 2015, which was primarily due to (i) a decrease in amount due from a related company of approximately HK$6.3 million, being non-trade, unsecured, interest-free and repayable on demand, (ii) a decrease in bank balances and cash of approximately HK$5.7 million, and (iii) a decrease in trade and other payables of approximately HK$4.7 million.

As at 30 June 2015, our net current assets increased by approximately HK$6.1 million from approximately HK$79.1 million as at 30 June 2014 to approximately HK$85.2 million as at 30 June 2015, which was primarily due to (i) an increase in inventories of approximately HK$3.2 million, (ii) an increase in amount due from a related company of approximately HK$6.7 million, (iii) a decrease in bank balances and cash of HK$3.5 million, and (iv) an increase in trade and other payables of approximately HK$2.3 million.

As at 29 February 2016, being the latest practicable date for determining our Group's indebtedness, the unaudited net current assets of our Group were approximately HK$71.9 million.

Working Capital Management

We adopt the following approaches to manage our Group's working capital requirements:

(i) we will monitor our cash flow situation closely and adopt a more conservative approach on further working capital requirements, capital commitment, and investment, if any;

(ii) we expect to finance our operation and capital requirement by utilising our existing financial resources. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material difficulty or obstacle in obtaining financing and banking facilities from banks and financial institutions nor did we receive any notice from banks and financial institutions for early payment of outstanding banking facilities. In the event of any additional funds required, we will obtain banking facilities and we do not expect we will encounter any material difficulty in securing banking facilities from banks and financial institutions;

(iii) we expect to generate more stable stream of cash flows from operating activities upon an upgrade and an increase in our production capacity in the future plans. As a result of our increased capacity as well as utilisation rate, we believe we are able to capture more business opportunities and secure more sales, thereby generating more cash flows from our operations. As we adopted a conservative approach to retain our working capital for fulfilment of our coming financial obligation and capital requirement, we expect to generate stable cash flow from our operating activities in the future; and

(iv) net proceeds that we expect to receive from the Placing are estimated to be approximately HK$52.0 million (being the mid-point of the indicative Placing Price range of HK$0.50 per Placing Share). We will review our implementation plan in relation to the expansion and capital requirements from time to time and reschedule our implementation plan if necessary. Our Directors are committed to keep monitoring our working capital requirements as well as financial position.

Working Capital Sufficiency

We have historically financed our operations through cash from operating activities, bank facilities and shareholder contributions. During the Track Record Period, our Group had fully settled the bank borrowing of approximately HK$1.0 million and, subsequently, terminated the bank facilities with the respective bank on 16 November 2015.

Our Directors are of the opinion, and the Sole Sponsor and the Reporting Accountants concur, that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus, taking into account (i) our Group's bank balance of cash, and pledged bank deposits as at 29 February 2016, (ii) the cash flows from our operations, and (iii) the estimated net proceeds from the Placing.

Our Directors confirm that there had not been any material defaults in payment of trade and other payables and bank borrowing or any material covenants relating to our Group's outstanding borrowing during the Track Record Period.

KEY FINANCIAL RATIOS

The table below sets out a summary of our key financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 30 June		As at/For the four months ended 31 October
	2014	2015	2015
Key financial ratios			
Current ratio *(Note 1)*	4.9 times	4.6 times	4.9 times
Quick ratio *(Note 2)*	3.3 times	3.1 times	3.0 times
Gearing ratio *(Note 3)*	N/A	1.0%	N/A
Return on total assets *(Note 4)*	13.6%	13.7%	9.3%
Return on equity *(Note 5)*	16.7%	17.1%	11.4%
Gross profit margin *(Note 6)*	26.1%	27.6%	32.3%
Net profit margin *(Note 7)*	10.7%	12.5%	7.2%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the respective year/period end.

3. Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year/period end and multiplied by 100%.

4. Return on total assets is calculated by profit after taxation for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%. Return on total assets as at 31 October 2015 has been annualised by dividing the net profit by 123 days and multiplied by 365 days.

5. Return on equity is calculated by profit after taxation for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%. Return on equity as at 31 October 2015 has been annualised by dividing the net profit by 123 days and multiplied by 365 days.

6. Gross profit margin is calculated by the gross profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

7. Net profit margin is calculated by net profit after tax for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

Current ratio

Our Group's current ratio remained stable, which was approximately 4.9 times and 4.6 times as at 30 June 2014 and 30 June 2015, respectively. Such decrease in current ratio for FY2015 as compared to FY2014 was primarily due to the increase in trade and other payables by approximately HK$2.3 million and increase in short-term bank borrowings of approximately HK$1.0 million. The current ratio increased to approximately 4.9 times as at 31 October 2015. Such improvement was due to the decrease of trade and other payables of approximately HK$4.7 million and full settlement of all bank borrowing as at 30 October 2015.

Quick ratio

Our Group's quick ratio remained relatively stable, which was approximately 3.3 times and 3.1 times as at 30 June 2014 and 30 June 2015, respectively. The decrease in quick ratio for FY2015 as compared to FY2014 was due to the increase in trade and other payables by approximately HK$2.3 million, and increase in inventories by approximately HK$3.2 million. The quick ratio as at 31 October 2015 further decreased to approximately 3.0 times was mainly due to a decrease in the amount due from a related company by approximately HK$6.3 million, decrease in bank balances and cash by approximately HK$5.7 million and decrease in trade and other receivables by approximately HK$1.7 million.

Gearing ratio

Our Group's low gearing ratio of approximately 1.0% as at 30 June 2015 was mainly attributable to our small secured short-term bank borrowing of approximately HK$1.0 million. We did not have any external borrowing as at 30 June 2014 and 31 October 2015. As such, our Group's gearing ratios as at 30 June 2014 and 31 October 2015 were not applicable to us. As at the Latest Practicable Date, all bank borrowing was fully settled.

Return on total assets

Our Group's return on total assets was approximately 13.6% and 13.7% as at 30 June 2014 and 30 June 2015, respectively. As at 31 October 2015, our Group's return on total assets was reduced to approximately 9.3% because of the one-off and non-tax deductible Listing expenses incurred of approximately HK$4.8 million for the four months ended 31 October 2015.

Return on equity

Our Group's return on equity was approximately 16.7% and 17.1% as at 30 June 2014 and 30 June 2015, respectively. As at 31 October 2015, our Group's return on equity was reduced to approximately 11.4% because of the one-off and non-tax deductible Listing expenses incurred of approximately HK$4.8 million for the four months ended 31 October 2015.

Gross profit margin

Our gross profit margin increased slightly from approximately 26.1% for FY2014 to approximately 27.6% for FY2015 which was mainly attributable to the significant increase in gross profit margin of the trading of terminals and connectors from approximately 54.0% for FY2014 to approximately 64.6% for

FY2015. Such increase in gross profit margin was mainly because we were able to fulfil the minimum order quantity requirements from Supplier A and maintained sufficient inventory level, so that we could deliver our products in a short lead time and charged to our trading customers at high premium.

The gross profit margin increased by approximately 7.7% from approximately 24.6% for the four months ended 31 October 2014 to approximately 32.3% for the four months ended 31 October 2015. The increase in gross profit margin was mainly contributed to the increase in gross profit margin from the manufacturing segment from approximately 24.0% for the four months ended 31 October 2014 to approximately 30.9% for the four months ended 31 October 2015 resulted from the decrease in cost of sales under manufacturing segment due to the consumption of inventories at lower cost for the four months ended 31 October 2015, while the increase in gross profit margin from the trading segment from approximately 33.3% for the four months ended 31 October 2014 to approximately 56.2% for the four months ended 31 October 2015 was due to increase in gross profit margin from trading of terminals and connectors. Such increase was mainly attributable to the higher premium charged to global brand home/consumer appliances manufacturers that we generally offer order placing flexibility with lower order quantity than the standard MOQ and shorter lead/delivery time of products.

Net profit margin

Our net profit margin increased by approximately 1.8% from approximately 10.7% for FY2014 to approximately 12.5% for FY2015 which mainly resulted from the improved gross profit margin and the net exchange gain with approximately HK$4.1 million which classified as other gains and losses for FY2015. The net profit margin decreased from approximately 8.3% for the four months ended 31 October 2014 to approximately 7.2% for the four months ended 31 October 2015 owing to non-tax deductible Listing Expense of approximately HK$4.8 million for the four months ended 31 October 2015.

INDEBTEDNESS

Amount due to a related company

The table below set out our amount due to a related company as at 30 June 2014, 30 June 2015, 31 October 2015 and 29 February 2016, being the latest practicable date for the purpose of indebtedness statement:

	As at 30 June		As at 31 October	As at 29 February
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Amount due to a related company	—	—	—	3,908

Amount due to a related company is non-trade in nature and is unsecured, interest-free and repayable on demand. Such amount represents advance from the related company to us for financing our daily operations.

Bank borrowing

The table below sets out our borrowing as at 30 June 2014, 30 June 2015, 31 October 2015 and 29 February 2016, being the latest practicable date for the purpose of indebtedness statement:

	As at 30 June		As at 31 October	As at 29 February
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Bank loan — secured	—	960	—	—

We mainly used proceeds from our bank borrowing to finance our general working capital requirements.

As at 29 February 2016, being the latest practicable date for the purpose of indebtedness statement, we did not have any bank borrowing or facilities.

There were no material restrictive covenants relating to any of our outstanding debts. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not breach any restrictive covenants. During the Track Record Period, we had not experienced difficulties in obtaining bank borrowing and/or overdrafts and finance leases. As at the Latest Practicable Date, our Directors confirm that we had no material external financing plan. Since the Latest Practicable Date and up to the date of this prospectus, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2014, 30 June 2015 and 31 October 2015, we did not have any significant contingent liabilities, respectively.

As at 29 February 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this prospectus, save and except disclosed in this prospectus and below, we did not have any material contingent liabilities.

Disclaimer

Save as above or as otherwise disclosed herein, we did not have any other outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 29 February 2016, being the latest practicable date for determining our Groups indebtedness.

Our Directors confirm that there has not been any material adverse change in our Group's indebtedness, capital commitments and contingent liabilities since 29 February 2016, being the latest practicable date for determining our Group's indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Further, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

DIVIDENDS

During the Track Record Period, the dividends declared and paid by our Group was approximately HK$5.0 million for the four months ended 31 October 2015. Save and except for the declaration of the above dividends, as at the Latest Practicable Date, we had no intention to pay dividends prior to the Listing.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors our Board may deem relevant.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which also require the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board will consider the relevant factors when determining the dividends to be declared if any. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

As at 31 October 2015, our Company had no distributable reserves available for distribution to our Shareholders.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

The carrying amounts of our Group's monetary assets (mainly included trade receivables, amount due from a related company, pledged bank deposits and bank balances and cash) and monetary liabilities (mainly included trade payables and bank borrowing) denominated in foreign currencies, such as currency other than the functional currency of the respective group entities at the end of the reporting period, are as follows:

	As at 30 June				**As at 31 October**	
	2014		**2015**		**2015**	
	HK$'000	*% of total assets of our Group*	*HK$'000*	*% of total assets of our Group*	*HK$'000*	*% of total assets of our Group*
Assets						
US$	38,137	35.4	27,695	23.1	32,358	30.4
EURO	2,691	2.5	5,963	5.0	4,556	4.3
THB	4,118	3.8	438	0.4	230	0.2

	As at 30 June				**As at 31 October**	
	2014		**2015**		**2015**	
	HK$'000	*% of total liabilities of our Group*	*HK$'000*	*% of total liabilities of our Group*	*HK$'000*	*% of total liabilities of our Group*
Liabilities						
US$	6,678	32.6	8,539	36.1	5,274	26.7
EURO	4,370	21.3	2,636	11.2	2,416	12.2
THB	124	0.6	74	0.3	15	0.1

As at 30 June 2014, 30 June 2015 and 31 October 2015, if the functional currencies of the relevant group entities had strengthened against the relevant foreign currencies by 5% and with all other variables held constant, our profit before taxation for the year/period would increase (decrease) by:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Foreign currencies			
US$	(1,573)	(958)	(1,354)
EURO	84	(166)	(107)
THB	(200)	(18)	(11)

Interest rate risk

During the Track Record Period, our risk exposure of changes in market interest rates relates primarily to our interest-bearing loans and borrowings with a floating interest rate.

Credit risk

We have policies in place to ensure credit terms are only granted to customers with an appropriate credit history and assessment, and we perform periodic credit evaluations on them, taking into account their financial position, past experience and other factors. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

As at 30 June 2014, 30 June 2015 and 31 October 2015, all of our bank balances and cash were deposited with major financial institutions in Hong Kong, Singapore, Malaysia and the PRC, which did not have recent history of default.

During the Track Record Period, the carrying amounts of pledged bank deposits, bank balances and cash, and trade receivables and amount due from a related company included in the combined statements of financial position represented our maximum exposure to credit risk in relation to our financial assets. We had no other financial assets which had carried significant exposure to credit risk.

Liquidity risk

Our liquidity position is monitored closely by our management. In the management of our liquidity risk, we maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Please refer to note 30 of the Accountants' Report in Appendix I to this prospectus for details.

FINANCIAL INSTRUMENTS

During the Track Record Period, we did not enter into any other financial instruments for hedging purposes.

LISTING EXPENSES

For the years ended 30 June 2014 and 30 June 2015, respectively, we did not incur any Listing expenses. For the four months ended 31 October 2015, we incurred Listing expenses of approximately HK$4.8 million. We expect to incur total Listing expenses of approximately HK$23.0 million for the year ending 30 June 2016, of which (i) approximately HK$4.8 million has been recognised in the income statement, (ii) approximately HK$11.4 million is expected to be recognised in the income statement, and (iii) HK$6.8 million is expected to be recognised as a deduction in equity directly for the year ending 30 June 2016. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and result of operations for the four months ended 31 October 2015 has been, and the year ending 30 June 2016 will be, significantly and adversely affected by the expenses in relation to the Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group is for illustration purposes only, and is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 October 2015 as if the Placing had taken place on 31 October 2015.

The unaudited pro forma statement of adjusted combined net tangible assets below has been prepared for illustration purpose only and because of its hypothetical nature, it may not give a true picture of the combined financial position of our Group attributable to the owners of our Company had the Placing been completed on 31 October 2015 or at any future dates.

The unaudited pro forma statement of adjusted combined net tangible assets below is prepared based on the audited combined net tangible assets attributable to the owners of our Company as at 31 October 2015 as extracted from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below:

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 October 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of our Company
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Placing Price of HK$0.45 per Share	86,649	49,606	136,255	22.71
Based on the Placing Price of HK$0.55 per Share	86,649	64,156	150,805	25.13

Notes:

(1) The audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 October 2015 is based on the audited combined net assets of our Company attributable to the owners of our Company of approximately HK$86,649,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Placing are based on 150,000,000 Shares at the Placing Price of lower limit and upper limit of HK$0.45 per Share and HK$0.55 per Share, respectively, after deduction of the underwriting commissions and fees and other related fees expected to be incurred by our Group subsequent to 31 October 2015.

(3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share are determined after the adjustments as described in note 2 above and on the basis that 600,000,000 Shares are issued (assuming the Placing had been completed on 31 October 2015).

(4) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company does not take account of any trading or other transactions subsequent to 31 October 2015.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances where our Group had been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules and would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT

Subsequent to 31 October 2015, we have continued to focus on our business operations and expansion. Our Directors expect that our Group continues to maintain our pricing terms with our customers in general as well as gross profit margin for the year ending 30 June 2016, although we have encountered weaker market conditions mainly as a result of slowdown in the growth of the global market, the possible further increase in interest rate by the US Federal Reserves. According to the Euromonitor Report, the estimated retail sales value of consumer appliance in the Asia Pacific Region is estimated to grow over the period between 2015 to 2019. The demand for our wire/cable harnesses and power cords will continue to be driven by the sale and growth of consumer appliance in the Asia Pacific Region. Notwithstanding the weakening of the global economy, the wire/cable harness and power cords market can benefit from the continuous urbanisation in China, the increase in consumerisms on consumer appliances from rural consumers in Thailand and the growing demand of energy efficient consumer appliances from Malaysia. Given the above, our Directors confirm that there have not been any material adverse changes in our financial and trading position and prospects subsequent to the Track Record Period and up to the Latest Practicable Date.

Our Group's unaudited financial information for the eight months ended 28 February 2015 and 29 February 2016, prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", which was reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

According to the unaudited management accounts of our Group, (i) our unaudited revenue amounted to approximately HK$82.9 million for the eight months ended 29 February 2016, representing a decrease of approximately 5.7% compared to approximately HK$87.9 million for the eight months ended 28 February 2015, and (ii) our unaudited gross profit amounted to approximately HK$23.9 million for the eight months ended 29 February 2016, representing an increase of approximately 3.9%

compared to approximately HK$23.0 million for the eight months ended 28 February 2015. We have maintained a stable gross profit margin for the eight months ended 29 February 2016 as the unaudited gross profit margin slightly increased from approximately 26.2% for the eight months ended 28 February 2015 to approximately 28.9% for the eight months ended 29 February 2016.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for expenses incurred in relation to the Listing as disclosed in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our consolidated statement of comprehensive income.

Our Group is expected to record a decrease in profit for the year ending 30 June 2016, which is mainly due to (i) the non-recurring and non-tax deductible expense in relation to the Listing to be incurred, and (ii) the expected increase in administrative expenses (including remuneration of our Directors, additional staff in administration, accounting and finance department and professional fees) of our Group. For details, please refer to the section headed "Risk Factors — Our future financial performance will be negatively affected by the Listing expenses incurred in connection with the Listing" in this prospectus and the paragraph headed "Listing expenses" in this section.

NO MATERIAL ADVERSE CHANGE

Save for the Listing expenses to be recognised for the year ending 30 June 2016, our Directors confirm that (i) there has been no material adverse change in the general economic and market condition, legal, industry and operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position or prospects of our Group since 31 October 2015, being the date to which the latest financial information of our Group was made up and recorded in the Accountants' Report set out in Appendix I to this prospectus, and up to the date of this prospectus, and (ii) no event has occurred since 31 October 2015 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

BUSINESS OBJECTIVES

Our Group's principal business objective is to maintain and strengthen our Group's position as an established manufacturer in the wire/cable harnesses industry.

BUSINESS STRATEGIES

Please refer to the section headed "Business — Business Strategies" in this prospectus for our business strategies.

IMPLEMENTATION PLAN

We will endeavour to achieve the milestone events set out below during the period from the Latest Practicable Date to 30 June 2018. Their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and Assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" in this prospectus. As such, there can be no assurance that our plans will materialise in accordance with the expected time frame or that our objective will be accomplished at all.

Based on our business objectives, we intend to carry out the following implementation plans:

1. For the period from the Latest Practicable Date to 30 June 2016

To upgrade and increase our production capacity	• To carry out factory improvement by designing the layout and making arrangement renovation for the new building we recently leased at the PRC Factory. A new production facility area will be added at this new building in anticipation of additional capacity required in 2017. • To place orders for two units and three units of fully-automated machines for our production facilities in the Malaysia Factory and the PRC Factory, respectively in anticipation of an increased capacity requirement arising from anticipated additional orders and to replace our semi-automatic machines. • To place orders for two sets of tooling/equipment for our production facility at the Malaysia Factory in anticipation of an increased capacity requirement arising from anticipated additional orders and to replace old tooling/equipment.

To enhance our manufacturing, information technology and human resources management capabilities	• To upgrade our information technology system at the PRC Factory by planning to introduce an ERP system so as to help improve our operational needs, productivity and cost due to better inventory management.
	• To plan for the upgrade of our design software and hardware at the Malaysia Factory and the PRC Factory so as to raise our design production capability level.

2. For the six months ending 31 December 2016

To upgrade and increase our production capacity	• To carry out factory improvement at the PRC Factory by commencing renovation and the layout of the production facility at the new building we recently leased at the PRC Factory.
	• To carry out factory improvement by planning the renovation of our production facility in the current building in the Malaysia Factory to improve our factory operation area. We will replace ventilation system (cooling system and air conditioning system) at the factory production area at the Malaysia Factory so as to improve the working environment and enhance productivity.
	• To take delivery and install the two units and three units of fully-automated machines for our production facilities in the Malaysia Factory and the PRC Factory, respectively.
	• To take delivery and install two sets of tooling/equipment at our production facility in the Malaysia Factory.
	• To place order for one unit of fully-automated machine at our production facility in the PRC Factory in anticipation of an increased capacity requirement arising from anticipated additional orders and to replace our semi-automatic machines.

	• To place orders for two sets of tooling/equipment for our production facilities in each of the Malaysia Factory and the PRC Factory, respectively in anticipation of an increased capacity requirement arising from anticipated additional orders to replace old tooling/equipment.
To enhance our manufacturing, information technology and human resources management capabilities	• To carry out an upgrade of our information technology system in the PRC Factory by introducing the ERP system.
	• To improve our information technology system in the Malaysia Factory by planning to upgrade the ERP system so as to improve our production planning, productivity and inventory management.
	• To implement our design software and hardware system upgrade in our Malaysia Factory and the PRC Factory.
	• To recruit two design engineers, two operations engineers, one sales manager, one sales engineer and two technical staff to strengthen our human resources.
	• To upgrade our manufacturing ISO at the PRC Factory from ISO 9001 to ISO 14001. ISO 14001 is an enhanced version of 9001 that includes environmental management.
	• To obtain further agency approval certifications such as Verband Deutscher Elektrotechniker standard (VDE)/Underwriter Laboratories Certification (UL)/Standards Association of Australian (SAA) for the PRC Factory to enhance our production capability level.
To strengthen our sales and marketing efforts	• To visit key customers in the Asia Pacific Region and Europe as part of our marketing effort to achieve our sales objectives.

- To participate in trade shows in Germany and the PRC with a view to enhancing our reputation and soliciting new customers.

3. For the six months ending 30 June 2017

To upgrade and increase our production capacity

- To carry out factory improvement by replacing the ventilation system (cooling system and air conditioning system) for the production facility in the Malaysia Factory.
- To take delivery and install one unit of fully-automated machine for our production facility in the PRC Factory.
- To take delivery and install two sets of tooling/equipment at our production facilities in each of the Malaysia Factory and the PRC Factory, respectively.
- To place orders for two sets of tooling/equipment for our production facilities in each of the Malaysia Factory and the PRC Factory, respective in anticipation of an increased capacity requirement arising from anticipated additional orders and to replace old tooling/equipment.

To enhance our manufacturing, information technology and human resources management capabilities

- To carry out the improvement of our information technology system at the Malaysia Factory by upgrading the ERP system.
- To plan for an upgrade of our design software and hardware system in the Malaysia Factory and the PRC Factory so as to raise our production/production capability level.
- To recruit one production manager, two design engineers, two operations engineers, one sales engineer and two technical staff to strengthen our human resources.

To strengthen our sales and marketing efforts	• To visit key customers in the Asia Pacific Region and Europe as part of our marketing effort to achieve our sales objectives. • To participate in a trade show in the PRC.

4. For the six months ending 31 December 2017

To upgrade and increase our production capacity	• To take delivery and install two sets and three sets of tooling/equipment for our production facilities in the Malaysia Factory and the PRC Factory, respectively. • To place orders for two units and four units of fully-automated machines for our production facilities in the Malaysia Factory and the PRC Factory, respectively, in anticipation of an increase in the capacity requirement arises from anticipated additional orders and to replace our semi-automated machines.
To enhance our manufacturing, information technology and human resources management capabilities	• To implement our design software and hardware system upgrade in the Malaysia Factory and the PRC Factory. • To recruit two design engineers, three operations engineers, two sales engineers and two technical staff to strengthen our human resources. • To obtain ISO/TS16949 technical certification in respect of the development of a quality management system that provides for continual improvement and additional Verband Deutscher Elektrotechniker standard (VDE)/Underwriter Laboratories Certification (UL)/Standards Association of Australian (SAA) certification to further enhance our production capability level.
To strengthen our sales and marketing efforts	• To visit key customers in the Asia Pacific Region and Europe as part of our marketing effort to achieve our sales objectives.

	• To participate in trade shows in Germany and the PRC with a view to enhancing our reputation and soliciting new customers.

5. For the six months ending 30 June 2018

To upgrade and increase our production capacity	• To continue to carry out factory improvement.
	• To purchase five fully-automated machines for our production facility in the PRC Factory.
	• To purchase four fully-automated machines for our production facility in the Malaysia Factory.
	• To purchase two sets of tooling/equipment at our production facility in the PRC Factory.
	• To purchase three sets of tooling/equipment at our production facility in the Malaysia Factory.
To enhance our manufacturing, information technology and human resources management capabilities	• To carry out the improvement of our information technology system at the Malaysia Factory and the PRC Factory.
	• To plan for upgrade of our design software and hardware for our production facilities in the Malaysia Factory and the PRC Factory.
	• To recruit two design engineers, one sales engineer, three operation engineers and four other technical staff.
To strengthen our sales and marketing efforts	• To visit key customers in New Zealand, the PRC, other part of Asia and Europe.
	• To participate in a trade show in the PRC.

The above plan will be financed by the net proceeds from the Placing.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- there will be no significant economic changes in respect of inflation, interest rate, tax rate and currency exchange rate in the PRC, Hong Kong, Malaysia and Singapore that will adversely affect our business;
- we will have sufficient financial resources to meet our planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in the PRC, Hong Kong, Malaysia, Singapore or any part of the world), policies or industry or regulatory treatment relating to our Group, or in the political, economic or market conditions in which we operate;
- there will be no changes in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no changes in the effectiveness of the licenses and permits obtained by our Group; and
- we will not be materially affected by the risk factors set out in the section headed "Risk Factors" in this prospectus.

REASONS FOR THE PLACING

According to the implementation plan as disclosed in the section headed "Future Plans and Use of Proceeds" in this Prospectus, the total expenditure for the implementation plan (the "**Total Expenditure**") is estimated to be approximately HK$47.6 million during the period from the Latest Practicable Date and up to 30 June 2018, which will be entirely financed by the net proceeds from the Placing. For details, please refer to the section headed "Future Plans and Use of Proceed — Implementation Plan" in this prospectus.

As at 29 February 2016, being the date for determining our Group's indebtedness, our Group's cash and cash equivalent was approximately HK$26.0 million. Our Directors consider that, it is necessary to maintain a cash level to support our Group's existing operations and growth through continuing organic expansion, given that the expected cash outflow in the near future, includes: (i) the repayment of the amount due to a related company as at the Latest Practicable Date of approximately HK$5.0 million before the Listing, and (ii) the maximum net working capital cash outflow of approximately HK$15.8 million during the Track Record Period. According to the Accountants' Report set out in Appendix I to this prospectus, our Group had sufficient cash to sustain its daily operation during the Track Record Period, with the maximum net working capital cash outflow exposure of approximately HK$15.8 million for the year ended 30 June 2014 and with the average net working capital cash outflow of approximately HK$9.5 million during the Track Record Period. Movement of net working capital cash outflow of approximately HK$15.8 million, HK$3.8 million and HK$9.0 million were noted for the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, respectively. In view of the above, our Directors consider that the net proceeds from the Placing are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

In addition, our Directors believe that the Listing of our Company is to gain access to the capital market for future growth with opportunities to raise funds not only at Listing but also at a later stage. Assuming a Placing Price of HK$0.50 per Placing Share, being the mid-point of the indicative Placing Price range of HK$0.45 to HK$0.55 per Placing Share, the gross proceeds for the Placing are estimated to be approximately HK$75.0 million, and the net proceeds from the Placing are estimated to be approximately HK$52.0 million, after deducting underwriting fees and estimated expenses paid or payable of our Company in connection thereto.

Despite the considerable expenses for the Listing, our Directors decide to proceed with this form of equity financing for the purpose of our business expansion instead of the debt financing because our Directors are in the views that to maintain low level of gearing ratio throughout the Track Record Period would benefit to our Group and Shareholders as a whole. Our Directors also believe that the Listing will (i) allow our Group to establish a platform with ability to access the Hong Kong equity market for funding the development and expansion of its business, and (ii) and enhance our Group's corporate image. In addition, given that (i) the uncertain interest rate movement going forward (which may expose to increasing borrowing costs in the future via debt financing), and (ii) borrowing rate in the PRC is relatively high, our Directors believe that our Group's financial performance and liquidity may be negatively affected due to its principal and interest payments, if it proceeds with debt financing to fund its business expansion.

The net proceeds is particularly relevant to our Group's future plan to upgrade and increase its production capacity in the PRC Factory as the utilisation rate has already reached approximately 88.5%, 95.5% and 95.0% for the years ended 30 June 2014 and 30 June 2015 and the four months ended 31 October 2015, respectively.

Our Directors believe that the Listing will enhance our Group's profile and recognition as well as enable us to implement the future plans set out in the section headed "Future Plans and Use of Proceeds — Implementation Plan" in this prospectus. Further, the Listing and the Placing will provide us with access to the capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness.

USE OF PROCEEDS

Assuming a Placing Price of HK$0.50 per Placing Share, being the mid-point of the indicative Placing Price range of HK$0.45 to HK$0.55 per Placing Share, the net proceeds from the Placing are estimated to be approximately HK$52.0 million, after deducting underwriting fees and estimated expenses payable of our Company in connection thereto. Such net proceeds are intended to be used as follows:

	From the Latest Practicable Date to 30 June 2016	For the six months ending 31 December 2016	30 June 2017	31 December 2017	30 June 2018	Total	Approximate percentage
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Upgrade and increase our production capacity	—	5,560	2,680	12,850	16,590	37,680	72.4
Enhance our manufacturing, information technology and human resources management capabilities	—	1,670	620	975	925	4,190	8.0
Strengthen our sales and marketing efforts	—	1,110	1,070	1,862	1,668	5,710	11.0
General working capital	—	—	—	—	—	4,461	8.6
Total	—	8,340	4,370	15,687	19,183	52,041	100.0

Our Directors presently intend to apply the net proceeds from the Placing in the following manners:

- approximately HK$37.7 million or 72.4% of the net proceeds for upgrading and increasing our production capacity;
- approximately HK$4.2 million or 8.0% of the net proceeds for enhancing our manufacturing, information technology and human resources management capabilities to improve our overall operational efficiency;
- approximately HK$5.7 million or 11.0% of the net proceeds for strengthening our sales and marketing efforts; and
- approximately HK$4.4 million, or 8.6% of the net proceeds for our Group's general working capital.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

If the Placing Price is finally determined at the lower end of the indicative Placing Price range, being HK$0.45 per Placing Share, the net proceeds from the issue of new Shares will decrease by approximately HK$7.3 million to approximately HK$44.8 million, as compared with the above computation (which is based on the mid-point of the indicative Placing Price range). In such case, our

Directors intend to reduce correspondingly the amount to be applied for working capital and other general corporate purposes. Save for such change, our Directors intend to apply the reduced net proceeds in the same proportions as set out above.

If the Placing Price is finally determined at the higher end of the indicative Placing Price range, being HK$0.55 per Placing Share, the net proceeds of the issue of new Shares will increase by approximately HK$7.3 million to approximately HK$59.3 million, as compared with the above computation (which is based on the mid-point of the indicative Placing Price range). Our Directors intend to apply such additional net proceeds in the same proportions as set out above.

SOLE LEAD MANAGER

RHB Securities Hong Kong Limited

JOINT BOOKRUNNERS

RHB Securities Hong Kong Limited
Opus Capital Limited
Ping An Securities Limited

UNDERWRITER(S)

RHB Securities Hong Kong Limited
Opus Capital Limited
Ping An Securities Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

The Underwriting Agreement

In connection with the Placing, our Company has entered into the Underwriting Agreement, among other parties, with the Underwriter(s). Under the Underwriting Agreement, subject to the conditions set out therein, the Underwriter(s) agreed to procure subscribers for, or failing which, to themselves subscribe as principal for, the Placing Shares being offered pursuant to the Placing. The Underwriting Agreement may be terminated for the reasons set out in this section. Potential investors should be reminded that in the event that the Underwriter(s) exercising its termination rights as referred to below, the Placing will not proceed.

Grounds for termination

The obligations of the Underwriter(s) under the Underwriting Agreement will be subject to termination by notice in writing from the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) to our Company if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Wednesday, 18 May 2016):

(i) there comes to the notice of the Underwriter(s) of any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Underwriting Agreement (other than those undertaken by the Underwriter(s)) which, in any such cases, is considered, in the sole and absolute opinion of the Sole Sponsor (for itself and on behalf of the Underwriter(s)), to be material in the context of the Placing; or

(ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(iii) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Sponsor (for itself and on behalf of the Underwriter(s)), an omission in the context of the Placing; or

(iv) any event, act or omission which gives or is reasonably likely to give rise to any material liability of our Company or any of our Controlling Shareholder(s) and our executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Underwriting Agreement; or

(v) there comes to the notice of any of the Underwriter(s) any breach by any party to the Underwriting Agreement (other than the Underwriter) of any provision thereof which, in the sole and absolute opinion of the Sole Sponsor (for itself and on behalf of the Underwriter(s)), is material; or

(vi) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the Cayman Islands, Hong Kong, the PRC and any of the jurisdictions (collectively, the "**Relevant Jurisdictions**") in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group; or

(b) any change in, or any event or series of events or development resulting or likely to result in any change in any of the Relevant Jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(c) any change in the conditions of Hong Kong, the United States or international equity securities or other financial markets; or

(d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group; or any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or

(f) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by the United States or by the EU (or any member thereof) on any of the Relevant Jurisdictions; or

(g) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities; or

(h) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or

(i) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Lead Manager (for itself and on behalf of the Underwriter(s)):

(1) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group taken as a whole or, in the case of sub-paragraph (e) above, on any present or prospective Shareholder in his/her/its capacity as such Shareholder; or

(2) has or will have or is likely to have an adverse effect on the success, marketability or pricing of the Placing as a whole or the level of the Placing Shares being demanded, applied for or accepted, the distribution of the Placing Shares; or

(3) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by this prospectus.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of Hong Kong against any foreign currencies or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

Undertakings

Pursuant to Rule 17.29 of the GEM Listing Rules and except for the issue of Shares under the Capitalisation Issue, the Placing and upon exercise of any options which may be granted under the Share Option Scheme, and the grant of any option under the Share Option Scheme, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules. Each of our Controlling Shareholder(s) has jointly and severally undertaken to each of the Sole Sponsor, our Company, the Joint Bookrunners, the Sole Lead Manager, and the Underwriter(s) that:

(i) in the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the "**First Six-month Period**"), he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Underwriter(s)) and unless in compliance with the requirements of the GEM Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities of our Company disclosed in this prospectus to be beneficially owned by him/her/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of our Company as disclosed in this prospectus as aforesaid (the "**Relevant Securities**"); (b) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

(ii) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, directly or indirectly, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Underwriter(s)) and the Stock Exchange in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (i) above (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the GEM Listing Rules) of our Company;

(iii) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company;

(iv) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the GEM Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares;

(v) he/she/it shall comply with all applicable restrictions under the GEM Listing Rules on the disposal by him/her/it or by the registered holder(s) of any Shares or other securities of our Company in respect of which it is shown in this prospectus to be interested therein; and

(vi) neither he/she/it nor any of his/her/its associates nor any companies controlled by him/her/it nor any nominee or trustee holding in trust for him/her/it has any present intention of disposing of any Shares or other securities of our Company in respect of which he/she/it is shown in this prospectus to be interested therein.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Sole Lead Manager and the Underwriter(s) that, within the First Six-month Period and the Second Six-month Period, he/she/it shall:

(i) when he/she/it pledges or charges any securities or interests in the Relevant Securities, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters above (if any) by each of the Controlling Shareholders and disclose such matters by way of an announcement in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

COMMISSION AND EXPENSES

The Underwriters are expected to receive an underwriting commission of 3.0% of the aggregate Placing Price of all the Placing Shares in accordance with the terms of the Underwriting Agreement, under which the Underwriter may pay any sub-underwriting or placing commission in connection with the Placing. The Sole Sponsor will, in addition, receive a combined sponsorship, financial advisory and documentation fee of an amount separately agreed between our Company and the Sole Sponsor. The aggregate fees and commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Placing, are currently estimated to be approximately HK$23.0 million in aggregate, assuming a Placing Price of HK$0.50 per Placing Share, being the midpoint of the indicative Placing Price range, which will be payable by our Company.

UNDERWRITER(S)' INTERESTS IN OUR COMPANY

The Underwriter(s) will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out under the sub-section headed "Commission and Expenses" in this section.

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, none of the Underwriter(s) or any of their respective associates is interested beneficially or is non-beneficially interested in any securities in any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR'S INDEPENDENCE

Save as disclosed in this prospectus, and for the advisory and documentation fees paid or to be paid to RHB Capital as the Sole Sponsor of the Listing, its obligations under the compliance adviser's agreement and the Underwriting Agreement and any other interests in securities that may be subscribed for pursuant to the Placing, neither the Sole Sponsor nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other companies in our Group (including options or rights to subscribe for such securities).

No director or employee of RHB Capital who is involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other companies in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interest in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of RHB Capital has a directorship in our Company or any other companies in our Group.

RHB Capital satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

THE PLACING

Our Company is initially offering 150,000,000 Placing Shares for subscription by way of the Placing, representing 25% of our Company's enlarged issued share capital at the time after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

Subject to the terms and conditions of the Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Underwriter(s).

The Underwriter(s) or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% with professional, institutional and private investors anticipated to have a sizeable demand for the Placing Shares. Conditionally upon complying with the relevant rules and regulations, the Placing Shares can be placed with selected professional, institutional and other investors in Hong Kong. Professional and/or institutional investors generally include dealers, brokers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

PLACING PRICE

The Placing Price will not be more than HK$0.55 per Placing Share (and is expected to be not less than HK$0.45 per Placing Share). Subscribers, when subscribing for the Shares, shall pay the Placing Price plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%. Assuming the Placing Price of HK$0.55 or HK$0.45 per Placing Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK$5,555.42 and HK$4,545.35 for every board lot of 10,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) on the Price Determination Date which is scheduled on or about Wednesday, 4 May 2016 (or such later time and/or date as agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)). If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price stated in this prospectus.

If, the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) and with the consent of our Company consider it appropriate (for instance, if the level of interest is below of the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m.

(Hong Kong time) on Wednesday, 4 May 2016 cause to be published on the GEM's website at **www.hkexnews.hk** and our Company's website at **ir.tem-group.com** notice of the reduction of the indicative Placing Price range.

The final Placing Price, the level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM's website at **www.hkexnews.hk** and our Company's website at **ir.tem-group.com** at or before 9:00 a.m. (Hong Kong time) on Tuesday, 17 May 2016.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

(i) the Stock Exchange granting the listing of and permission to deal in, on GEM, the Shares to be issued as described in this prospectus;

(ii) the agreement on the Placing Price between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter(s)) being entered into on or before the Price Determination Date; and

(iii) the obligations of the Underwriter(s) under the Underwriting Agreement becoming and remaining unconditional (including if relevant, as a result of the waiver of any condition(s) by the Underwriter(s)), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If any of the above conditions are not fulfilled or (where applicable) waived by the Underwriter(s) on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be caused to be published by our Company on the GEM's website at **www.hkexnews.hk** and our Company's website at **ir.tem-group.com** on the next Business Day following such lapse.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any person.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to Stock Exchange granting the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 18 May 2016. The Shares will be traded in board lot of 10,000 Shares each. The stock code is 8346.

Deloitte.
德勤

29 April 2016

The Directors
TEM Holdings Limited
RHB Capital Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to TEM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 30 June 2015 and four months ended 31 October 2015 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 29 April 2016 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company in Cayman Islands on 22 October 2015. Pursuant to a corporate reorganisation, as fully explained in the section headed "History, Reorganisation and Group Structure" in the Prospectus ("Group Reorganisation"), the Company became the holding company of the Group upon completion of the Group Reorganisation on 8 January 2016.

At the date of this report, the Company has equity interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 30 June 2014	30 June 2015	31 October 2015	Date of this report	Principal activities
TEM Group Limited ("TEM Group")*	British Virgin Islands ("BVI") 2 January 1998	Hong Kong	USD1	100%	100%	100%	100%	Investment holding
Glory Sun Developments Limited ("Glory Sun")*	BVI 3 January 2006	Hong Kong	USD1	100%	100%	100%	100%	Investment holding
SEAP Trading Pte. Ltd. (formerly known as Stocko Electronics Asia Pacific Pte. Ltd.) ("SEAP")	Singapore 12 December 1998	Singapore	SGD100,000	100%	100%	100%	100%	Trading of electronics, electrical, electro-mechanical parts and components and other related products
TEM Electronics (M) Sdn. Bhd. ("TEM-Malaysia")	Malaysia 31 October 1995	Malaysia	RM2,400,000	100%	100%	100%	100%	Manufacturing of connectors, assemblies and wire harness

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 30 June 2014	2015	31 October 2015	Date of this report	Principal activities
青島創新科電業有限公司 ("TEM-Qingdao")	The People's Republic of China ("PRC") 15 April 2004	PRC	USD105,000	100%	100%	N/A	N/A	Commenced dissolution in 2014 and dissolved on 19 June 2015
BAP Trading Company Limited ("BAP Trading")	Hong Kong 18 June 2007	Hong Kong	HK$1	100%	100%	100%	100%	Trading business
江門創新科電業有限公司 ("TEM-Jiangmen")	PRC 11 July 2008	PRC	USD1,500,000	100%	100%	100%	100%	Manufacture and sale of wire/cable harnesses and power supply cords assembled products
Optimum Electronics Sdn. Bhd. ("Optimum Electronics")	Malaysia 25 February 2014	Malaysia	RM50,000	—	85%	85%	85%	Assembly of wire/cable harnesses and power supply cords assembled products

* *Directly held by the Company*

All companies comprising the Group have adopted 30 June as their financial year end date other than TEM-Jiangmen, TEM-Qingdao and BAP Trading which have their statutory financial year end on 31 December.

The statutory financial statements of SEAP for the year ended 30 June 2014 and 2015 were prepared in accordance with Singapore Financial Reporting Standards and were audited by BDO LLP, Public Accountants and Chartered Accountants.

The statutory financial statements of TEM-Malaysia for the year ended 30 June 2014 and 2015 were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") respectively. The statutory financial statements for the year ended 30 June 2014 were audited by BDO, Chartered Accountants. The statutory financial statements for the year ended 30 June 2015 were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Malaysia.

The statutory financial statements of Optimum Electronics for the year ended 30 June 2014 and 2015 were prepared in accordance with Malaysian Financial Reporting Standards and IFRSs issued by the IASB respectively and were audited by BDO, Chartered Accountants.

The statutory financial statements of TEM-Jiangmen for the year ended 31 December 2013 and 2014 were prepared in accordance with relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 江門市江源會計師事務所, Certified Public Accountants registered in the PRC.

The statutory financial statements of TEM-Qingdao for the year ended 31 December 2013 were prepared in accordance with relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 青島嵩德有限責任會計師事務所, Certified Public Accountants registered in the PRC.

The statutory financial statements of BAP Trading for the year ended 31 December 2013 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us. The statutory financial statements for the year ended 31 December 2014 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by K K Chung & Co. Certified Public Accountants registered in Hong Kong.

No audited financial statements have been prepared for the Company and its subsidiaries incorporated in the BVI since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company since its date of incorporation and its subsidiaries incorporated in the BVI for the Relevant Periods and carried out such procedures as we considered necessary for inclusion in the Financial Information of the Group.

For the purpose of this report, the directors of TEM Group and Glory Sun, respectively, have prepared the consolidated financial statements of TEM Group and Glory Sun for the Relevant Periods and the directors (the "Directors") of the Company have prepared the management accounts of the Company for the period from the date of incorporation to 31 October 2015 in accordance with accounting policies which conform with HKFRSs issued by the HKICPA (collectively referred to as the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements on the basis as set out in note 2 of Section A below. Adjustments have been made to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus. The Underlying Financial Statements are the responsibility of the directors of the relevant companies who approved their issue. The Directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 October 2015 and the Group as at 30 June 2014 and 2015 and 31 October 2015 and of the combined results and cash flows of the Group for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the four months ended 31 October 2014 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "October 2014 Financial Information") which was prepared by the Directors of the Company solely for the purpose of this report. We conducted our review of the October 2014 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the October 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the October 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the October 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 30 June		Four months ended 31 October	
		2014	2015	2014	2015
	NOTES	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*6*	136,563	131,288	47,153	46,352
Cost of sales		(100,924)	(95,085)	(35,570)	(31,361)
Gross profit		35,639	36,203	11,583	14,991
Other income	*7*	440	394	91	125
Selling and distribution costs		(3,059)	(2,943)	(860)	(1,100)
Administrative expenses		(14,231)	(16,463)	(5,206)	(5,251)
Other gains and losses	*8*	487	3,993	52	2,777
Listing expenses		—	—	—	(4,840)
Finance costs	*9*	(16)	—	—	(6)
Profit before taxation		19,260	21,184	5,660	6,696
Income tax expense	*10*	(4,650)	(4,765)	(1,740)	(3,378)
Profit for the year/period	*11*	14,610	16,419	3,920	3,318
Other comprehensive expense					
Items that will not be reclassified to profit or loss:					
— Exchange difference arising on translation to presentation currency		16	(3)	(154)	(314)
Items that may be reclassified subsequently to profit or loss:					
— Exchange difference arising on translation of foreign operations		(812)	(7,492)	(1,147)	(7,459)
Other comprehensive expense for the year/period		(796)	(7,495)	(1,301)	(7,773)
Total comprehensive income (expense) for the year/period		13,814	8,924	2,619	(4,455)
Profit (loss) for the year/period attributable to:					
Owners of the Company		14,610	16,444	3,920	3,320
Non-controlling interests		—	(25)	—	(2)
		14,610	16,419	3,920	3,318
Total comprehensive income (expense) attributable to:					
Owners of the Company		13,814	8,947	2,619	(4,455)
Non-controlling interests		—	(23)	—	—
		13,814	8,924	2,619	(4,455)

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30 June		As at 31 October
		2014	**2015**	**2015**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	8,387	10,425	9,597
Deferred tax assets	*16*	—	535	690
		8,387	10,960	10,287
CURRENT ASSETS				
Inventories	*17*	32,652	35,817	37,017
Amount due from a related company	*18*	3,240	9,982	3,724
Trade and other receivables	*19*	34,013	35,097	33,412
Pledged bank deposits	*20*	723	2,664	2,390
Bank balances and cash	*20*	28,703	25,242	19,565
		99,331	108,802	96,108
CURRENT LIABILITIES				
Trade and other payables	*21*	19,499	21,811	17,114
Bank borrowing	*22*	—	960	—
Tax payable		686	867	2,650
		20,185	23,638	19,764
NET CURRENT ASSETS		79,146	85,164	76,344
TOTAL ASSETS LESS CURRENT LIABILITIES		87,533	96,124	86,631
CAPITAL AND RESERVES				
Share capital	*23*	—	—	—
Reserves		87,234	96,142	86,649
Equity attributable to owners of the Company		87,234	96,142	86,649
Non-controlling interests		—	(18)	(18)
TOTAL EQUITY		87,234	96,124	86,631
NON-CURRENT LIABILITY				
Deferred tax liabilities	*16*	299	—	—
		87,533	96,124	86,631

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at 31 October 2015 HK$'000
Current asset		
Amount due from shareholder		—
Net assets		
Share capital	23	—
Accumulated loss	31	—
Equity attributable to the owners of the Company		—

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Exchange reserve *HK$'000*	PRC statutory reserve *HK$'000*	Retained profits *HK$'000*	Total equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 July 2013	—	9,466	3,902	60,052	73,420	—	73,420
Transfer	—	—	348	(348)	—	—	—
Profit for the year	—	—	—	14,610	14,610	—	14,610
Exchange difference arising on translation to presentation currency	—	16	—	—	16	—	16
Exchange difference arising on translation of foreign operations	—	(812)	—	—	(812)	—	(812)
Total comprehensive income (expense) for the year	—	(796)	348	14,262	13,814	—	13,814
At 30 June 2014	—	8,670	4,250	74,314	87,234	—	87,234
Transfer	—	—	281	(281)	—	—	—
Profit for the year	—	—	—	16,444	16,444	(25)	16,419
Exchange difference arising on translation to presentation currency	—	(3)	—	—	(3)	—	(3)
Exchange difference arising on translation of foreign operations	—	(7,494)	—	—	(7,494)	2	(7,492)
Total comprehensive income (expense) for the year	—	(7,497)	281	16,163	8,947	(23)	8,924
Non-controlling interests arising on acquisition of a subsidiary *(note 24)*	—	—	—	—	—	(18)	(18)
Acquisition of an additional interest in a subsidiary *(note)*	—	—	—	(39)	(39)	23	(16)
At 30 June 2015	—	1,173	4,531	90,438	96,142	(18)	96,124
Profit for the period	—	—	—	3,320	3,320	(2)	3,318
Exchange difference arising on translation to presentation currency	—	(314)	—	—	(314)	—	(314)
Exchange difference arising on translation of foreign operations	—	(7,461)	—	—	(7,461)	2	(7,459)
Reclassification adjustment upon deregistration of a subsidiary	—	—	(2,143)	2,143	—	—	—
Total comprehensive income (expense) for the period	—	(7,775)	(2,143)	5,463	(4,455)	—	(4,455)
Dividends paid *(note 13)*	—	—	—	(5,038)	(5,038)	—	(5,038)
At 31 October 2015	—	(6,602)	2,388	90,863	86,649	(18)	86,631

	Share capital HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000	Retained profits HK$'000	Total equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
For the four months ended 31 October 2014 (unaudited)							
At 1 July 2014	—	8,670	4,250	74,314	87,234	—	87,234
Profit for the period	—	—	—	3,920	3,920	—	3,920
Exchange difference arising on translation to presentation currency	—	(154)	—	—	(154)	—	(154)
Exchange difference arising on translation of foreign operations	—	(1,147)	—	—	(1,147)	—	(1,147)
Total comprehensive income (expense) for the period	—	(1,301)	—	3,920	2,619	—	2,619
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	(18)	(18)
At 31 October 2014	—	7,369	4,250	78,234	89,853	(18)	89,835

Note: During the year ended 30 June 2015, the Group acquired an additional 15% equity interest in a subsidiary, Optimum Electronics, at a consideration of RM7,500 (equivalent to HK$16,000) from a non-controlling shareholder. The difference between the amount paid for acquisition of an additional interest in a subsidiary and the carrying value of non-controlling interest being acquired of is recorded as equity movement.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 30 June		Four months ended 31 October	
		2014	2015	2014	2015
	NOTE	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation		19,260	21,184	5,660	6,696
Adjustments for:					
Finance costs		16	—	—	6
(Gain) loss on disposal of property, plant and equipment		(22)	164	160	—
Depreciation of property, plant and equipment		2,145	2,604	846	903
Allowance (reversal of allowance) for bad and doubtful debts, net		35	(182)	—	—
(Reversal of) write down of inventories, net		(2,907)	(582)	(86)	164
Impairment loss on goodwill		—	124	124	—
Unrealised exchange loss (gain)		647	(1,625)	(281)	(461)
Bank interest income		(274)	(161)	(27)	(63)
Operating cash flows before movements in working capital		18,900	21,526	6,396	7,245
Decrease (increase) in inventories		657	(5,562)	1,405	(4,373)
(Increase) decrease in trade and other receivables		(6,707)	(2,511)	(3,134)	(1,466)
(Decrease) increase in trade and other payables		(9,762)	4,258	(6,041)	(3,117)
Cash generated from (used in) operations		3,088	17,711	(1,374)	(1,711)
Income taxes paid		(3,935)	(5,403)	(2,263)	(1,830)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(847)	12,308	(3,637)	(3,541)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(2,650)	(5,837)	(2,093)	(909)
Advance to a related company		(34,466)	(11,302)	(6,660)	—
Repayment from a related company		24,468	4,560	1,585	6,258
Placement of pledged bank deposits		—	(2,130)	(2,414)	(62)
Interest received		274	161	27	63
Proceeds from disposal of property, plant and equipment		314	73	42	—
Acquisition of a subsidiary	*24*	—	38	38	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(12,060)	(14,437)	(9,475)	5,350

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
FINANCING ACTIVITIES				
Dividends paid	—	—	—	(5,038)
Repayment of obligations under finance leases	(284)	—	—	—
Repayment of bank borrowing	—	—	—	(846)
Interest paid	(16)	—	—	(6)
Acquisition of non-controlling interest of a subsidiary	—	(16)	—	—
New bank borrowing raised	—	952	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(300)	936	—	(5,890)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,207)	(1,193)	(13,112)	(4,081)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(303)	(2,268)	(154)	(1,596)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	42,213	28,703	28,703	25,242
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	28,703	25,242	15,437	19,565

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Prospectus.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sales of cables, wire harness, connectors and power supply cords assembled products; and trading of electronics and electro-mechanical parts and components.

The functional currency of the Company is United States dollars ("USD"). The Financial Information is presented in Hong Kong dollars ("HK$") as in the opinion of the Directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on HK$.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the reorganisation, which was completed by the Company acquiring TEM Group Limited and Glory Sun Development Limited from New Universe Industries Limited (controlled by Mr. Lau Man Tak), the Company became the holding company of the companies now comprising the Group on 8 January 2016 (the "Combined Entities") ("Reorganisation"). The Combined Entities and the Company are under common control of Mr. Lau Man Tak before and after the Reorganisation. Therefore, the acquisition of the Combined Entities are accounted for as business combination under common control by applying the principles of merger accounting.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Relevant Periods.

The combined statements of financial position of the Group as at 30 June 2014 and 2015 and 31 October 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence at those dates.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 July 2015 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations that are not yet effective. The Group has not early adopted these standards, amendments and interpretations.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors of the Company anticipate that the application of the other new standards, amendments and interpretations will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies adopted are as follows:

Basis of combination

The Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. For disposal of operation with functional currency as USD, the associated exchange differences accumulated in equity will not be reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the retirement contribution schemes and Mandatory Provident Fund Scheme in Hong Kong and retirement pension schemes for staff in the PRC, Malaysia and Singapore which are defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress as described below, are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. For the Group's trading inventories, costs of inventories are determined on first-in, first-out method. For the Group's manufacturing inventories, costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income/expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income/expense is recognised on an effective interest basis.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amount due from a related company, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Impairment of financial assets

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade payables and bank borrowing) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2014 and 2015 and 31 October 2015, the carrying amount of trade receivables is approximately HK$31,502,000 (net of allowance for doubtful debts of HK$5,885,000), HK$32,816,000 and HK$31,122,000, respectively.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and estimated selling expenses. The amount write off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, certain estimations are required. In making these estimations, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions. As at 30 June 2014 and 2015 and 31 October 2015, the carrying amount of inventories is HK$32,652,000, HK$35,817,000 and HK$37,017,000, respectively (net of allowance for inventories of HK$3,511,000, HK$2,390,000 and HK$2,247,000, respectively).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discount and sales related taxes.

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the Directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purpose of resource allocation and performance assessment. The CODM regularly reviews revenue and results analysis by (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments.

For the year ended 30 June 2014

	Manufacturing of wire/cable harnesses	**Manufacturing of power supply cords assembled products**	**Trading of terminals, connectors and others**	**Segment total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	103,411	14,221	18,931	136,563	136,563
Segment results	28,115	1,762	5,762	35,639	35,639
Other income					440
Selling and distribution costs					(3,059)
Administrative expenses					(14,231)
Other gains and losses					487
Finance costs					(16)
Profit before taxation					19,260

For the year ended 30 June 2015

	Manufacturing of wire/cable harnesses	Manufacturing of power supply cords assembled products	Trading of terminals, connectors and others	Segment total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	107,924	15,240	8,124	131,288	131,288
Segment results	29,366	2,070	4,767	36,203	36,203
Other income					394
Selling and distribution costs					(2,943)
Administrative expenses					(16,463)
Other gains and losses					3,993
Profit before taxation					21,184

For the four months ended 31 October 2014 (unaudited)

	Manufacturing of wire/cable harnesses	Manufacturing of power supply cords assembled products	Trading of terminals, connectors and others	Segment total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	37,378	6,675	3,100	47,153	47,153
Segment results	9,140	1,411	1,032	11,583	11,583
Other income					91
Selling and distribution costs					(860)
Administrative expenses					(5,206)
Other gains and losses					52
Profit before taxation					5,660

For the four months ended 31 October 2015

	Manufacturing of wire/cable harnesses	Manufacturing of power supply cords assembled products	Trading of terminals, connectors and others	Segment total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	39,457	4,316	2,579	46,352	46,352
Segment results	12,751	790	1,450	14,991	14,991
Other income					125
Selling and distribution costs					(1,100)
Administrative expenses					(5,251)
Other gains and losses					2,777
Listing expenses					(4,840)
Finance costs					(6)
Profit before taxation					6,696

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represents profit earned from each segment without allocation of other income, selling and distribution costs, administrative expenses, other gains and losses, listing expenses and finance costs. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment.

Geographical information

The Group's revenue is mainly derived from customers located in the PRC, Asia Pacific region (excluding the PRC) and Western Europe. The Group's revenue by the geographical location of the customers, determined based on the location to which the Group bills the customers, is detailed below:

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC	28,194	35,274	11,499	13,123
Asia Pacific region (excluding the PRC)	73,184	83,216	29,836	29,465
Western Europe	4,787	8,614	2,681	3,099
Others	30,398	4,184	3,137	665
	136,563	131,288	47,153	46,352

The Group's business activities are conducted predominantly in Malaysia and the PRC. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Malaysia	6,678	5,286	4,210
PRC	1,003	4,547	4,907
Others	706	592	480
	8,387	10,425	9,597

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of corresponding year/period contributing over 10% of the Group's revenue are as follows:

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	72,680	63,468	22,634	22,834
Customer B	*	16,877	6,972	5,427

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. OTHER INCOME

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	274	161	27	63
Others	166	233	64	62
	440	394	91	125

8. OTHER GAINS AND LOSSES

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net exchange gain	500	4,099	336	2,777
Gain (loss) on disposal of property, plant and equipment	22	(164)	(160)	—
(Allowance) reversal of allowance for bad and doubtful debts, net	(35)	182	—	—
Impairment loss on goodwill *(note 24)*	—	(124)	(124)	—
	487	3,993	52	2,777

9. FINANCE COSTS

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on:				
Bank borrowing wholly repayable within five years	—	—	—	6
Finance leases	16	—	—	—
	16	—	—	6

10. INCOME TAX EXPENSE

	Year ended 30 June		Four months ended 31 October	
	2014	2015	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
The income tax expense comprises:				
Current tax:				
Malaysia corporate income tax	3,778	4,397	1,227	2,785
PRC Enterprise Income Tax ("EIT")	1,026	1,207	468	530
Singapore corporate income tax	—	90	45	128
Withholding tax on distributed earnings from a PRC subsidiary	329	—	—	170
Overprovision in prior years	(581)	(109)	—	—
Deferred tax charge (credit) *(note 16)*	98	(820)	—	(235)
	4,650	4,765	1,740	3,378

	Year ended 30 June		Four months ended 31 October	
	2014	2015	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Profit before taxation	19,260	21,184	5,660	6,696
Tax at PRC EIT and Malaysia corporate income tax rate of 25%	4,815	5,296	1,415	1,674
Tax effect of expenses not deductible for tax purpose	317	402	218	1,398
Tax effect of income not taxable for tax purpose	(274)	(141)	(40)	(111)
Tax effect of tax losses not recognised	449	515	—	—
Utilisation of tax losses previously not recognised	(185)	—	—	—
Utilisation of deductible temporary differences previously not recognised	—	(1,207)	—	—
Effect of tax exemption	(9)	(164)	—	(23)
Effect of different tax rates of subsidiaries operating in other jurisdictions	97	121	147	(12)
Withholding tax on distributed earnings from a PRC subsidiary	329	—	—	170
Overprovision in prior years	(581)	(109)	—	—
Others	(308)	52	—	282
Income tax expense for the year/period	4,650	4,765	1,740	3,378

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Relevant Periods. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits during the Relevant Periods.

The income tax rate applicable in Malaysia is 25% for the years ended 30 June 2014 and 2015 and four months ended 31 October 2014, and 24% for the four months ended 31 October 2015.

The income tax rate applicable in Singapore is 17% during the Relevant Periods.

SEAP operating in Singapore is entitled to partial income tax exemption (75% exemption on first SGD10,000 chargeable income and 50% exemption on next SGD290,000 chargeable income) for each financial year during the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Relevant Periods.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to an overseas company (which is the beneficial owner of the dividend received) for profits generated after 1 January 2008, at the rate of 10%.

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 30 June		Four months ended 31 October	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Profit for the year/period has been arrived at after charging (crediting):				
Directors' remuneration:				
— Fees	—	—	—	—
— Other emoluments, salaries and other benefits	1,744	1,564	503	455
— Retirement benefit schemes contributions	107	94	27	25
	1,851	1,658	530	480
Other staff salaries and allowances	19,950	23,570	8,013	8,354
Retirement benefit schemes contributions, excluding those of directors	2,235	2,416	707	856
Total employee benefits expenses	24,036	27,644	9,250	9,690
Auditor's remuneration	151	433	34	41
Cost of inventories recognised as expense	100,924	95,085	35,570	31,361
Depreciation	2,145	2,604	846	903
Minimum lease payments for operating leases in respect of land and buildings	2,619	3,114	780	653
(Reversal of) write down of inventories, net	(2,907)	(582)	(86)	164

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Mr. Lau Man Tak and Mr. Kan Wai Kee were appointed as Directors of the Company on 22 October 2015.

Mr. Vincent Ho Pang Cheng and Ms. Koay Lee Chern were appointed as Directors of the Company on 12 January 2016.

Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric were appointed as Directors of the Company on 20 April 2016.

(a) Directors' and the chief executive's emoluments

During the Relevant Periods, the emoluments paid or payable to the Directors of the Company (including emoluments for the services as employees of the group entities prior to becoming Directors) are as follows:

For the year ended 30 June 2014

Name of director	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lau Man Tak	—	—	—	—
Mr. Vincent Ho Pang Cheng	—	1,130	61	1,191
Mr. Kan Wai Kee	—	—	—	—
Ms. Koay Lee Chern	—	614	46	660
Mr. Lum Chor Wah Richard	—	—	—	—
Mr. Ma Yiu Ho Peter	—	—	—	—
Mr. Lee Hon Man Eric	—	—	—	—
	—	1,744	107	1,851

For the year ended 30 June 2015

Name of director	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lau Man Tak	—	—	—	—
Mr. Vincent Ho Pang Cheng	—	963	47	1,010
Mr. Kan Wai Kee	—	—	—	—
Ms. Koay Lee Chern	—	601	47	648
Mr. Lum Chor Wah Richard	—	—	—	—
Mr. Ma Yiu Ho Peter	—	—	—	—
Mr. Lee Hon Man Eric	—	—	—	—
	—	1,564	94	1,658

For the four months ended 31 October 2014 (unaudited)

Name of director	**Fees**	**Salaries and other allowances**	**Retirement benefit schemes contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lau Man Tak	—	—	—	—
Mr. Vincent Ho Pang Cheng	—	313	13	326
Mr. Kan Wai Kee	—	—	—	—
Ms. Koay Lee Chern	—	190	14	204
Mr. Lum Chor Wah Richard	—	—	—	—
Mr. Ma Yiu Ho Peter	—	—	—	—
Mr. Lee Hon Man Eric	—	—	—	—
	—	503	27	530

For the four months ended 31 October 2015

Name of director	**Fees**	**Salaries and other allowances**	**Retirement benefit schemes contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lau Man Tak	—	—	—	—
Mr. Vincent Ho Pang Cheng	—	291	13	304
Mr. Kan Wai Kee	—	—	—	—
Ms. Koay Lee Chern	—	164	12	176
Mr. Lum Chor Wah Richard	—	—	—	—
Mr. Ma Yiu Ho Peter	—	—	—	—
Mr. Lee Hon Man Eric	—	—	—	—
	—	455	25	480

Mr. Lau Man Tak is the Chairman of the Group and Mr. Vincent Ho Pang Cheng is the Chief Executive Officer of the Group.

(b) Employees' emoluments

The five highest paid individuals of the Group include two directors of the Company for the Relevant Periods. The emoluments of the remaining three individuals for the Relevant Periods are as follows:

	Year ended 30 June		**Four months ended 31 October**	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other allowances	1,384	1,203	430	429
Retirement benefit scheme contributions	70	86	23	17
	1,454	1,289	453	446

The emoluments of the employees were within the following bands:

	Number of employees			
	Year ended 30 June		Four months ended 31 October	
	2014	2015	2014	2015
			(unaudited)	
No more than HK$1,000,000	3	3	3	3

During the Relevant Periods, no emoluments were paid by the Group to any of the Directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. During the Relevant Periods, no emoluments were paid by group entities to Mr. Lau Man Tak and Mr. Kan Wai Kee as fees, salaries and other allowances, performance related incentive payments and retirement benefit schemes contributions. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

13. DIVIDENDS

During the four months ended 31 October 2015, TEM Group declared and paid a dividend of US$650,000 per share amounting to US$650,000 (equivalent to HK$5,038,000), to New Universe Industries Limited.

The rate of dividend and the number of shares, ranking the dividend are not presented as such information is not meaningful having regard to the purpose of this report.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the results for the Relevant Periods that is on a combined basis as set out in note 2.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and equipment HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 July 2013	16,934	5,121	2,494	4,097	893	—	29,539
Additions	711	173	1,374	328	64	—	2,650
Disposals	(293)	(45)	(21)	(521)	—	—	(880)
Exchange alignment	(290)	(82)	(77)	(55)	—	—	(504)
At 30 June 2014	17,062	5,167	3,770	3,849	957	—	30,805
Additions	1,071	1,175	729	499	298	2,065	5,837
Acquired on acquisition of a subsidiary *(note 24)*	8	2	27	—	—	—	37
Transfer	—	—	76	—	—	(76)	—
Disposals	(10)	(25)	(164)	(344)	—	—	(543)
Exchange alignment	(2,359)	(718)	(473)	(459)	(12)	3	(4,018)
At 30 June 2015	15,772	5,601	3,965	3,545	1,243	1,992	32,118
Additions	4	347	92	—	—	466	909
Exchange alignment	(1,772)	(625)	(415)	(343)	(34)	(80)	(3,269)
At 31 October 2015	14,004	5,323	3,642	3,202	1,209	2,378	29,758
DEPRECIATION							
At 1 July 2013	10,842	4,711	2,326	3,026	330	—	21,235
Provided for the year	1,034	219	329	407	156	—	2,145
Eliminated on disposals	(293)	(43)	(21)	(231)	—	—	(588)
Exchange alignment	(178)	(75)	(80)	(40)	(1)	—	(374)
At 30 June 2014	11,405	4,812	2,554	3,162	485	—	22,418
Provided for the year	955	355	727	372	195	—	2,604
Eliminated on disposals	(6)	(10)	(131)	(159)	—	—	(306)
Exchange alignment	(1,654)	(671)	(317)	(381)	—	—	(3,023)
At 30 June 2015	10,700	4,486	2,833	2,994	680	—	21,693
Provided for the period	309	269	136	121	68	—	903
Exchange alignment	(1,283)	(639)	(184)	(318)	(11)	—	(2,435)
At 31 October 2015	9,726	4,116	2,785	2,797	737	—	20,161
CARRYING VALUES							
At 30 June 2014	5,657	355	1,216	687	472	—	8,387
At 30 June 2015	5,072	1,115	1,132	551	563	1,992	10,425
At 31 October 2015	4,278	1,207	857	405	472	2,378	9,597

The cost of above items of property, plant and equipment, other than construction in progress, less their residual values are depreciated over their estimated useful lives on a straight-line basis at rates as follows:

Plant and machinery	10%–50% per annum
Furniture and equipment	10%–50% per annum
Office equipment	20%–50% per annum
Leasehold improvements	Over the period of the relevant lease
Motor vehicles	20%–30% per annum

16. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation *HK$'000*	Allowance for inventories *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 July 2013	(80)	—	(123)	(203)
Credit (charge) to profit or loss	(218)	—	120	(98)
Exchange alignment	(1)	—	3	2
At 30 June 2014	(299)	—	—	(299)
Credit (charge) to profit or loss	198	729	(107)	820
Exchange alignment	37	(28)	5	14
At 30 June 2015	(64)	701	(102)	535
Credit (charge) to profit or loss	29	(81)	287	235
Exchange alignment	6	(84)	(2)	(80)
At 31 October 2015	(29)	536	183	690

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the combined financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to HK$720,000, HK$3,725,000 and HK$5,388,000 as at 30 June 2014 and 2015 and 31 October 2015, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 30 June 2014 and 2015 and 31 October 2015, the Group has unused tax losses of approximately HK$6,450,000, HK$9,571,000 and HK$9,571,000, respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

17. INVENTORIES

	As at 30 June 2014 *HK$'000*	As at 30 June 2015 *HK$'000*	As at 31 October 2015 *HK$'000*
Raw materials	20,483	22,447	24,383
Work in progress	3,327	4,670	3,933
Finished goods	8,842	8,700	8,701
	32,652	35,817	37,017

18. AMOUNT DUE FROM A RELATED COMPANY

The amount due from New Universe Industries Limited is non-trade nature, unsecured, interest-free and repayable on demand.

The following information is disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32):

	Maximum amount outstanding during the year/period ended		
	30 June		31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
New Universe Industries Limited	13,057	20,085	9,982

19. TRADE AND OTHER RECEIVABLES

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	31,502	32,816	31,122
Prepayments, deposits and other receivables	2,511	2,281	2,290
	34,013	35,097	33,412

The Group allows credit period ranging from 30 days to 120 days to its customers.

The following is an ageing analysis of trade receivables presented based on the invoice date/date of delivery of goods at the end of the reporting period.

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	15,296	17,491	14,278
31–60 days	7,497	10,910	11,735
61–90 days	7,594	3,128	3,416
Over 90 days	1,115	1,287	1,693
	31,502	32,816	31,122

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,986,000, HK$5,189,000 and HK$5,221,000 as at 30 June 2014 and 2015 and 31 October 2015, respectively which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Overdue:			
1 to 30 days	4,569	3,732	3,976
31 to 60 days	1,725	928	642
61 to 90 days	187	77	25
Over 90 days	505	452	578
	6,986	5,189	5,221

Movement in the allowance for doubtful trade debts:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year/period	5,952	5,885	—
Exchange realignment	(102)	(686)	—
Impairment losses recognised	35	—	—
Impairment losses reversed	—	(182)	—
Amounts written off during the year/period	—	(5,017)	—
Balance at end of the year/period	5,885	—	—

As at 30 June 2014, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$5,885,000, which were past due at the end of the reporting period. Based on historical experience, these overdue balances are normally not recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are:

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
USD	23,190	21,291	21,685
Euro ("EUR")	1,921	2,719	2,252

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates which range from 0.01% to 4.05% per annum as at 30 June 2014 and 2015 and 31 October 2015.

Pledged bank deposits carried interest at fixed rates of 3.10%, 3.10% to 3.30% and 3.15% to 3.30% per annum as at 30 June 2014 and 2015 and 31 October 2015, respectively, are used to secure general banking facilities granted to the Group and are therefore classified as current assets.

Bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
USD	15,279	6,734	11,465
Thai Baht ("THB")	3,992	436	230
EUR	770	3,248	2,332

21. TRADE AND OTHER PAYABLES

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	15,289	16,364	12,378
Other payables and accrued expenses	4,210	5,447	4,736
	19,499	21,811	17,114

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	8,723	6,449	4,788
31–60 days	3,433	5,353	3,268
61–90 days	3,004	3,601	3,513
Over 90 days	129	961	809
	15,289	16,364	12,378

The credit period on trade payables is generally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
USD	6,701	7,859	5,588
EUR	4,370	2,636	2,416

22. BANK BORROWING

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Bank loan-secured	—	960	—

The carrying amount of bank borrowing is repayable within one year based on the scheduled repayment dates set out in the loan agreement. The effective borrowing rate is 1.35% per annum. The contractual borrowing rate is 0.75% above the lending bank's cost of fund per annum. The bank borrowing as at 30 June 2015 is denominated in USD.

23. SHARE CAPITAL

The issued capital of the Group as at 30 June 2014 and 2015 represents the aggregate share capital of TEM Group amounted to HK$8 and Glory Sun amounted to HK$8.

The issued capital of the Group as at 31 October 2015 represents the aggregate share capital of TEM Group amounted to HK$8, Glory Sun amounted to HK$8 and the Company amounted to HK$0.01.

24. ACQUISITION OF A SUBSIDIARY

On 16 October 2014, the Group made a contribution of RM35,000 (equivalent to HK$81,000) to the capital of Optimum Electronics and obtained 70% equity interest in Optimum Electronics. Optimum Electronics is principally engaged in assembly of wire, cable harness and power supply cords in Malaysia. The Group obtained control on the date of completion of the acquisition which has been accounted for using the purchase method.

Consideration transferred

	HK$'000
Cash consideration	81

Fair value of assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Property, plant and equipment	37
Trade and other receivables	169
Bank balances and cash	119
Trade and other payables	(386)
	(61)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	81
Plus: Non-controlling interests *(note iv)*	(18)
Less: net liabilities assumed	61
	124
Less: impairment loss recognised *(note ii)*	(124)
	—

Net cash inflow arising from acquisition:

	HK$'000
Bank balances and cash acquired	119
Less: cash consideration paid	(81)
	38

Notes:

(i) The non-controlling interests recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of fair value of the net liabilities at that date.

(ii) The management has assessed the recoverable amount taken into consideration of the cash flow projections for the business. The management expected that losses will incur for the acquired business in the coming year and accordingly, an impairment loss of HK$124,000 was recognised on the date of acquisition.

(iii) On 31 March 2015, the Group acquired an additional 15% equity interest in Optimum Electronics at a consideration of RM7,500 (equivalent to HK$16,000).

(iv) The result of Optimum Electronics is insignificant to the Group had the above acquisition been completed on 1 July 2014.

25. OPERATING LEASES

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 30 June		As at 31 October
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	3,062	2,818	3,425
In the second to fifth years inclusive	5,065	2,059	1,731
	8,127	4,877	5,156

Leases are negotiated for a range of two to three years.

26. CAPITAL COMMITMENTS

	As at 30 June		As at 31 October
	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	163	129	117

27. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme in Hong Kong which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,250 per month (increased to HK$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

For Singapore, the Group participates in a defined contribution plan.

For Malaysia, the employees of the Group are required by law to make contributions to the Employees Provident Fund, a post-employment plan. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Employees located in the PRC are covered by a state-managed retirement benefit scheme operated by the PRC government which is essentially a defined contribution scheme.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Relevant Periods, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits schemes contributions made by the Group amounted to HK$2,342,000, HK$2,510,000, HK$734,000 (unaudited) and HK$881,000 during the years ended 30 June 2014 and 2015 and four months ended 31 October 2014 and 2015, respectively.

28. RELATED PARTY DISCLOSURES

(a) Related party balance

Details of the outstanding balance with a related party are set out in the combined statements of financial position and in note 18.

(b) Related party transactions

Saved as disclosed in the Financial Information, during the Relevant Periods, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Year ended 30 June 2014 HK$'000	Year ended 30 June 2015 HK$'000	Four months ended 31 October 2014 HK$'000 (unaudited)	Four months ended 31 October 2015 HK$'000
Companies which Mr. Lau Man Tak is a shareholder with significant influence:					
Brascabos Componentes Elétricos e Eletrônicos Ltda	Sales of machineries and equipment	8,576	448	448	—
Brascabos Componentes Elétricos e Eletrônicos Da Amazônia Ltda	Sales of machineries and equipment	—	417	417	—

On 9 October 2015, our Group entered into a service contract with REF Holdings Limited, a company which Mr. Lau is the Chairman and a shareholder with significant influence, for the printing services in relation to the proposed initial listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange. Up to the four months ended 31 October 2015, no expenses are yet recognised in profit or loss.

(c) Compensation of Directors and key management personnel

	Year ended 30 June 2014 HK$'000	Year ended 30 June 2015 HK$'000	Four months ended 31 October 2014 HK$'000 (unaudited)	Four months ended 31 October 2015 HK$'000
Salaries and other allowances	3,128	2,767	933	884
Retirement benefit schemes contributions	177	180	50	42
Total	3,305	2,947	983	926

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals.

(d) Financial guarantee given by related parties

As at 30 June 2015 and 31 October 2015, the general banking facility granted by a bank to the Group is secured by a personal guarantee of RM5,200,000 (equivalent to HK$10,657,000 and HK$9,326,000, respectively) from Mr. Lau Man Tak. The banking facility was terminated on 16 November 2015.

As at 30 June 2014, another banking facility granted to the Group is secured by a personal guarantee of HK$10,000,000 provided by Mr. Lau Man Tak and corporate guarantee of HK$10,000,000 provided by Brascabos International Group Ltd and Brascabos Componentes Elétricos e Eletrônicos Ltda, companies which Mr. Lau Man Tak is a shareholder with significant influence, respectively. The banking facility has been terminated during the year ended 30 June 2015.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and retained profits.

The Directors of the Company review the capital structure regularly. As part of this review, the Directors of the Company consider the cost and the risks associates with each class of the capital. Based on the recommendations of the Directors of the Company, the Group will balance its overall capital structure.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 30 June 2014	2015	As at 31 October 2015
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	64,168	70,704	56,801
Financial liabilities			
Amortised cost	15,289	17,324	12,378

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, amount due from a related company, pledged bank deposits, bank balances and cash, trade payables and bank borrowing.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also has bank balances and cash, trade receivables, trade payables and bank borrowing denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 30 June 2014 and 2015 and 31 October 2015 are as follows:

	Assets			Liabilities		
	As at 30 June 2014	2015	As at 31 October 2015	As at 30 June 2014	2015	As at 31 October 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
USD	38,137	27,695	32,358	6,678	8,539	5,274
EUR	2,691	5,963	4,556	4,370	2,636	2,416
THB	4,118	438	230	124	74	15

Sensitivity analysis

The Group is mainly exposed to the currencies of USD, EUR and THB.

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the relevant group entities against the foreign currencies. 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit before taxation where the functional currency of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	Profit before taxation		
	As at 30 June		**As at 31 October**
	2014	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Foreign currencies			
USD	(1,573)	(958)	(1,354)
EUR	84	(166)	(107)
THB	(200)	(18)	(11)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 30 June 2014 and 2015 and 31 October 2015, the Group has concentration of credit risk of 51%, 41% and 38% respectively of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 80%, 81% and 81% of the total trade receivables as at 30 June 2014 and 2015 and 31 October 2015, respectively. The management of the Group considered their the credit risk of amounts due to these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on advances from related parties, including directors and controlling shareholder as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, on which the Group can be required to pay. Specifically, bank loan with a repayment on demand clause is included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

As at 30 June 2014

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	Total undiscounted cash flows	Carrying amount at 30 June 2014
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liability					
Trade payables	—	2,195	13,094	15,289	15,289

As at 30 June 2015

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	Total undiscounted cash flows	Carrying amount at 30 June 2015
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities					
Trade payables	—	2,858	13,506	16,364	16,364
Bank borrowing	1.35	960	—	960	960
		3,818	13,506	17,324	17,324

As at 31 October 2015

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	Total undiscounted cash flows	Carrying amount at 31 October 2015
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liability					
Trade payables	—	2,487	9,891	12,378	12,378

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

31. RESERVE OF THE COMPANY

Movement of reserve of the Company

	Equity attributable to the owners of the Company	
	Accumulated loss	**Total**
	HK$'000	*HK$'000*
At 22 October 2015 (date of incorporation)	—	—
Loss and total comprehensive expense for the period	—	—
At 31 October 2015	—	—

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable by the Group to the Directors of the Company in respect of the Relevant Periods.

Under the arrangement currently in force, the aggregate amount of the Directors' fees and other emoluments for the year ending 30 June 2016 is estimated to be approximately HK$1,910,000.

C. SUBSEQUENT EVENTS

The following events took place subsequent to 31 October 2015:

On 8 January 2016, New Universe Industries Limited transferred 1 share of TEM Group to the Company at a consideration of HK$90,942,187. The consideration was satisfied by the allotment and issue of 91 shares of the Company to Jumbo Planet Group Limited as nominee of New Universe Industries Limited and Mr. Lau Man Tak. Jumbo Planet Group Limited is a wholly-owned company by Mr. Lau Man Tak.

On the same day, New Universe Industries Limited also transferred 1 share of Glory Sun to the Company at a consideration of HK$1. The consideration was satisfied by the allotment and issue of 1 share of the Company to Jumbo Planet Group Limited as nominee of New Universe Industries Limited and Mr. Lau Man Tak.

The Company became the holding company of the companies now comprising the Group on the same day.

On 20 April 2016, written resolutions of the shareholder of the Company were passed to approve the followings:

(a) the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of 19,962,000,000 new shares of HK$0.01 each;

(b) conditional upon the share premium account of the Company being credited as a result of the placing of the Company's shares, the directors of the Company were authorised to capitalise the amount of approximately HK$4,500,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,999,907 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 20 April 2016, in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company; and

(c) A share option scheme was conditionally adopted on 20 April 2016 and the principal terms of the share option scheme are set out in Appendix IV to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to 31 October 2015.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 October 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is for illustration purposes only, and is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 October 2015 as if the Placing had taken place on 31 October 2015.

The unaudited pro forma statement of adjusted combined net tangible assets below has been prepared for illustration purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company had the Placing been completed on 31 October 2015 or at any future dates.

The unaudited pro forma statement of adjusted combined net tangible assets below is prepared based on the audited combined net tangible assets attributable to the owners of the Company as at 31 October 2015 as extracted from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 October 2015	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of the Company**
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Placing Price of HK$0.45 per Share	86,649	49,606	136,255	22.71
Based on the Placing Price of HK$0.55 per Share	86,649	64,156	150,805	25.13

Notes:

(1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 October 2015 is based on the audited combined net assets of the Company attributable to the owners of the Company of approximately HK$86,649,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Placing are based on 150,000,000 Shares at the Placing Price of lower limit and upper limit of HK$0.45 per Share and HK$0.55 per Share, respectively, after deduction of the underwriting commissions and fees and other related fees expected to be incurred by the Group subsequent to 31 October 2015.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share are determined after the adjustments as described in note 2 above and on the basis that 600,000,000 Shares to be in issue upon completion of the Placing and the Capitalisation Issue (assuming that the Placing and the Capitalisation Issue had been completed on 31 October 2015).

(4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company does not take account of any trading or other transactions subsequent to 31 October 2015.

(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION IN A PROSPECTUS

TO THE DIRECTORS OF TEM HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of TEM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted combined net tangible assets as at 31 October 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 April 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing on the Group's financial position as at 31 October 2015 as if the proposed placing had taken place at 31 October 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 30 June 2015 and the four months ended 31 October 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 October 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 April 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 October 2015 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 April 2016. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ‘‘ordinary resolution’’, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

(i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all the members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 22 October 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 17 November 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

(a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 22 October 2015. Our Company has established its principal place of business in Hong Kong at Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Lau, our executive Director, Chairman and Controlling Shareholder, has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

(b) As our Company is incorporated in the Cayman Islands, the corporate structure and our Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles and certain aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each. The following sets out the changes in the share capital since the date of our Company's incorporation:

(a) On 22 October 2015, one Share was allotted and issued, credited as fully-paid, to the initial subscriber, which was subsequently transferred to Jumbo Planet on the even date.

(b) On 8 January 2016, 92 Shares were allotted and issued, credited as fully-paid, to Jumbo Planet as nominee of Mr. Lau as consideration for the transfer of the entire shareholding interests of TEM Group and Glory Sun from New Universe to our Company.

(c) On 20 April 2016, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 Shares of a par value of HK$0.01 each by the creation of additional 19,962,000,000 new Shares under a resolution in writing passed by the Shareholder referred to in the paragraph headed "A. Further Information about our Company — 4. Written Resolutions of our Shareholder" below.

The authorised share capital of our Company is HK$200,000,000 divided into 20,000,000,000 Shares. Assuming that the Placing becomes unconditional, the Placing Shares and the Shares under the Capitalisation Issue are issued, immediately upon completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the issued share capital will be HK$6,000,000 divided into 600,000,000 Shares fully paid or credited as fully paid, and 19,400,000,000 Shares will remain unissued.

Other than any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any Shares out of the authorised but unissued share capital of our Company.

3. Changes in share capital of our Company's subsidiaries

The subsidiaries of our Company are referred to in the Accountants' Report as set out in Appendix I to this prospectus.

Save for the alterations disclosed in the section headed "History, Reorganisation and Group Structure" of this prospectus, there is no other alteration in the share capital or registered share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholder

Pursuant to the resolutions in writing passed by our Shareholder on 20 April 2016, among other matters:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) our Company increased its authorised share capital from HK$380,000 divided into 38,000,000 Shares of par value HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 Shares of par value HK$0.01 each by the creation of additional 19,962,000,000 new Shares of par value HK$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;

(c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "E. Share Option Scheme" in this Appendix, conditional on, among others, the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing, the Capitalisation Issue and the Share Option Scheme, our Directors are authorised to grant options and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

(d) conditional on, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional and not having being terminated in accordance with the terms of the Underwriting Agreement on or before such dates as may be specified in the Underwriting Agreement;

    (i) the Placing was approved and our Directors were authorised to allot and issue the new Shares under the Placing;

(ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Placing Shares by our Company pursuant to the Placing, our Directors were authorised to capitalise approximately HK$4,499,999.07 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 449,999,907 Shares at par for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on 20 April 2016 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

(iii) the Issue Mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements, or a specific authority granted by our Shareholders in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Capitalisation Issue or the Placing, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing (excluding Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable Cayman Islands laws to be held, or the passing of ordinary resolutions by our Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iii), whichever occurs first; and

(iv) the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable Cayman Islands laws to be held, or the passing of ordinary resolutions by our Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first.

5. Corporate reorganisation

In preparation for the Listing, our Group undertakes the Reorganisation. Please refer to the paragraph headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus for further details.

6. Information about the WFOE

Our Company has established one WFOE in the PRC. A summary of the corporate information and the principal terms of the WFOE is set out below:

TEM Jiangmen

Date of establishment	:	23 July 2008
Total Investment	:	USD2.0 million
Registered Capital	:	USD1.5 million
Registered holder of equity interest and percentage of equity interest	:	BAP Trading (100%)
Term	:	Unlimited
Business Scope	:	To carry on the business of manufacturer of wire harnesses, connectors, cables, power cords and other related electronic equipment devices and products; commissioning agent of wire harnesses, connectors, cables, power cords, terminals, gluey shells, electric filters (except auction); and wholeseller.

7. Repurchase of our Company's securities

This paragraph includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The GEM Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders at a general meeting.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 20 April 2016, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting, (ii) the date by which our Company's next annual general meeting is required by our Articles or the Companies Law or applicable laws in the Cayman Islands to be held; or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders at a general meeting (the "**Relevant Period**").

(c) Source of funds

Our Company's repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum, our Articles, the Companies Law and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under Cayman Islands law, our Company may make repurchases out of the profit, or out of our Company's share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, or, if so authorised by our Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for out of either or both the profits of our Company or our Company's share premium account, or if so authorised by our Articles and subject to the Companies Law, out of capital.

(d) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum, our Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(f) Share capital

The exercise in full of the current Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum, our Articles, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as mentioned above, our Directors are not aware of any consequences of repurchases pursuant to the Repurchase Mandate which would arise under the Takeovers Code.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person of our Company has notified our Group that he, she or it has a present intention to sell his, her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus and are or may be material:

(a) the reorganisation deed dated 8 January 2016 entered into among Mr. Lau, Jumbo Planet, our Company (as purchaser), Perfect Asset, New Universe (as vendor), TEM Group and Glory Sun in relation to the acquisitions of TEM Group and Glory Sun by our Company;

(b) the Deed of Indemnity;

(c) the Deed of Non-competition; and

(d) the Underwriting Agreement.

2. Intellectual property rights

(a) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the following jurisdictions:

Trademark	Applicant	Place of application	Class	Application number	Application Date
TEM	TEM Group	Hong Kong	9	303579986	29 October 2015
TEM	TEM Group	Singapore	9	40201519575R	9 November 2015
TEM	TEM Group	Malaysia	9	2015069387	18 November 2015
TEM	BAP Trading	PRC	9	18611190	15 December 2015

(b) As at the Latest Practicable Date, our Group had registered the following domain names:

Domain names	Name of Registered Owner	Expiry Date
optimumelectronics.com	BAP Trading	14 March 2018
stocko.com.sg	SEAP Trading	18 March 2017
temelectronics.com.my	TEM Malaysia	17 May 2016
tem-group.com	TEM Malaysia	17 September 2016
baptrading.com	BAP Trading	31 October 2016
seaptrading.com.sg	SEAP Trading	26 November 2016
temcn.com	TEM Jiangmen	10 September 2021

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and its associated corporations following the completion of the Capitalisation Issue and the Placing

Immediately following completion of the Capitalisation Issue and the Placing (without taking into account any options which may be granted under the Share Option Scheme), the interests of our Directors and chief executives of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Interests in the Shares

Name of Director/ chief executive	Capacity/nature of interest	Number of underlying Shares (Note 1)	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Placing (Note 2)
Mr. Lau (Note 3)	Interest in a controlled corporation	450,000,000	75%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 600,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

(3) Mr. Lau holds the entire issued share capital of Jumbo Planet and Mr. Lau is deemed to be interested in 450,000,000 Shares held by Jumbo Planet in our Company.

(b) Interests discloseable under the SFO and substantial shareholders of other members of our Group

(i) Interests in our Company

Save as disclosed in the section headed "Substantial and Significant Shareholders" in this prospectus, our Directors are not aware of any other person, not being a Director or chief executive of our Company, who will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(ii) Interests in other members of our Group

So far as it is known to our Directors, the following persons, not being a Director or chief executive of our Company, will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group or has option in respect of such capital:

Name of shareholder	Name of other members of our Group	Capacity/nature of interest	Number of underlying shares*(Note 1)*	Percentage of shareholding
Mr. Lee Khoon Hwa*(Note 2)*	Optimum Electronics	Beneficial owner	7,500	15%

Notes:

(1) All interests stated are long positions.

(2) Mr. Lee Khoon Hwa is also a director of Optimum Electronics.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts

Each of our Directors has entered into a service contract or an appointment letter (as the case may be) with our Company for an initial fixed term of three years commencing on the Listing Date which may only be terminated in accordance with the provisions of the service contract or the appointment letter (as the case may be) or by (i) our Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to our Company not less than one month's prior notice in writing.

Each of our Directors is entitled to the respective basic salary under their respective service contracts or appointment letters set out below. Our Directors may also be entitled to a discretionary bonus. A Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the discretionary bonus payable to him or her.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract or an appointment letter (as the case may be) with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Our Company has not entered into any service contract with our Directors which is for a duration that may exceed three years or which is not determinable by our Company within one year without payment of compensation (other than statutory compensation).

2. Directors' remuneration during the Track Record Period

For the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015, the aggregate remuneration paid to our Directors by our Company and the subsidiaries was approximately HK$1,851,000, HK$1,658,000 and HK$480,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 by our Group to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and share-based compensation paid and payable to our Directors for the financial year ending 30 June 2016 is estimated to be approximately HK$1,910,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of the Shareholder of our Company on 20 April 2016. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in paragraph 2 below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate of any of the foregoing persons (together, the "**Eligible Persons**" and each an "**Eligible Person**").

3. Conditions and administration

The Share Option Scheme shall come into effect on the Listing Date, subject to:

(a) the Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued and allotted pursuant to the exercise of the Share Options; and

(b) the commencement of dealings in the Shares on GEM.

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of the Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

4. Determination of eligibility

(a) Our Board may, at its absolute discretion, offer to grant to any Eligible Person a Share Option to subscribe for Shares under the Share Option Scheme.

(b) The basis of eligibility of any Eligible Person to the grant of any Share Option shall be determined by our Directors from time to time on the basis of their contributions to the development and growth of our Group.

(c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of Share Options under the Share Option Scheme.

(d) An Eligible Person or grantee shall provide our Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of Share Option, at the time of acceptance of a grant of Share Option, and at the time of exercise of a Share Option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his close associates or for purposes in connection with the terms of a Share Option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

5. Duration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

6. Grant of Share Options

On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within the period of the Share Option Scheme to offer the grant of any Share Option to any Eligible Person as our Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, our Board may in its absolute discretion when offering the grant of a Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set out in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Share Option in respect of all or some of the Shares which the Share Option relates shall vest.

An offer of the grant of a Share Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Share Option duly signed by the grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the Share Option. Once such acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date.

7. Subscription price of Shares

The subscription price in respect of any particular Share Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Share Option (and shall be stated in the letter containing the offer of the grant of the Share Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of Share;

(b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. Exercise of Share Options

(a) A Share Option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of Share Options established by our Company from time to time. Every exercise of a Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Share Option.

(b) A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option or purport to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option may be registered). Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding Share Option or part thereof granted to such grantee without any compensation.

(c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, a Share Option may be exercised at any time during the option period, provided that:

(i) if the grantee (being an individual) dies or becomes permanently disabled before exercising a Share Option (or exercising it in full), he (or his legal representative(s)) may exercise the Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

(ii) in the event of the grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;

(iii) in the event of the grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of our Company, his Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

(iv) in the event of the grantee ceasing to be an Executive by reason of transfer of employment to an affiliate company, the Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may determine;

(v) in the event of the grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(vi) if a grantee being an executive Director ceases to be an Executive but remains a non-executive Director, his Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined, the Share Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(vii) if (1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Share Option or which were the basis on which the Share Option was granted, the Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(viii) if a grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (2) has suspended or ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Companies Law or any applicable law); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(ix) if a grantee (being an individual) (1) is unable or has no reasonable prospect of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offence involving his integrity or honesty; or (4) commits a breach of any contract entered into between the grantee or his associate and any member of our Group, the Share Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(xi) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the grantee immediately prior to such event had any subsisting Share Option which had not been fully exercised, the grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the Share Option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, *pari passu* with our Shareholders, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof; and

(xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantees who have unexercised Share Options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Share Option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all Share Options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Share Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise a Share Option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the Share Option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Share Option such right shall not have then vested.

(d) The Shares to be allotted upon the exercise of a Share Option shall be subject to all the provisions of our Memorandum and Articles and the laws of the Cayman Islands in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Share Option pursuant to the Share Option Scheme.

(e) Our Company is entitled to refuse any exercise of a Share Option if such exercise is not in accordance with the terms of the Share Option Scheme or the procedures for exercise of Share Option established by our Company from time to time or if such exercise may cause our Company to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the GEM Listing Rules or any rules governing the listing of the Shares on a stock exchange.

9. Lapse of Share Options

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

(a) the expiry of the option period;

(b) the expiry of any of the periods referred to in paragraph 8(c);

(c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Share Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of Shares available for subscription

The maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Placing and as at the Listing Date (the "**Scheme Mandate Limit**"), provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by our Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules to our Shareholders. In addition, our Company may seek separate approval from our Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought. Our Company shall issue a circular to our Shareholders containing the information required under Rule 23.03(3) of the GEM Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Share Options granted to any one Eligible Person (including exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Share Options to such Eligible Person would result in the Shares issued and to be issued upon exercise of all Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates of such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 23.03(4) of the GEM Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 12 but shall not in any event exceed the limits imposed by Chapter 23 of the GEM Listing Rules.

11. Maximum number of Shares per grantee who is a core connected person

Each grant of Share Options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Share Option Scheme shall be approved by independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the Share Options). Where any grant of Share Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Share Options already granted and which may be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of Share Options must be approved by our Shareholders. Our Company shall send a circular to our Shareholders containing the information required under Rule 23.04 of the GEM Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

12. Cancellation of Share Options

Our Board shall be entitled for the following causes to cancel any Share Option in whole or in part by giving notice in writing to the grantee stating that such Share Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) or any terms or conditions attached to the grant of the Share Option;

(b) the grantee makes a written request to our Board for, or agrees to, the Share Option to be cancelled; or

(c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Share Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Share Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a Share Option held by a grantee and issues new Share Options to the same grantee, the issue of such new Share Options may only be made under the Share Option Scheme with available unissued Share Options (excluding the cancelled Share Option) within the limit approved by our Shareholders set out in paragraph 10.

13. Reorganisation of capital structure

In the event of any change in the capital structure of our Company while any Share Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the number of Shares subject to outstanding Share Options;

(b) the subscription price of each outstanding Share Option; and/or

(c) the number of Shares subject to the Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 23.03(13) of the GEM Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes, provided that:

(a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the GEM Listing Rules from time to time;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

(d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company for which any grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

14. Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (the "**Distribution**"), our Company may make a downward adjustment to the subscription price of any Share Option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board's determination of any adjustments shall be final and binding on all grantees, (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to our Shareholders, (c) such adjustment shall take effect on or after the date of such Distribution by our Company, (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by our Shareholders in general meeting; and (e) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

15. Share capital

The exercise of any Share Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of Share Options.

16. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of a Share Option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of grantees;

(c) any change to the authority of our Directors in relation to any alteration to the terms of the Share Option Scheme; and

(d) any alteration to this paragraph 17,

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 23 of the GEM Listing Rules.

18. Termination

Our Shareholders by resolution in general meeting may at any time terminate the operation of the Share Option Scheme. Upon the expiry or termination of the Share Option Scheme as aforesaid, no further Share Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnity

Our Controlling Shareholders entered into the Deed of Indemnity referred to in the paragraph headed "B. Further Information about the Business — 1. Summary of Material Contracts" in this Appendix in favour of our Company for itself and as trustee for each member of our Group to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, estate duty, as well as any penalties and claims to which any member of our Group may be subject on or before the Listing Date and including those payable after the Listing Date.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, neither our Company nor any of its subsidiaries were involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules and has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares falling to be allotted and issued under the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor's fees are HK$4.8 million and are payable by our Company.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately US$4,300 (equivalent to approximately HK$33,000) and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to, or is proposed to be paid, allotted or given to, any promoter in connection with the Placing or the related transactions described in this prospectus.

6. Qualification of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions or advice in this prospectus are as follow:

Name	Qualifications
RHB Capital Hong Kong Limited	A licensed corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Deheng Law Offices (Shenzhen)	PRC legal advisers to our Company
Dentons Rodyk & Davidson LLP	Singapore legal advisers to our Company
Mah-Kamariyah & Philip Koh	Malaysia legal advisers to our Company
Appleby	Cayman Islands legal advisers to our Company
Euromonitor International Ltd.	Industry consultant

7. Consents

Each of RHB Capital Hong Kong Limited, Deloitte Touche Tohmatsu, Deheng Law Offices (Shenzhen), Dentons Rodyk & Davidson LLP, Mah-Kamariyah & Philip Koh, Appleby and Euromonitor International Ltd. has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinions and/or references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Share register

The principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, Boardroom Share Registrars (HK) Limited and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

10. Miscellaneous

Save as disclosed in this prospectus:

(a) none of our Directors nor any of the parties listed in the paragraph headed "F. Other Information — 7. Consents" in this appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;

(b) none of our Directors nor any of the parties listed in the paragraph headed "F. Other Information — 7. Consents" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business;

(c) save of the Underwriting Agreement, none of the parties listed in the paragraph headed "F. Other Information — 7. Consents" in this appendix:

(i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;

(d) none of the equity and debt securities of our Company or any of our subsidiaries is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;

(e) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;

(g) our Company has no outstanding convertible debt securities;

(h) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and our Company or any of our subsidiaries has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(i) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring, subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

(j) since 31 October 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in the financial or trading position or prospectus of our Company;

(k) there is no arrangement under which future dividends are waived or agreed to be waived;

(l) the Placing does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(m) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;

(n) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the twenty four months preceding the date of this prospectus; and

(o) the English text of this prospectus shall prevail over the Chinese text.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the material contracts referred to in the paragraph headed "B. Further Information about the Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus, copies of the written consents referred to in the paragraph headed "F. Other Information — 7. Consents" in Appendix IV to this prospectus and the report on the statement of adjustments of our Group by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants' report of our Group set out in Appendix I to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Eversheds at 21st Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the audited combined financial statements of our Group for each of the financial years ended 30 June 2014 and 30 June 2015, and the four months ended 31 October 2015 (or for the period from their respective dates of incorporation where there is a shorter period);

(c) the auditor's reports on the consolidated financial statements of TEM Group and Glory Sun, underlying the financial information of our Group incorporated in the accountants' report of our Group set out in Appendix I to this prospectus;

(d) the report on the statement of adjustments of our Group by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants' report of our Group set out in Appendix I to this prospectus;

(e) the letters issued by Deloitte Touche Tohmatsu in relation to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(f) the material contracts referred to in the paragraph headed "B. Further Information about the Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(g) the rules of the Share Option Scheme;

(h) the written consents referred to in the paragraph headed "F. Other Information — 7. Consents" in Appendix IV to this prospectus;

(i) the Companies Law;

(j) the PRC legal opinion issued by Deheng Law Offices (Shenzhen) in respect of general matters and the property interest of our Group in the PRC;

(k) the legal opinion issued by Dentons Rodyk & Davidson LLP in respect of certain aspects of Singapore law;

(l) the legal opinion issued by Mah-Kamariyah & Philip Koh in respect of certain aspects of Malaysian law;

(m) the letter issued by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

(n) the service contracts and letters of appointment referred to in the paragraph headed "D. Further Information about our Directors — 1. Directors' Service Contracts" in Appendix IV to this prospectus; and

(o) the Euromonitor Report.

TEM Holdings Limited

創新電子控股有限公司*