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## **TEM HOLDINGS LIMITED**

**創新電子控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8346)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of TEM Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* For identification purposes only

## FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 9.2% from approximately HK\$131.3 million for the year ended 30 June 2015 to approximately HK\$119.2 million for the year ended 30 June 2016.
- Gross profit decreased by approximately HK\$4.6 million, or 12.7%, from approximately HK\$36.2 million for the year ended 30 June 2015 to approximately HK\$31.6 million for the year ended 30 June 2016.
- Loss attributable to owners of the Company amounted to approximately HK\$9.6 million for the year ended 30 June 2016 compared to profit attributable to owners of the Company of approximately HK\$16.4 million for the year ended 30 June 2015. After taking out the effect of the one-off non-recurring listing expenses of approximately HK\$15.8 million, the Group would have recorded profit attributable to owners of the Company of approximately HK\$6.1 million for the year ended 30 June 2016.

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Group for the financial year ended 30 June 2016 together with the comparative figures for the financial year ended 30 June 2015.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	4	<b>119,192</b>	131,288
Cost of sales		<b>(87,600)</b>	(95,085)
Gross profit		<b>31,592</b>	36,203
Other income	5	<b>426</b>	394
Selling and distribution costs		<b>(3,085)</b>	(2,943)
Administrative expenses		<b>(20,692)</b>	(16,463)
Other gains and losses	6	<b>1,533</b>	3,993
Listing expenses		<b>(15,762)</b>	–
Finance costs	7	<b>(6)</b>	–
(Loss) profit before taxation		<b>(5,994)</b>	21,184
Income tax expense	8	<b>(3,656)</b>	(4,765)
(Loss) profit for the year	9	<b>(9,650)</b>	16,419

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Other comprehensive income (expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<b>50</b>	(3)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u><b>(3,910)</b></u>	<u>(7,492)</u>
Other comprehensive expense for the year		<u><b>(3,860)</b></u>	<u>(7,495)</u>
Total comprehensive (expense) income for the year		<u><b>(13,510)</b></u>	<u>8,924</u>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(9,627)</b>	16,444
Non-controlling interests		<u><b>(23)</b></u>	<u>(25)</u>
		<u><b>(9,650)</b></u>	<u>16,419</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(13,487)</b>	8,947
Non-controlling interests		<u><b>(23)</b></u>	<u>(23)</u>
		<u><b>(13,510)</b></u>	<u>8,924</u>
(Loss) earnings per share — Basic (HK cents)	<i>11</i>	<u><b>(2.06)</b></u>	<u>3.65</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>8,722</b>	10,425
Deposits paid for acquisition of property, plant and equipment		<b>1,842</b>	–
Deferred tax assets	<i>12</i>	<b>720</b>	535
		<b>11,284</b>	10,960
<b>CURRENT ASSETS</b>			
Inventories		<b>33,035</b>	35,817
Amount due from a related company		–	9,982
Trade and other receivables	<i>13</i>	<b>23,867</b>	35,097
Tax recoverable		<b>483</b>	–
Pledged bank deposits		<b>184</b>	2,664
Bank balances and cash		<b>97,689</b>	25,242
		<b>155,258</b>	108,802
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>14</i>	<b>16,554</b>	21,811
Secured bank borrowing		–	960
Tax payable		<b>86</b>	867
		<b>16,640</b>	23,638
<b>NET CURRENT ASSETS</b>		<b>138,618</b>	85,164
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>149,902</b>	96,124
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>15</i>	<b>6,000</b>	–
Reserves		<b>143,902</b>	96,142
Equity attributable to owners of the Company		<b>149,902</b>	96,142
Non-controlling interests		–	(18)
<b>TOTAL EQUITY</b>		<b>149,902</b>	96,124

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 30 June 2016*

### **1. GENERAL**

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 22 October 2015. The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 18 May 2016. Its immediate and ultimate holding company is Jumbo Planet Group Limited, a limited liability company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lau Man Tak, who is also the Chairman and a director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of wire/cable harnesses and power supply cords assembled products; and trading of terminals, connectors and others.

The functional currency of the Company is United States dollars (“**US\$**”). The consolidated financial statements are 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 PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

Pursuant to the reorganisation, which was completed by the Company acquiring TEM Group Limited and Glory Sun Developments 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 “**Consolidated Entities**”) (the “**Reorganisation**”). The Consolidated Entities and the Company are under common control of Mr. Lau Man Tak before and after the Reorganisation. Therefore, the acquisition of the Consolidated Entities are accounted for as business combination under common control by applying the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 30 June 2016 and 30 June 2015 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 reporting periods.

The consolidated statement of financial position of the Group as at 30 June 2015 has 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 that date.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)**

The Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) has issued a number of new and revised HKFRSs which are effective for the Group’s accounting period beginning on 1 July 2015. For the purpose of preparing and presenting these consolidated financial statements, the Group has adopted all these new and revised HKFRSs consistently throughout both years.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts With Customers <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>5</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

## 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:

- 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 contract(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.

### **HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.



In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitments of the Group in respect of rented premises as at 30 June 2016 amounted to HK\$2,756,000 (2015: HK\$4,877,000). The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company anticipate that the application of other amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

#### 4. 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 executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes 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 segment.

*For the year ended 30 June 2016*

	Manufacturing of wire/cable harnesses <i>HK\$'000</i>	Manufacturing of power supply cords assembled products <i>HK\$'000</i>	Trading of terminals, connectors and others <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
External sales	99,006	12,848	7,338	119,192	119,192
Segment results	26,180	3,256	2,156	31,592	31,592
Other income					426
Selling and distribution costs					(3,085)
Administrative expenses					(20,692)
Other gains and losses					1,533
Listing expenses					(15,762)
Finance costs					(6)
Loss before taxation					(5,994)

For the year ended 30 June 2015

	Manufacturing of wire/cable harnesses <i>HK\$'000</i>	Manufacturing of power supply cords assembled products <i>HK\$'000</i>	Trading of terminals, connectors and others <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent 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 purposes of resource allocation and performance assessment.

### Geographical information

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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The People's Republic of China (the "PRC")	<b>35,207</b>	35,274
Asia Pacific region (excluding the PRC)	<b>71,164</b>	83,216
Western Europe	<b>10,911</b>	8,614
Others	<b>1,910</b>	4,184
	<b>119,192</b>	131,288

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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PRC	<b>6,433</b>	4,547
Malaysia	<b>3,629</b>	5,286
Others	<b>502</b>	592
	<u><b>10,564</b></u>	<u>10,425</u>

*Note:* Non-current assets excluded deferred tax assets.

#### **Information about major customers**

Revenue from customers of corresponding years contributing over 10% of the Group's revenue are as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	<b>53,366</b>	63,468
Customer B	<b>14,425</b>	16,877
	<u><b>14,425</b></u>	<u>16,877</u>

#### **5. OTHER INCOME**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	<b>132</b>	161
Others	<b>294</b>	233
	<u><b>426</b></u>	<u>394</u>

#### **6. OTHER GAINS AND LOSSES**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net exchange gain	<b>1,541</b>	4,099
Loss on disposal of property, plant and equipment	<b>(8)</b>	(164)
Reversal of allowance for bad and doubtful debts, net	–	182
Impairment loss on goodwill	–	(124)
	<u><b>1,533</b></u>	<u>3,993</u>

## 7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on secured bank borrowing	<u>6</u>	<u>–</u>

## 8. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The income tax expense comprises:		
Current tax:		
Malaysia corporate income tax	3,178	4,397
PRC Enterprise Income Tax (“EIT”)	642	1,207
Singapore corporate income tax	43	90
Withholding tax on distributed earnings from a PRC subsidiary	170	–
Overprovision in prior years	(169)	(109)
Deferred tax credit ( <i>note 12</i> )	(208)	(820)
	<u>3,656</u>	<u>4,765</u>
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit before taxation	<u>(5,994)</u>	<u>21,184</u>
Tax at the average income tax rate of 25% (2015: 25%)	(1,499)	5,296
Tax effect of expenses not deductible for tax purpose	4,745	402
Tax effect of income not taxable for tax purpose	(54)	(141)
Tax effect of tax losses not recognised	693	515
Tax effect of deductible temporary differences not recognised	98	–
Utilisation of deductible temporary differences previously not recognised	–	(1,207)
Effect of tax exemptions granted to a Singapore subsidiary	(213)	(164)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(143)	121
Withholding tax on distributed earnings from a PRC subsidiary	170	–
Overprovision in prior years	(169)	(109)
Others	28	52
Income tax expense for the year	<u>3,656</u>	<u>4,765</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years.

The income tax rate applicable in Malaysia is 24% (2015: 25%) for the year ended 30 June 2016.

The income tax rate applicable in Singapore is 17% for both years.

A subsidiary operating in Singapore is entitled to partial income tax exemption (75% exemption on first Singapore dollars (“SGD”) 10,000 chargeable income and 50% exemption on next SGD290,000 chargeable income) for both years.

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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 dividends received) for profits generated after 1 January 2008, at the rate of 10%.

## 9. (LOSS) PROFIT FOR THE YEAR

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' remuneration:		
— Fees	70	–
— Salaries and other allowances	1,850	1,564
— Discretionary bonuses	1,231	–
— Retirement benefit scheme contributions	122	94
	<u>3,273</u>	1,658
Other staff costs	24,555	23,570
Retirement benefit scheme contributions, excluding those of directors	2,521	2,416
	<u>30,349</u>	27,644
Auditor's remuneration	1,044	433
Cost of inventories recognised as expense	87,600	95,085
Depreciation of property, plant and equipment	2,570	2,604
Minimum lease payments for operating leases in respect of land and buildings	3,439	3,114
Reversal of write-down of inventories, net	(27)	(582)

## 10. DIVIDENDS

During the year ended 30 June 2016, a subsidiary of the Company, TEM Group Limited declared and paid a dividend of US\$650,000 (equivalent to HK\$5,038,000), to New Universe Industries Limited prior to the Reorganisation. 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 these consolidated financial statements.

No dividend has been proposed by the Company since the end of the reporting period.

## 11. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>(Loss) earnings:</b>		
(Loss) profit for the year attributable to owners of the Company	<u>(9,627)</u>	<u>16,444</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basis (loss) earnings per share	<u>468,032,787</u>	<u>450,000,000</u>

The weighed average number of ordinary shares for the purpose of basic (loss) earnings per share for both years has taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue.

No diluted (loss) earnings per share is presented for the current and prior years as there were no potential ordinary shares in issue.

## 12. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Allowance for inventories</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 July 2014	(299)	–	–	(299)
Credit (charge) to profit or loss	198	729	(107)	820
Exchange alignment	<u>37</u>	<u>(28)</u>	<u>5</u>	<u>14</u>
At 30 June 2015	(64)	701	(102)	535
(Charge) credit to profit or loss	(26)	(158)	392	208
Exchange alignment	<u>3</u>	<u>(44)</u>	<u>18</u>	<u>(23)</u>
At 30 June 2016	<u>(87)</u>	<u>499</u>	<u>308</u>	<u>720</u>

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 consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to HK\$5,280,000 (2015: HK\$3,725,000) 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 2016, the Group has unused tax losses of HK\$12,344,000 (2015: HK\$9,571,000) 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.

### 13. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	21,484	32,816
Prepayments, deposits and other receivables	<u>2,383</u>	<u>2,281</u>
	<u><u>23,867</u></u>	<u><u>35,097</u></u>

The Group allows credit period ranging from 30 days to 120 days to its customers.

The following is an aged analysis of trade receivables presented based on the invoice date/date of delivery of goods at the end of the reporting period.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	11,479	17,491
31 – 60 days	7,403	10,910
61 – 90 days	1,751	3,128
Over 90 days	<u>851</u>	<u>1,287</u>
	<u><u>21,484</u></u>	<u><u>32,816</u></u>

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 terms 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 receivable balance are debtors with aggregate carrying amount of HK\$1,918,000 (2015: HK\$5,189,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Overdue:		
1 to 30 days	1,496	3,732
31 to 60 days	395	928
61 to 90 days	27	77
Over 90 days	<u>–</u>	<u>452</u>
	<u><u>1,918</u></u>	<u><u>5,189</u></u>

Movement in the allowance for doubtful trade debts:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance at beginning of the year	–	5,885
Exchange realignment	–	(686)
Impairment losses reversed	–	(182)
Amounts written off during the year	–	(5,017)
	<u>–</u>	<u>–</u>
Balance at end of the year	<u>–</u>	<u>–</u>

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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
HK\$	<b>155</b>	–
US\$	<b>11,448</b>	21,291
Euro (“EUR”)	<b>1,973</b>	2,719
	<u>11,576</u>	<u>24,010</u>

#### 14. TRADE AND OTHER PAYABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b>8,490</b>	16,364
Other payables and accrued expenses	<b>8,064</b>	5,447
	<u>16,554</u>	<u>21,811</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	<b>4,292</b>	6,449
31 – 60 days	<b>2,844</b>	5,353
61 – 90 days	<b>1,278</b>	3,601
Over 90 days	<b>76</b>	961
	<u>8,490</u>	<u>16,364</u>

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 timeframe.



Trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
US\$	<b>3,574</b>	7,859
EUR	<b>2,044</b>	2,636

## 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital <i>HK\$</i></b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 October 2015 (date of incorporation) ( <i>note a</i> )	38,000,000	380,000
Increase on 20 April 2016 ( <i>note c</i> )	19,962,000,000	199,620,000
At 30 June 2016	<u>20,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
At 22 October 2015 (date of incorporation) ( <i>note a</i> )	1	–
Issue of shares under the Reorganisation ( <i>note b</i> )	92	1
Capitalisation issue ( <i>note d</i> )	449,999,907	4,499,999
Issue of new shares upon listing ( <i>note e</i> )	150,000,000	1,500,000
At 30 June 2016	<u>600,000,000</u>	<u>6,000,000</u>
		<i>HK\$'000</i>
Shown in the consolidated statement of financial position		<u>6,000</u>

*Notes:*

- (a) The Company was incorporated in the Cayman Islands with limited liability on 22 October 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, one share was allotted and issued to the Company's initial subscriber (an independent third party), which was subsequently transferred to the shareholder, Jumbo Planet Group Limited on the same day.
- (b) On 8 January 2016, additional 92 shares of HK\$0.01 each were issued to the shareholder as part of the Reorganisation as set out in note 2.
- (c) On 20 April 2016, written resolution was passed by the shareholder of the Company pursuant to which 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.
- (d) On 20 April 2016, the directors of the Company were authorised to issue 449,999,907 shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the placing of the Company's shares. The capitalisation issue was completed on 18 May 2016 upon completion of the placing of the Company's shares.
- (e) On 18 May 2016, the shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange. 150,000,000 ordinary shares at a placing price of HK\$0.53 per share were issued to investors through placement with net proceeds of HK\$72,340,000.

The issued capital of the Group as at 30 June 2015 represented the aggregate share capital of TEM Group Limited amounted to HK\$8 and Glory Sun Developments Limited amounted to HK\$8.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in the manufacturing and supply of wire/cable harnesses and power supply cords assembled products with our manufacturing operations in Malaysia and the PRC and has more than 20 years' experience in the wire/cable harness industry. We also sell terminals and connectors. The customers of the Group are generally global brand name home/consumer appliances manufacturers and original equipment manufacturers in the home appliances, consumer appliances and industrial products industries, that are mainly based in the Asia Pacific region.

The following is an analysis of the Group's revenue by operating segment.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Increase/ (Decrease) %
Manufacturing of wire/cable harnesses	<b>99,006</b>	107,924	(8.3)
Manufacturing of power supply cords assembled products	<b>12,848</b>	15,240	(15.7)
Trading of terminals, connectors and others	<b>7,338</b>	8,124	(9.7)
	<b><u>119,192</u></b>	<u>131,288</u>	(9.2)

### Geographical information

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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Increase/ (Decrease) %
PRC	<b>35,207</b>	35,274	(0.2)
Asia Pacific region (excluding the PRC)	<b>71,164</b>	83,216	(14.5)
Western Europe	<b>10,911</b>	8,614	26.7
Others	<b>1,910</b>	4,184	(54.3)
	<b><u>119,192</u></b>	<u>131,288</u>	(9.2)

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately HK\$12.1 million, or 9.2%, from approximately HK\$131.3 million for the year ended 30 June 2015 to approximately HK\$119.2 million for the year ended 30 June 2016. Such decrease was primarily resulted from the realignment of product mix of a major customer during the year ended 30 June 2016.

### **Cost of sales and Gross Profit**

Cost of sales decreased by approximately HK\$7.5 million, or 7.9%, from approximately HK\$95.1 million for the year ended 30 June 2015 to approximately HK\$87.6 million for the year ended 30 June 2016. Such decrease was in line with the decrease of revenue for the year ended 30 June 2016. The Group's gross profit decreased by approximately HK\$4.6 million, or 12.7%, from approximately HK\$36.2 million for the year ended 30 June 2015 to approximately HK\$31.6 million for the year ended 30 June 2016. The decrease in gross profit was mainly as a result of the drop in sales revenue caused by the realignment of product mix of a major customer during the year ended 30 June 2016 as mentioned above. Gross profit margin decreased slightly from approximately 27.6% for the year ended 30 June 2015 to approximately 26.5% for the year ended 30 June 2016. The slight decrease in gross profit margin was mainly due to the decrease in number of units produced which led to an increase in the production cost per unit.

### **Other income**

Other income remained stable at approximately HK\$0.4 million for the year ended 30 June 2016 and 2015. The other income was primary attributable to bank interest income of approximately HK\$0.1 million and HK\$0.2 million for the year ended 30 June 2016 and 30 June 2015 respectively.

### **Selling and distribution costs**

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs. Selling and distribution costs maintained at approximately HK\$3.1 million for the year ended 30 June 2016 (2015: approximately HK\$2.9 million). In view of the drop in sales revenue and volume for the year ended 30 June 2016, the transportation expense incurred for the year ended 30 June 2016, amounting to approximately HK\$1.9 million was effectively higher than that incurred for the year ended 30 June 2015, amounting to approximately HK\$1.7 million.

### **Administrative expenses**

Administrative expenses increased by approximately HK\$4.2 million from approximately HK\$16.5 million for the year ended 30 June 2015 to approximately HK\$20.7 million for the year ended 30 June 2016. Such increase was mainly attributable to (i) an increase in staff costs from approximately HK\$9.6 million for the year ended 30 June 2015 to approximately HK\$12.1 million for the year ended 30 June 2016, which included approximately HK\$1.2 million discretionary bonus to Directors in relation to the Listing and (ii) an increase in the audit and legal and professional fee of approximately HK\$1.5 million.

## **Other gains and losses**

Other gains and losses decreased by approximately HK\$2.5 million from approximately HK\$4.0 million for the year ended 30 June 2015 to approximately HK\$1.5 million for the year ended 30 June 2016. Such decrease was mainly due to the decrease in net exchange gain on translation and realization of monetary assets denominated in USD with weakening of USD against Ringgit in the fourth quarter of the year ended 30 June 2016.

## **Finance costs**

The finance costs increased from HK\$Nil for the year ended 30 June 2015 to approximately HK\$6,000 for the year ended 30 June 2016 as a result of a short-term borrowing of subsidiary in Malaysia incurred during the year.

## **Income tax expense**

Income tax expense decreased by approximately HK\$1.1 million from approximately HK\$4.8 million for the year ended 30 June 2015 to approximately HK\$3.7 million for the year ended 30 June 2016. Such decrease was mainly due to (i) decrease in Malaysia corporate income tax and PRC Enterprise Income Tax as a result of decrease in the taxable profit of subsidiaries in Malaysia and the PRC for the year ended 30 June 2016 and (ii) decrease of corporate income tax rate applicable in Malaysia from 25% for the year ended 30 June 2015 to 24% for the year ended 30 June 2016.

## **(Loss) Profit attributable to owners of the Company**

As a result of the above and the listing expenses incurred for the year ended 30 June 2016 of approximately HK\$15.8 million, the Group recorded a loss attributable to owners of the Company of approximately HK\$9.6 million for the year ended 30 June 2016 (2015: profit attributable to owners of the Company of approximately HK\$16.4 million). After taking out the effect of the one-off non-recurring listing expenses, the Group would have recorded profit attributable to owners of the Company of approximately HK\$6.1 million for the year ended 30 June 2016.

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 30 June 2016.

## **Liquidity and Financial Resources**

During the year under review, the Group's source of funds was primarily from the cash generated from operating activities. As at 30 June 2016, the Group had a healthy financial position with net assets amounted to approximately HK\$149.9 million (2015: approximately HK\$96.1 million). Net current assets stood at approximately HK\$138.6 million as at 30 June 2016 (2015: approximately HK\$85.2 million).

As at 30 June 2016, shareholders' fund amounted to approximately HK\$149.9 million (2015: approximately HK\$96.1 million). Current assets amounted to approximately HK\$155.3 million (2015: approximately HK\$108.8 million), mainly comprising of inventories, trade and other receivables, tax recoverable, pledged bank deposits, bank balances and cash. Current liabilities amounted to approximately HK\$16.6 million (2015: approximately HK\$23.6 million) mainly comprising of trade and other payables, secured bank borrowing and tax payable.

The Group's bank balances and cash amounted to approximately HK\$97.7 million (2015: approximately HK\$25.2 million). Net asset value per share was HK\$0.25 (2015: HK\$0.21).

### **Gearing Ratio**

The gearing ratio of the Group as at 30 June 2016 was Nil (2015: 1 %). Such decrease was due to the full repayment of the bank loan before the year ended 30 June 2016. As at 30 June 2016, the Group did not have any bank borrowings, bank overdrafts and finance lease liabilities (2015: HK\$1.0 million).

### **Capital Structure**

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 18 May 2016. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 30 June 2016, the Company's issued share capital was HK\$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK\$0.01 each.

### **Foreign Exchange Exposure**

The revenue of the Group is mainly denominated in USD, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Ringgit, Euro and Renminbi, which exposes the Group to foreign currency risk. The Group did not use derivative financial instrument to hedge currency risk. The Group managed the foreign exchange risk by closely monitoring the movement of foreign currency rate. Nevertheless, the Group will take appropriate activities to reduce the foreign exchange risk.

### **Significant Investment Held**

As at 30 June 2016, the Group did not have any significant investment held (2015: Nil).

### **Contingent Liabilities**

As at 30 June 2016, the Group did not have any material contingent liabilities (2015: Nil).

### **Capital Commitments**

As at 30 June 2016, the Group had approximately HK\$3.3 million capital commitments mainly related to acquisition of machines (2015: approximately HK\$0.1 million).

## Employee and Remuneration Policies

As at 30 June 2016, the Group had a total workforce of 465 employees (2015: 501). Total staff costs for the year under review amounted to approximately HK\$30.3 million (2015: HK\$27.6 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis with reference to their performance, qualifications, experience, positions and the performance of the Group.

Staff benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong, Singapore, Malaysia and the PRC.

## Pledge of the Group's Assets

The following assets of the Group were pledged at the end of the reporting period for securing bank guarantee and certain banking facilities granted to the Group:

	<b>As at 30 June 2016 HK\$'000</b>	<b>As at 30 June 2015 HK\$'000</b>
Pledged bank deposits	<u>184</u>	<u>2,664</u>

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of the Listing as set out in the section headed "Reorganisation" of the Prospectus.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

## Prospects

The year ended 30 June 2016 marked a milestone for the Group and the Listing is a breakthrough to our continuous efforts in the Group's business development and expansion. The Listing not only provided additional capital funding but also enhances the status of the Group, allowing us to better negotiate for further banking facilities, strengthen our relationship with customers and maintain a consistent growth of customer base. In addition, it was a good opportunity to strengthen our internal control and corporate governance.

The Group intends to achieve its medium-term target of growing its customer base by promoting existing and potential new customers through the improvement of product quality and delivery in order to keep up with customer demands and satisfaction.

The expanded factory building at Jiangmen is expected to be completed in October 2016 so as to increase the production capacities to cater for the anticipated increase in business volume in the short-medium term. The Group will continue to focus on improving its production efficiency and productivity in production processes by upgrading its production capacity.

Looking forward to 2017 and beyond, we anticipate continued headwinds from the weak global economic recovery and the short-term impact of economic downturn of the PRC. Nonetheless, we believe that there will still be opportunities available.

In conclusion, our Group is cautiously optimistic about its prospects and with the Group's experienced management team, we consider that the Group is well positioned to compete against its competitors and meet the challenges ahead.

### **Use of Proceeds**

The shares of the Company were listed on the GEM of the Stock Exchange on 18 May 2016. The actual net proceeds from the Listing was approximately HK\$56.6 million. Up to date of this announcement, the net proceeds from the Listing were not utilized.

### **EVENTS AFTER THE REPORTING PERIOD**

There is no significant event after the reporting period of the Group.



## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its shares during the year ended 30 June 2016. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 30 June 2016.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "**Audit Committee**") with the written terms of reference in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Group's consolidated financial statements for the year ended 30 June 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2016 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **CORPORATE GOVERNANCE PRACTICE**

The Directors and the management of the Company recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has applied the principles and code provisions in the CG Code. In the opinion of the Board, the Company has complied with the CG Code from 18 May 2016 (the "**Listing Date**") up to 30 June 2016.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors, for the purpose of regulating securities transactions by the Directors. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the provisions as set out in the Model Code throughout the period.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance from the Listing Date up to the date of this announcement.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 30 June 2016.

## **APPRECIATION**

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the Company's shareholders, customers, suppliers, business associates and bankers for their confidence and continuous support to the Group. I also thank my fellow directors, the management team and staff for their full commitment, loyalty and dedication to the Group during the year ended 30 June 2016.

By order of the Board  
**TEM Holdings Limited**  
**Lau Man Tak**  
*Chairman and Executive Director*

Hong Kong, 7 September 2016

*As at the date of this announcement, the executive Directors are Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Kan Wai Kee and Ms. Koay Lee Chern; and the independent non-executive Directors are Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the website of the Company at <http://ir.tem-group.com>.*