TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8346

Annual Report 2016

* for identification purpose only

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.

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*This report, 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 report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS (THE "BOARD")

Executive Directors

Mr. Lau Man Tak *(Chairman)*
Mr. Vincent Ho Pang Cheng *(Chief Executive Officer)*
Mr. Kan Wai Kee
Ms. Koay Lee Chern

Independent Non-Executive Directors

Mr. Lum Chor Wah Richard
Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Lum Chor Wah Richard
Mr. Lee Hon Man Eric

NOMINATION COMMITTEE

Mr. Lee Hon Man Eric *(Chairman)*
Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Lum Chor Wah Richard
Mr. Ma Yiu Ho Peter

REMUNERATION COMMITTEE

Mr. Lum Chor Wah Richard *(Chairman)*
Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric

COMPANY SECRETARY

Mr. Wong Yiu Hung *(CPA)*

AUTHORISED REPRESENTATIVES

Mr. Lau Man Tak
Mr. Kan Wai Kee

COMPLIANCE OFFICER

Mr. Kan Wai Kee

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Citibank N.A.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

REGISTERED OFFICE

P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1706, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

http://ir.tem-group.com

STOCK CODE

8346

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board (the "**Board**") of Directors of the Company and the Group, I hereby present the first annual report of the Group to you since the listing (the "**Listing**") of the shares of the Company on GEM of the Stock Exchange on 18 May 2016.

The Company was successfully listed on GEM on 18 May 2016 and the Listing is an important milestone in the development of the Group. The Board believes that the Listing will enhance our corporate profile and the net proceeds from the Listing will further strengthen our financial position and will enable us to implement our business plans as set out in our prospectus dated 29 April 2016 (the "**Prospectus**"). On behalf of the Board, I would like to express our deepest gratitude to our staff, all parties who have assisted us and/or involved, in building our business over the years and during the preparation process of the Listing.

REVIEW

For the financial year ended 30 June 2016, the Group recorded a revenue of approximately HK$119.2 million, representing a decrease of 9.2% as compared to approximately HK$131.3 million for the financial year ended 30 June 2015. Such decrease is mainly resulted from the realignment of product mix of a major customer during the year ended 30 June 2016.

Loss attributable to owners of the Company for the year ended 30 June 2016 was approximately HK$9.6 million compared with a profit attributable to owners of the company of approximately of HK$16.4 million for the year ended 30 June 2015. The turnaround from net profit to net loss was mainly due to the decrease in the revenue and the one-off listing expenses of approximately HK$15.8 million incurred in the year ended 30 June 2016. Excluding this non-recurring listing expenses, the Group's profit attributable to owners of the Company would have been approximately HK$6.1 million for the year ended 30 June 2016.

FORWARD

Looking ahead, the Group is positive about the prospect of the home appliances industry in the Asia Pacific regions. The Group will continue to invest in its production lines in order to enhance the production capacity and efficiency.

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.

Lau Man Tak
Chairman
Hong Kong, 7 September 2016

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.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(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: 1.0%). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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: approximately 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:

	As at 30 June 2016 HK$'000	As at 30 June 2015 HK$'000
Pledged bank deposits	**184**	2,664

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year, the Group did not have any material acquisition nor disposal of subsidiaries or 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report, 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Man Tak (**劉文德**)**,** aged 47, is the Chairman and an executive Director of the Company. His role and responsibility in the 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 is currently an independent non-executive director of Sincere Watch (Hong Kong) Limited (stock code: 444) and Kingston Financial Group Limited (stock code: 1031), which are companies listed on the Main Board of the Stock Exchange. He is also a non-executive director and chairman of REF Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8177). Mr. Lau was an executive director, the chairman, authorised representative and compliance officer of Aurum Pacific (China) Group Limited from June 2012 to September 2014, which is a company listed on the GEM of the Stock Exchange (stock code: 8148). He was also an independent non-executive director of each of Kong Sun Holdings Limited (stock code: 295) from September 2008 to April 2014, AMCO United Holdings Limited (stock code: 630) from October 2010 to June 2015 and KuangChi Science Limited (stock code: 439) from March 2008 to September 2015, which are companies listed on the Main Board of the Stock Exchange.

Mr. Vincent HO Pang Cheng (**何鵬程**), aged 59, is an executive Director and the chief executive officer of the Company and the general manager of the Group. Mr. Ho joined the Group in December 1998 and is responsible for the 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. KAN Wai Kee (**簡偉奇**), aged 50, is an executive Director of the Company. Mr. Kan joined the Group in November 2010 and is responsible for the 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 20 years of experience in the manufacturing industry and in auditing and accounting. Prior to joining our Group, Mr. Kan served as the head of financial operation of a Hong Kong listed company, principally engaged in the manufacture of wires and cables, for almost 10 years from 2001 to 2010. Prior to that, Mr. Kan was an auditor with Deloitte Touche Tohmatsu from 1991 to 1993. Subsequently, he was appointed variously as the accounting manager of Wah Hing Group Company Limited from 1993 to 1996 and as the Group Accounting Manager of Pacific Millennium Company Limited from 1996 to 2001.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. KOAY Lee Chern, aged 47, is the financial controller and an executive Director of the Company. Ms. Koay joined the Group in November 2010 and is responsible for overseeing the overall administration, human resources affairs and financial control of the 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUM Chor Wah Richard (林楚華), aged 56, 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 Limited, a company listed on the GEM of the Stock Exchange (stock code: 8177). 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. Mr. Lum has also passed the AMAC Fund Participant Examination organised by the China Securities and Investment Fund Association. 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) 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MA Yiu Ho Peter (馬遙豪), aged 51, 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 Global 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. He is also an independent non-executive director of Royal Catering Group Holdings Company Limited (stock code 8300), a company listed on the GEM 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.

Mr. LEE Hon Man Eric (李翰文), aged 49, 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LEE Ewe Chee, aged 51, is a manager of the Group and the general manager of TEM Malaysia. Mr. Lee joined the 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 Wai Yin (李偉賢), aged 52, is a manager of the Group and the general manager of TEM Jiangmen. Mr. Lee joined the 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. CHUI Chi Ho (徐志豪), aged 39, is the business manager of the Group and a director of Optimum Electronics. Mr. Chui joined the Group in November 2010 and is responsible for the daily business management and operations of the 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 an accounting firm in Hong Kong. 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. WONG Yiu Hung (黃耀雄), aged 59, was appointed as the company secretary of the 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 the Company. Please refer to the paragraph headed "Executive Directors" above for his biography.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 30 June 2016. This report highlights the key corporate governance practices of the Company.

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.

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.

BOARD OF DIRECTORS

The Board is currently composed of seven Directors, four being executive Directors and three being independent non-executive Directors as set out below:

Executive Directors

Mr. Lau Man Tak *(Chairman)*
Mr. Vincent Ho Pang Cheng *(Chief Executive Officer)*
Mr. Kan Wai Kee
Ms. Koay Lee Chern

Independent Non-executive Directors

Mr. Lum Chor Wah Richard
Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric

The biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the overall strategies, reviewing and monitoring the management performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company on 20 April 2016 and the Company signed letters of appointment with each of the Company independent non-executive Directors on the same day. The service contracts with our executive Directors are for an initial term of three years commencing from the date on which the shares of the Company are listed on the GEM (i.e. 18 May 2016) and can be terminated by either party giving not less than three months' notice in writing. The letter of appointment with each of the independent non-executive Directors are for an initial term of three years commencing on the Listing Date and can be terminated by either party giving not less than one month's notice in writing.

The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts can be renewed in accordance with the articles of association of the Company (the "**Articles of Association**") and the applicable GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

According to the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Our Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

As our Company was first listed on GEM on 18 May 2016, only one Board meeting was held on 20 April 2016 (before the Listing Date) during the year ended 30 June 2016.

The attendance of the respective Directors at the Board meeting is set out as below:

	Number of Board Meetings attended/ eligible to attend
Executive Directors	
Mr. Lau Man Tak	1/1
Mr. Vincent Ho Pang Cheng	1/1
Mr. Kan Wai Kee	1/1
Ms. Koay Lee Chern	1/1
Independent Non-executive Directors	
Mr. Lum Chor Wah Richard	1/1
Mr. Ma Yiu Ho Peter	1/1
Mr. Lee Hon Man Eric	1/1

Other than the Board meeting held on 20 April 2016, for the year ended 30 June 2016, no other Board meeting was held.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All board members have received directors' training hosted by a law firm which was about, inter alias, the listing rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

Pursuant to the code provision A.6.5 of the Code, during the year ended 30 June 2016, all Directors had participated in continuous professional development in the following manner:

	Training on Director's responsibilities provided by the Company's legal consultant prior to the Listing
Executive Directors	
Mr. Lau Man Tak	Attended
Mr. Vincent Ho Pang Cheng	Attended
Mr. Kan Wai Kee	Attended
Ms. Koay Lee Chern	Attended
Independent Non-executive Directors	
Mr. Lum Chor Wah Richard	Attended
Mr. Ma Yiu Ho Peter	Attended
Mr. Lee Hon Man Eric	Attended

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role and responsibilities of the Chairman is separate from that of the Chief Executive Officer. Mr. Lau Man Tak has been the chairman and an executive Director since 20 April 2016. His role and responsibility in the Group is corporate development and strategic planning. Mr. Vincent Ho Pang Cheng, is the chief executive officer and an executive Director of the Company and the general manager of our Group. He joined the Group in December 1998 and is responsible for the Group's overall management, corporate development and implementing the corporate strategic.

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should not be performed by the same person. Decisions of the Company are made either collectively or individually by the executive Directors and are discussed with the management. The Board believes that this arrangement enables the Company to make decisions, operate and implement actions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the fast changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

BOARD COMMITTEE

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website www.hkgem.com and the Company's website at http://ir.tem-group.com. All the Board committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

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 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 independent non-executive Directors as members who are Mr. Ma Yiu Ho Peter, Mr. Lum Chor Wah Richard and Mr. Lee Hon Man Eric. Mr. Ma Yiu Ho Peter who has the appropriate accounting and financial related management expertise, is the chairman of the audit committee.

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 applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Due to the fact that the Company was listed on 18 May 2016, no Audit Committee meeting has yet held for the year ended 30 June 2016.

The main duties of the Audit Committee are summarised as follows:

— Discuss the work with the external auditors of the Company;

— Meet with external auditors of the Company, when they consider necessary;

— Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;

— Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;

— Review the independence of the external auditors annually;

— Ensure that cooperation is provided by management to the external auditors; and

— Review the adequacy and effectiveness of the Group's internal control system.

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 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 with three independent non-executive Directors and two executive Directors who are Mr. Lum Chor Wah Richard, Mr. Lee Hon Man Eric, Mr. Ma Yiu Ho Peter, Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng. Mr. Lum Chor Wah Richard is the chairman of the Remuneration Committee. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 30 June 2016.

Due to the fact that the Company was listed on 18 May 2016, no Remuneration Committee meeting has yet held for the year ended 30 June 2016.

Remuneration of directors and senior management

The Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. The Remuneration Committee determines the salaries of the Directors based on each Director's qualification, position and seniority.

Nomination Committee

Our Company has established the Nomination Committee on 20 April 2016 with written terms of reference in compliance with the 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 with three independent non-executive Directors and two executive Directors who are Mr. Lee Hon Man Eric, Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Lum Chor Wah Richard and Mr. Ma Yiu Ho Peter. Mr. Lee Hon Man Eric is the chairman of the Nomination Committee.

Due to the fact that the Company was listed on 18 May 2016, no Nomination Committee meeting has yet held for the year ended 30 June 2016.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledges their responsibility to prepare the Group's consolidated financial statements for the year ended 30 June 2016 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Group's consolidated financial statements for the year ended 30 June 2016 set out in this annual report.

AUDITOR'S REMUNERATION

Apart from provision of annual audit services for the year ended 30 June 2016, Deloitte Touche Tohmatsu, the Company's auditor, was also the reporting accountants of the Company in relation to the listing of the Company.

For the year ended 30 June 2016, the remuneration paid or payable to Deloitte Touche Tohmatsu and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK$'000)
Audit services (including statutory audit services)	1,038
Non-audit services	
— as reporting accountants for listing of the shares of the Company on the GEM of the Stock Exchange	2,003
	3,041

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. The Company has engaged an independent professional advisory firm to review the effectiveness and adequacy of internal control systems and to ensure the effectiveness and adequacy of internal controls system.

The Board considered the internal control systems of the Group to be adequate and effective for the year ended 30 June 2016. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the year ended 30 June 2016.

COMPANY SECRETARY

Mr. Wong Yiu Hung ("**Mr. Wong**"), was appointed as the company secretary of the Company ("**Company Secretary**") in January 2016. The biographical details of Mr. Wong are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the period from the Listing Date to the date of this annual report, the Company Secretary had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Procedures and right for shareholders to convene EGM

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles of Association (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) Pursuant to Article 64 of the Articles of Association, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

(b) The written requisition must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

(c) The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(d) The Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

(e) If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Eligible Shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual report, interim report and quarterly reports, notices, announcements and circulars that are available on Company's website at http://ir.tem-group.com.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles of Association on the respective website of the Stock Exchange and the Company. From the Listing Date to 30 June 2016, there had been no significant change in the Company's constitutional documents.

DIRECTORS' REPORT

The Board hereby presents the first annual report together with the audited consolidated financial statements for the year ended 30 June 2016.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 22 October 2015.

The companies now comprising the Group underwent a reorganisation (the "**Reorganisation**") to rationalize the structure of the Group in preparation for the initial public offering of the shares of the Company (the "**Shares**") on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Company's Prospectus dated 29 April 2016.

The Shares were listed on the GEM of the Stock Exchange by way of placing (the "**Placing**") on 18 May 2016.

PRINCIPAL ACTIVITIES

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.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 1 to the consolidated financial statements of the Group.

SEGMENT INFORMATION

During the year under review, manufacturing of wire/cable harnesses, manufacturing of power supply cords assembled products and trading of terminals, connectors and others accounting for approximately 83.1%, 10.8% and 6.1% of the Group's total sales respectively.

RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity in the consolidated financial statements of the Group. Details of the movements in the reserves of the Company's individual components of equity are set out in note 32 to the consolidated financial statements of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible.

Reliance on a number of major customers

We derive a substantial portion of our revenues from a number of major customers. 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.

Fluctuations in the prices of our major raw materials

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. If there is an increase in the prices, we are not able to shift such corresponding price increase to our customers in a timely manner, and this many have a material and adverse effect on our business, financial conditions and results of operations.

DIRECTORS' REPORT

Foreign exchange risk

Our functional currency is USD and our reporting currency is HKD, but our business transactions are denominated in various currencies, including MYR, EUR and RMB, which expose us to foreign exchange risk. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate or the reporting currency of the Group. Any significant changes in the exchange rates between our functional currency, reporting currency and the other currencies may result in losses for us and could adversely affect our business, results of operations and financial condition.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the Prospectus.

An analysis of the Group's financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 31 to the consolidated financial statements.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus for the period from 20 April 2016, being the latest practicable date as defined in the Prospectus, to 30 June 2016 (the "**Review Period**") with the Group's actual business progress for the Review Period is set out as follows:

	Business objective set out in Prospectus	Actual Business Progress
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.	Renovation work of the expanded factory building at the PRC Factory has started which is expected to be completed by October 2016. With the additional production facility area and the improved layout of production lines, it helps to improve our production capacity and efficiency in order to achieve higher sales turnover and lower production cost. Despite in the short run, the Group will incur higher expenditure due to additional fixed costs in running the expanded factory, the Group will reap the benefit of operating in a more cost effective mode in the long run.
	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 semiautomatic machines.	To cope with the anticipated additional capacity requirement to fulfill increased orders at the PRC Factory, the Group intends to purchase five units of fully-automated machines. Of which, orders have been placed for two fully-automated machines which is expected to be installed, up and running by early 2017. In addition, we have obtained quotations of another three units of fully-automated machines for review and consideration. Besides increasing our production capacity, these newly added fully-automated machines are expected to replace our semi-automated machines to achieve better production efficiency.

	Business objective set out in Prospectus	Actual Business Progress
	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.	Review of the required specifications of the tooling and equipment to be replaced and installed at the Malaysia Factory is being carried out. Orders will be placed and delivery is expected to be before the end of 2016.
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.	Implementation of ERP system at the PRC Factory is in progress and according to the planned time schedule. With the help of this EPR system, we expect to streamline the business processes, enable an integrated information databases for monitoring and reporting and improve the efficiency and productivity of the operations, resulting in betterment of our costs and competitiveness.
	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.	Quotations of design software have been obtained and under review at both PRC and Malaysia Factories.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 36 of the annual report.

DIVIDEND

The Board does not recommend any payment of a final dividend for the financial year ended 30 June 2016. Other details are set out in note 13 to the consolidated financial statements.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 June 2016 are set out in note 15 to the consolidated financial statements of the Group in the annual report.

SHARE CAPITAL

Details of movements during the year ended 30 June 2016 in the share capital of the Company are set out in note 23 to the consolidated financial statements of the Group in the annual report.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 6 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to acting in an environmentally responsible manner. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH LAW AND REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap.622), the GEM Listing Rules, and other applicable local laws and regulations in various jurisdictions other than those set out in the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

DISTRIBUTABLE RESERVES

At as 30 June 2016, the Group's reserves available for distribution to equity holders comprising share premium and retained profits amounted to approximately HK$143.9 million (2015: approximately HK$90.4 million) calculated in accordance with the Companies Law, Cap. 22(Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

DIRECTORS' REPORT

USE OF PROCEEDS

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

Such net proceeds are intended to be used as follows:

- Approximately 72.4% of the net proceeds for upgrading and increasing our production capacity;
- Approximately 8.0% of the net proceeds for enhancing our manufacturing, information technology and human resources management capabilities to improve our overall operational efficiency;
- Approximately 11.0% of the net proceeds for strengthening our sales and marketing efforts; and
- Approximately 8.6% of the net proceeds for our Group's general working capital.

DIRECTORS

The Directors of the Company during the year ended 30 June 2016 and up to the date of this report were as follows:

Executive Directors

Mr. Lau Man Tak *(Chairman)*	*(appointed on 22 October 2015)*
Mr. Vincent Ho Pang Cheng *(Chief Executive Officer)*	*(appointed on 12 January 2016)*
Mr. Kan Wai Kee	*(appointed on 22 October 2015)*
Ms. Koay Lee Chern	*(appointed on 12 January 2016)*

Independent Non-executive Directors

Mr. Lum Chor Wah Richard	*(appointed on 20 April 2016)*
Mr. Ma Yiu Ho Peter	*(appointed on 20 April 2016)*
Mr. Lee Hon Man Eric	*(appointed on 20 April 2016)*

Brief biographical details of Directors and senior management are set out on pages 9 to 13 of the annual report.

Information regarding directors' emoluments is set out in note 12 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirement under Rule 5.09 of the GEM Listing Rules has been received from each of the Independent Non-executive Directors.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 28 to the consolidated financial statements, no contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2016 or at any time during the year ended 30 June 2016.

Save for the related party transactions disclosed in note 28 to the consolidated financial statements, no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the year ended 30 June 2016 and as at the date of this annual report.

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 20 April 2016 or 18 May 2016 which may only be terminated in accordance with the provision 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.

No Director proposed for re-election at the forthcoming annual general meeting of the Company ("**AGM**") has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The independent non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM in accordance with the memorandum of association and the Articles of Association.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to article 112 of the Articles of Association ("**Article**"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders 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 appointed under Article 112 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.

In accordance with the above provisions of the Articles of Association, each of Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Kan Wai Kee, Ms. Koay Lee Chern, Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric will retire from office and, being eligible, offer themselves for re-election at the AGM.

PERMITTED INDEMNITY PROVISION

At no time during the year ended 30 June 2016 and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2016.

COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 30 June 2016.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements in the annual report.

EMOLUMENT POLICY

As at 30 June 2016, the Group employed approximately 465 full time management, administrative and production staff worldwide. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Directors and employees who have made valuable contribution to the Group may also receive options to be granted under the share option scheme adopted by the Company on 20 April 2016 ("**Share Option Scheme**").

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 27 to the consolidated financial statements of the Group in the annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the Shares

Ordinary Shares of HK$0.01 each of the Company

Name of director	Capital/Nature of Interest	Number of ordinary Shares held *(Note1)*	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Lau Man Tak	Interest in a controlled corporation *(Note 2)*	450,000,000 Shares (L)	75

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) 450,000,000 Shares were held by Jumbo Planet Group Limited which is wholly owned by Mr. Lau Man Tak.

Save as disclosed above, as at 30 June 2016, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares

Ordinary Shares of HK$0.01 each of the Company

Name of director	Capital/Nature of Interest	Number of ordinary Shares held *(Note1)*	Approximate shareholding percentage in the issued share capital of the Company (%)
Jumbo Planet	Beneficial owner	450,000,000 Shares (L)	75
Mr. Lau Man Tak	Interest in a controlled corporation *(Note 2)*	450,000,000 Shares (L)	75
Ms. Lim Youngsook	Interest of a spouse *(Note 3)*	450,000,000 Shares (L)	75

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) 450,000,000 Shares were held by Jumbo Planet Group Limited which is wholly owned by Mr. Lau Man Tak.

(3) Ms. Lim Youngsook is the spouse of M. 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.

Saved as disclosed above, as at 30 June 2016, the Directors were not aware of any persons who had or deemed or taken to have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme set out in this directors' report, at no time during the year ended 30 June 2016 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTION

On 6 January 2016, the Company entered into a financial printing services agreement (the "**Financial Printing Services Agreement**") with REF Financial Press Limited (the "**REF Financial**"), an indirect wholly-owned subsidiary of REF Holdings Limited, pursuant to which REF Financial will provide the financial printing services (the "**Financial Printing Services**") to our Company for a term of not more than three years commencing from 18 May 2016 to 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 Financial Printing Services 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.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Save as disclosed above, there were no other significant connected transactions and related party transactions entered into by the Group for the year ended 30 June 2016.

MAJOR CUSTOMERS AND SUPPLIERS

Our five largest customers collectively accounted for approximately 76.8% of our total turnover for the year ended 30 June 2016 (2015: approximately 77.1%) and our largest customer accounted for approximately 44.8% of our total turnover for the year ended 30 June 2016 (2015: approximately 48.3%).

Our five largest suppliers accounted for approximately 55.1% of our total purchases for the year ended 30 June 2016 (2015: approximately 57.8%) and our largest supplier accounted for approximately 24.3% of our total purchases for the year ended 30 June 2016 (2015: approximately 20.4%).

None of our Directors and their respective close associates (within the meaning of the GEM Listing Rules) or any holder of Shares who, to the knowledge of the Directors, owns more than 5% of the Company's issued Shares has any interest in any of our five largest customers or our five largest suppliers in respect of the year ended 30 June 2016.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 20 April 2016 which became unconditional upon Listing for a period of 10 years from 18 May 2016.

The Share Option Scheme is valid and effective for a period of 10 years from 18 May 2016 and its purpose is to reward eligible participants who have contributed or will contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants of the Share Option Scheme include (collectively "**Eligible participants**"):

(i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and

(ii) any advisers, consultants, distributors, contractors, suppliers, agents customers, business partners, joint venture business partners, promoters, service providers of any member of the Group, whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

The total number of Shares of the Company available for issue under the scheme is 60,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report. The total number of Shares of the Company to be issued upon exercise of the share options granted to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the total Shares of the Company then in issue, unless approved by Shareholders of the Company in general meeting in the manner prescribed under the GEM Listing Rules. The number of Shares to be issued in respect of which options may be granted to a substantial shareholder or an independent non-executive Director of any of their respective close associates (within the meaning of the GEM Listing Rules) representing in aggregate over 0.1% of the total number of the Company's Issued Shares on the date of such grant or with an aggregate value in excess of HK$5,000,000 must be approved by Shareholders in general meeting.

An offer of a grant of share options shall be deemed to have been accepted when the duplicate letter comprising acceptance of the share option (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 the acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date. The period for the exercise of a share option is determined by the Board in its sole discretion, but such period shall not be more than 10 years from the date of grant of the option.

Under the Share Option Scheme, the subscription price payable upon exercise of any options granted is determined by the Board but in any event it shall be at least the highest of: (i) the nominal value of the Company's Shares; (ii) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a participant; and (iii) the average of the closing prices of the Company's Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 June 2016.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence from the Group and the Company considers each of them to be independent pursuant to Rule 5.09 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's issued shares was held by the public as at 7 September 2016, being the latest practicable date prior to the issue of this annual report, in accordance with Rule 11.23 of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by the compliance adviser of the Company, RHB Capital Hong Kong Limited, as at 30 June 2016, except for the compliance adviser agreement dated 12 January 2016 entered into between the Company and RHB Capital Hong Kong Limited, neither RHB Capital Hong Kong Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

The Company has received the written confirmations from Mr. Lau and Jumbo Planet (collectively, the "**Controlling Shareholders**") for the Period in respect of the compliance with the provisions of the undertakings of non-competition ("**Non-competition Undertakings**"), entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with our Controlling Shareholders — Non-compete Undertakings" of the Prospectus.

The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Non-Competition Undertakings.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 14 to 22 of this annual report.

AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed as the first auditor of the Company and will retire and, being eligible, offer itself for re-appointment as auditor of the Company at the AGM.

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board

Lau Man Tak
Chairman
Hong Kong, 7 September 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF TEM HOLDINGS LIMITED
創新電子控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TEM Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 81, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
7 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Revenue	*6*	**119,192**	131,288
Cost of sales		**(87,600)**	(95,085)
Gross profit		**31,592**	36,203
Other income	*7*	**426**	394
Selling and distribution costs		**(3,085)**	(2,943)
Administrative expenses		**(20,692)**	(16,463)
Other gains and losses	*8*	**1,533**	3,993
Listing expenses		**(15,762)**	–
Finance costs	*9*	**(6)**	–
(Loss) profit before taxation		**(5,994)**	21,184
Income tax expense	*10*	**(3,656)**	(4,765)
(Loss) profit for the year	*11*	**(9,650)**	16,419
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**50**	(3)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,910)**	(7,492)
Other comprehensive expense for the year		**(3,860)**	(7,495)
Total comprehensive (expense) income for the year		**(13,510)**	8,924
(Loss) profit for the year attributable to:			
Owners of the Company		**(9,627)**	16,444
Non-controlling interests		**(23)**	(25)
		(9,650)	16,419
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(13,487)**	8,947
Non-controlling interests		**(23)**	(23)
		(13,510)	8,924
(Loss) earnings per share — Basic (HK cents)	*14*	**(2.06)**	3.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	**2016 HK$'000**	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**8,722**	10,425
Deposits paid for acquisition of property, plant and equipment		**1,842**	–
Deferred tax assets	*16*	**720**	535
		11,284	10,960
CURRENT ASSETS			
Inventories	*17*	**33,035**	35,817
Amount due from a related company	*18*	**–**	9,982
Trade and other receivables	*19*	**23,867**	35,097
Tax recoverable		**483**	–
Pledged bank deposits	*20*	**184**	2,664
Bank balances and cash	*20*	**97,689**	25,242
		155,258	108,802
CURRENT LIABILITIES			
Trade and other payables	*21*	**16,554**	21,811
Secured bank borrowing	*22*	**–**	960
Tax payable		**86**	867
		16,640	23,638
NET CURRENT ASSETS		**138,618**	85,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**149,902**	96,124
CAPITAL AND RESERVES			
Share capital	*23*	**6,000**	–
Reserves		**143,902**	96,142
Equity attributable to owners of the Company		**149,902**	96,142
Non-controlling interests		**–**	(18)
TOTAL EQUITY		**149,902**	96,124

The consolidated financial statements on pages 36 to 81 were approved and authorised for issue by the Board of Directors on 7 September 2016 and are signed on its behalf by:

Lau Man Tak
DIRECTOR

Kan Wai Kee
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 *(note a)*	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 2014	–	–	8,670	4,250	74,314	87,234	–	87,234
Profit for the year	–	–	–	–	16,444	16,444	(25)	16,419
Exchange differences arising on translation to presentation currency	–	–	(3)	–	–	(3)	–	(3)
Exchange differences arising on translation of foreign operations	–	–	(7,494)	–	–	(7,494)	2	(7,492)
Total comprehensive (expense) income for the year	–	–	(7,497)	–	16,444	8,947	(23)	8,924
Transfer	–	–	–	281	(281)	–	–	–
Non-controlling interests arising on acquisition of a subsidiary *(note 24)*	–	–	–	–	–	–	(18)	(18)
Acquisition of an additional interest in a subsidiary *(note b)*	–	–	–	–	(39)	(39)	23	(16)
At 30 June 2015	–	–	**1,173**	**4,531**	**90,438**	**96,142**	**(18)**	**96,124**
Loss for the year	–	–	–	–	**(9,627)**	**(9,627)**	**(23)**	**(9,650)**
Exchange differences arising on translation to presentation currency	–	–	**50**	–	–	**50**	–	**50**
Exchange differences arising on translation of foreign operations	–	–	**(3,910)**	–	–	**(3,910)**	–	**(3,910)**
Total comprehensive expense for the year	–	–	**(3,860)**	–	**(9,627)**	**(13,487)**	**(23)**	**(13,510)**
Issue of shares *(see note 23(e))*	**1,500**	**78,000**	–	–	–	**79,500**	–	**79,500**
Transaction costs attributable to issue of shares *(see note 23(e))*	–	**(7,160)**	–	–	–	**(7,160)**	–	**(7,160)**
Capitalisation issue *(note 23(d))*	**4,500**	**(4,500)**	–	–	–	–	–	–
Transfer	–	–	–	**301**	**(301)**	–	–	–
Reclassification adjustment upon deregistration of a subsidiary *(note a)*	–	–	–	**(2,143)**	**2,143**	–	–	–
Acquisition of additional interest in a subsidiary *(note b)*	–	–	–	–	**(55)**	**(55)**	**41**	**(14)**
Dividends paid *(note 13)*	–	–	–	–	**(5,038)**	**(5,038)**	–	**(5,038)**
At 30 June 2016	**6,000**	**66,340**	**(2,687)**	**2,689**	**77,560**	**149,902**	–	**149,902**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Notes:

(a) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "**PRC**") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of 10% of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

A PRC subsidiary of the Company, 青島創新科電業有限公司 ("**TEM-Qingdao**") has been dissolved during the year ended 30 June 2016. The accumulated statutory reserve of TEM-Qingdao amounting to HK$2,143,000 was reclassified to retained profits upon deregistration of the subsidiary.

(b) During the year ended 30 June 2016, the Group acquired an additional 15% (2015: 15%) equity interest in a subsidiary, Optimum Electronics Sdn. Bhd. ("**Optimum Electronics**"), at a consideration of Ringgit Malaysia ("**RM**") 7,500 (equivalent to HK$14,000) (2015: 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 interests being acquired of is recorded as equity movement. Upon completion of the transaction, Optimum Electronics became a wholly owned subsidiary of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	**2016 HK$'000**	2015 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(5,994)**	21,184
Adjustments for:			
Finance costs		**6**	–
Loss on disposal of property, plant and equipment		**8**	164
Depreciation of property, plant and equipment		**2,570**	2,604
Reversal of allowance for bad and doubtful debts, net		**–**	(182)
Reversal of write-down of inventories, net		**(27)**	(582)
Impairment loss on goodwill		**–**	124
Unrealised exchange loss (gain)		**873**	(1,625)
Bank interest income		**(132)**	(161)
Operating cash flows before movements in working capital		**(2,696)**	21,526
Decrease (increase) in inventories		**1,093**	(5,562)
Decrease (increase) in trade and other receivables		**9,013**	(2,511)
(Decrease) increase in trade and other payables		**(4,298)**	4,258
Cash generated from operations		**3,112**	17,711
Income taxes paid		**(5,129)**	(5,403)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(2,017)**	12,308
INVESTING ACTIVITIES			
Repayment from a related company		**12,407**	4,560
Withdrawal of pledged bank deposits		**2,262**	–
Interest received		**132**	161
Proceeds from disposal of property, plant and equipment		**7**	73
Placement of pledged bank deposits		**–**	(2,130)
Acquisition of a subsidiary	*24*	**–**	38
Purchases of property, plant and equipment		**(1,584)**	(5,837)
Deposits paid for acquisition of property, plant and equipment		**(1,902)**	–
Advance to a related company		**(2,425)**	(11,302)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**8,897**	(14,437)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**79,500**	–
New secured bank borrowing raised	**–**	952
Interest paid	**(6)**	–
Acquisition of non-controlling interests of a subsidiary	**(14)**	(16)
Repayment of secured bank borrowing	**(839)**	–
Dividends paid	**(5,038)**	–
Transaction costs on issue of shares	**(7,160)**	–
NET CASH FROM FINANCING ACTIVITIES	**66,443**	936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**73,323**	(1,193)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(876)**	(2,268)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**25,242**	28,703
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**97,689**	25,242

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after 1 January 2017

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

As set out in note 25, 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include 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 consolidated financial statements have 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 statements 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 HKAS36 "Impairment of Assets".

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 are included in the consolidated statement 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements 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 consolidated 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 consolidated statement of profit or loss and other comprehensive income includes 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.

The comparative amounts in the consolidated financial statements 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on 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 consolidated financial statements, 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 period. 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 interests 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 US$, 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.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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 are recognised in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement pension schemes for staff in the PRC and overseas which are defined contribution schemes are recognised 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 consolidated statement 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 assets 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 a first-in, first-out method. For the Group's manufacturing inventories, costs of inventories are determined on a 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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 impairment (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.

Impairment of financial assets

Financial assets 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets 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 average credit period, as well as 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

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 the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade payables and secured bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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 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 years. 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 judgements, 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 2016, the carrying amount of trade receivables is HK$21,484,000 (2015: HK$32,816,000).

Write-down 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 written off to 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 conditions 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 2016, the carrying amount of inventories is HK$33,035,000 (2015: HK$35,817,000) (net of allowance for inventories of HK$2,223,000 (2015: HK$2,390,000)).

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 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 HK$'000	Manufacturing of power supply cords assembled products HK$'000	Trading of terminals, connectors and others HK$'000	Segment total HK$'000	Total HK$'000
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)**

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 30 June 2015

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

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:

	2016 HK$'000	2015 HK$'000
PRC	**35,207**	35,274
Asia Pacific region (excluding the PRC)	**71,164**	83,216
Western Europe	**10,911**	8,614
Others	**1,910**	4,184
	119,192	131,288

6. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information (continued)

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:

	2016 HK$'000	2015 HK$'000
PRC	**6,433**	4,547
Malaysia	**3,629**	5,286
Others	**502**	592
	10,564	10,425

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:

	2016 HK$'000	2015 HK$'000
Customer A	**53,366**	63,468
Customer B	**14,425**	16,877

7. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Bank interest income	**132**	161
Others	**294**	233
	426	394

8. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Net exchange gain	**1,541**	4,099
Loss on disposal of property, plant and equipment	**(8)**	(164)
Reversal of allowance for bad and doubtful debts, net	**–**	182
Impairment loss on goodwill (note 24)	**–**	(124)
	1,533	3,993

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on secured bank borrowing	**6**	–

10. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
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 *(note 16)*	**(208)**	(820)
	3,656	4,765

	2016 HK$'000	2015 HK$'000
(Loss) profit before taxation	**(5,994)**	21,184
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	**3,656**	4,765

10. INCOME TAX EXPENSE (continued)

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%.

11. (LOSS) PROFIT FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000
(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
	3,273	1,658
Other staff costs	**24,555**	23,570
Retirement benefit scheme contributions, excluding those of directors	**2,521**	2,416
Total staff costs (including directors' remuneration)	**30,349**	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)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Mr. Lau Man Tak and Mr. Kan Wai Kee were appointed as executive directors of the Company on 22 October 2015.

Mr. Vincent Ho Pang Cheng and Ms. Koay Lee Chern were appointed as executive 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 independent non-executive directors of the Company on 20 April 2016.

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year (including emoluments for the services as employees of the group entities prior to becoming directors), disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 30 June 2016

Name of director	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Lau Man Tak	1	160	500	3	664
Mr. Vincent Ho Pang Cheng	1	1,103	292	78	1,474
Mr. Kan Wai Kee	1	60	270	3	334
Ms. Koay Lee Chern	1	527	169	38	735
Independent non-executive directors					
Mr. Lum Chor Wah Richard	22	–	–	–	22
Mr. Ma Yiu Ho Peter	22	–	–	–	22
Mr. Lee Hon Man Eric	22	–	–	–	22
	70	1,850	1,231	122	3,273

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 30 June 2015

Name of director	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Lau Man Tak	–	–	–	–	–
Mr. Vincent Ho Pang Cheng	–	963	–	47	1,010
Mr. Kan Wai Kee	–	–	–	–	–
Ms. Koay Lee Chern	–	601	–	47	648
Independent non-executive directors					
Mr. Lum Chor Wah Richard	–	–	–	–	–
Mr. Ma Yiu Ho Peter	–	–	–	–	–
Mr. Lee Hon Man Eric	–	–	–	–	–
	–	1,564	–	94	1,658

Mr. Vincent Ho Pang Cheng is the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals of the Group during the year include three directors (2015: two directors), details of whose remuneration are set out in note 12(a) above. Details of the remuneration for the year of the remaining two (2015: three) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other allowances	**857**	1,203
Discretionary bonuses	**99**	–
Retirement benefit scheme contributions	**35**	86
	991	1,289

The emoluments of the employees were within the following bands:

	Number of employees 2016	 2015
Nil to HK$1,000,000	**2**	3

13. 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.

14. (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 **HK$'000**	2015 HK$'000
(Loss) earnings:		
(Loss) profit for the year attributable to owners of the Company	**(9,627)**	16,444
Number of shares:		
Weighted average number of ordinary shares for the purpose of basis (loss) earnings per share	**468,032,787**	450,000,000

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.

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 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	16	527	196	184	–	661	1,584
Disposals	(2,861)	(160)	(408)	(68)	–	–	(3,497)
Exchange alignment	(1,015)	(331)	(206)	(188)	(39)	(175)	(1,954)
At 30 June 2016	11,912	5,637	3,547	3,473	1,204	2,478	28,251
DEPRECIATION							
At 1 July 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 year	908	447	701	310	204	–	2,570
Eliminated on disposals	(2,860)	(158)	(396)	(68)	–	–	(3,482)
Exchange alignment	(687)	(260)	(127)	(161)	(17)	–	(1,252)
At 30 June 2016	8,061	4,515	3,011	3,075	867	–	19,529
CARRYING VALUES							
At 30 June 2016	3,851	1,122	536	398	337	2,478	8,722
At 30 June 2015	5,072	1,115	1,132	551	563	1,992	10,425

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 TAXATION

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

	Accelerated tax depreciation HK$'000	**Allowance for inventories** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 July 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
(Charge) credit to profit or loss	(26)	(158)	392	208
Exchange alignment	3	(44)	18	(23)
At 30 June 2016	(87)	499	308	720

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.

17. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**20,304**	22,447
Work in progress	**2,777**	4,670
Finished goods	**9,954**	8,700
	33,035	35,817

18. AMOUNT DUE FROM A RELATED COMPANY

The amount due from New Universe Industries Limited, a related company in which Mr. Lau Man Tak, a director of the Company has beneficial interest, was non-trade nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year.

19. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**21,484**	32,816
Prepayments, deposits and other receivables	**2,383**	2,281
	23,867	35,097

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

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.

19. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

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

Movement in the allowance for doubtful trade debts:

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**–**	5,885
Exchange realignment	**–**	(686)
Impairment losses reversed	**–**	(182)
Amounts written off during the year	**–**	(5,017)
Balance at end of the year	**–**	–

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:

	2016 HK$'000	2015 HK$'000
HK$	**155**	–
US$	**11,448**	21,291
Euro ("**EUR**")	**1,973**	2,719

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 3.30% (2015: 0.01% to 4.05%) per annum.

Pledged bank deposits carry interest at fixed rate of 3.30% (2015: 3.10% to 3.30%) per annum, are used to secure bank guarantee (2015: bank guarantee and 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:

	2016 HK$'000	2015 HK$'000
HK$	**73,336**	51
US$	**7,393**	6,734
EUR	**1,519**	3,248

21. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**8,490**	16,364
Other payables and accrued expenses	**8,064**	5,447
	16,554	21,811

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

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

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.

21. TRADE AND OTHER PAYABLES (continued)

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

	2016 HK$'000	2015 HK$'000
US$	**3,574**	7,859
EUR	**2,044**	2,636

22. SECURED BANK BORROWING

	2016 HK$'000	2015 HK$'000
Bank loan — secured	**–**	960

As at 30 June 2015, the carrying amount of bank borrowing was denominated in US$ and repayable within one year based on the scheduled repayment date set out in the loan agreement. The effective borrowing rate was 1.35% per annum. The contractual borrowing rate was 0.75% above the lending bank's cost of fund per annum. The bank borrowing was fully repaid during the year.

23. SHARE CAPITAL

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

	HK$'000
Shown in the consolidated statement of financial position	6,000

23. SHARE CAPITAL (continued)

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, a 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.

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 harnesses and power supply cords assembled products 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)

24. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	81
Plus: Non-controlling interests *(note i)*	(18)
Less: Net liabilities assumed	61
	124
Less: Impairment loss on goodwill 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) The result of Optimum Electronics is insignificant to the Group had the above acquisition been completed on 1 July 2014.

(iv) 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). On 30 June 2016, the Group further acquired 15% equity interest in Optimum Electronics at a consideration of RM7,500 (equivalent to HK$14,000). Upon the completion of the transaction, Optimum Electronics became a wholly owned subsidiary of the Group.

25. OPERATING LEASES

At the end of the 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:

	2016 HK$'000	2015 HK$'000
Land and buildings		
Within one year	**2,611**	2,818
In the second to fifth years inclusive	**145**	2,059
	2,756	4,877

Leases are negotiated for a range of two to three years.

26. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,289**	129

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 Schemes Ordinance in December 2000. The assets of the scheme 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$1,500 per month 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 benefit schemes is to make the specified contributions. 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. For the year ended 30 June 2016, the retirement benefit scheme contributions made by the Group amounted to HK$2,643,000 (2015: HK$2,510,000).

28. RELATED PARTY DISCLOSURES

(a) Related party balance

Details of the outstanding balance with a related party are set out in the consolidated statement of financial position and in note 18.

(b) Related party transactions

Saved as disclosed in the consolidated financial statements, during the year, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	2016 HK$'000	2015 HK$'000
Companies which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	**1,022**	–
Brascabos Componentes Elétricos e Eletrônicos Ltda	Sales of machineries and equipment	**–**	448
Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda	Sales of machineries and equipment	**–**	417

(c) Compensation of directors and key management personnel

	2016 HK$'000	2015 HK$'000
Fees, salaries and other allowances	**3,169**	2,767
Discretionary bonuses	**1,330**	–
Retirement benefit scheme contributions	**208**	180
Total	**4,707**	2,947

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, the general banking facility granted by a bank to the Group was secured by a personal guarantee of RM5,200,000 (equivalent to HK$10,657,000) from Mr. Lau Man Tak. The banking facility was terminated on 16 November 2015.

29. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 20 April 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 17 May 2026. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

No share option was granted, exercised, lapsed or cancelled during the year.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the secured bank borrowing disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**119,357**	70,704
Financial liabilities		
Amortised cost	**8,490**	17,324

(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 secured 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 and interest rate 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.

Market risk

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 trade receivables, bank balances and cash, trade payables and secured bank borrowing denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
HK$	**73,336**	51	**–**	–
US$	**18,635**	27,695	**3,341**	8,539
EUR	**3,361**	5,963	**2,044**	2,636

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Sensitivity analysis

The Group is mainly exposed to the currencies of US$ and EUR. Since HK$ is pegged to US$ which is the functional currency of the relevant group entities, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US$.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents 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% (2015: 5%) change in foreign currency rates. The following table indicates a decrease in loss before taxation (2015: an increase in profit before taxation) where the relevant foreign currencies strengthen against the functional currencies of the relevant group entities. For a 5% weakening of the relevant foreign currencies, there would be an equal and opposite impact on the results before taxation.

	Impact on (loss) profit before taxation	
	2016	2015
	HK$'000	HK$'000
Foreign currencies		
US$	**765**	958
EUR	**66**	166

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and secured bank borrowing disclosed in note 20 and note 22 respectively. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitively analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2015: 10 basis point) increase and decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2015: 10 basis points) higher/lower and all other variables were held constant, the Group's loss before taxation would decrease/increase by HK$95,000 (2015: profit before taxation would increase/decrease by HK$20,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 30 June 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings.

As at 30 June 2016, the Group has concentration of credit risk as 32% (2015: 41%) 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 70% (2015: 81%) of the total trade receivables as at 30 June 2016. The management of the Group considered that the credit risk of amounts due to these customers is insignificant after considering their historical settlement records, credit quality and financial positions.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level 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 management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

As at 30 June 2016

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2016 HK$'000
Non-derivative financial liability					
Trade payables	–	4,553	3,937	8,490	8,490

As at 30 June 2015

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2015 HK$'000
Non-derivative financial liabilities					
Trade payables	–	2,858	13,506	16,364	16,364
Secured bank borrowing	1.35	960	–	960	960
		3,818	13,506	17,324	17,324

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair values of financial assets and financial liabilities

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the 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 input being the discount rate that reflects the credit risk of counterparties.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000
NON-CURRENT ASSET	
Investments in subsidiaries	**39,167**
CURRENT ASSETS	
Prepayments, deposits and other receivables	**79**
Bank balances and cash	**66,859**
	66,938
CURRENT LIABILITIES	
Other payables and accrued expenses	**1,391**
Amounts due to subsidiaries	**10,509**
	11,900
NET CURRENT ASSETS	**55,038**
TOTAL ASSETS LESS CURRENT LIABILITIES	**94,205**
CAPITAL AND RESERVES	
Share capital	**6,000**
Reserves	**88,205**
TOTAL EQUITY	**94,205**

Movement in the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000 *(note)*	Accumulated losses HK$'000	Total HK$'000
At 22 October 2015 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(17,302)	(17,302)
Effect of the Reorganisation	–	39,167	–	39,167
Issue of shares	78,000	–	–	78,000
Transaction costs attributable to issue of shares	(7,160)	–	–	(7,160)
Capitalisation issue	(4,500)	–	–	(4,500)
At 30 June 2016	**66,340**	**39,167**	**(17,302)**	**88,205**

Note: The capital reserve represents the difference between the total equity of TEM Group Limited transferred from New Universe Industries Limited to the Company pursuant to the Reorganisation and the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests in TEM Group Limited and Glory Sun Developments Limited.

33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2016 and 2015 are set out below:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group 2016	2015	Principal activities
TEM Group Limited*	British Virgin Islands	Hong Kong	US$1	**100%**	100%	Investment holding
Glory Sun Developments Limited*	British Virgin Islands	Hong Kong	US$1	**100%**	100%	Investment holding
SEAP Trading Pte. Ltd. (formerly known as Stocko Electronics Asisa Pacific Pte. Ltd.)	Singapore	Singapore	SGD100,000	**100%**	100%	Trading of electronics, electrical, electro–mechanical parts and components and other related products
TEM Electronics (M) Sdn. Bhd.	Malaysia	Malaysia	RM2,400,000	**100%**	100%	Manufacturing of connectors, assemblies and wire harness
TEM-Qingdao	PRC	PRC	US$105,000	**N/A****	100%	Manufacture and sale of wire/cable harnesses and power supply cords assembled products
BAP Trading Company Limited	Hong Kong	Hong Kong	HK$1	**100%**	100%	Trading business and investment holding
江門創新科電業有限公司	PRC	PRC	US$1,500,000	**100%**	100%	Manufacture and sale of wire/cable harnesses and power supply cords assembled products
Optimum Electronics	Malaysia	Malaysia	RM50,000	**100%**	85%	Assembly of wire/cable harnesses and power supply cords assembled products
SEAP (HK) Limited (formerly known as Red Health Products Trading Company Limited)	Hong Kong	Hong Kong	HK$1	**100%**	–	Inactive

* Directly held by the Company
** The entity has been dissolved during the year ended 30 June 2016

FINANCIAL SUMMARY

For the three years ended 30 June 2014, 2015 and 2016

RESULTS

	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**119,192**	131,288	136,563
(Loss)/profit before taxation	**(5,994)**	21,184	19,260
Income tax expense	**(3,656)**	(4,765)	(4,650)
(Loss)/profit for the year	**(9,650)**	16,419	14,610
(Loss)/profit for the year attributable to:			
Owners of the Company	**(9,627)**	16,444	14,610
Non-controlling interests	**(23)**	(25)	–
	(9,650)	16,419	14,610

ASSETS AND LIABILITIES

	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**166,542**	119,762	107,718
Total liabilities	**(16,640)**	(23,638)	(20,484)
Net assets	**149,902**	96,124	87,234
Equity attributable to:			
Owners of the Company	**149,902**	96,142	87,234
Non-controlling interests	**–**	(18)	–
	149,902	96,124	87,234

Note:

The summary above does not form part of the audited consolidated financial statements.

No consolidated financial statements of the Group for the years ended 30 June 2013 and 2012 have been published.

The financial information for the years ended 30 June 2015 and 2014 were extracted from the Prospectus of the Company dated 29 April 2016.

Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2 to the consolidated financial statements.