TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

* *For identification purposes only*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company hereby announces the audited consolidated results of the Group for the year ended 30 June 2017 together with the comparative figures for the year ended 30 June 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**105,908**	119,192
Cost of sales		**(83,742)**	(87,600)
Gross profit		**22,166**	31,592
Other income	*5*	**577**	426
Selling and distribution costs		**(3,216)**	(3,085)
Administrative expenses		**(21,621)**	(20,692)
Other gains and losses	*6*	**2,242**	1,533
Listing expenses		**–**	(15,762)
Finance costs	*7*	**–**	(6)
Profit (loss) before tax		**148**	(5,994)
Income tax expense	*8*	**(2,122)**	(3,656)
Loss for the year	*9*	**(1,974)**	(9,650)

	Note	**2017** *HK$'000*	2016 *HK$'000*
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(47)**	50
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,187)**	(3,910)
Other comprehensive expense for the year		**(3,234)**	(3,860)
Total comprehensive expense for the year		**(5,208)**	(13,510)
Loss for the year attributable to:			
Owners of the Company		**(1,974)**	(9,627)
Non-controlling interests		**–**	(23)
		(1,974)	(9,650)
Total comprehensive expense attributable to:			
Owners of the Company		**(5,208)**	(13,487)
Non-controlling interests		**–**	(23)
		(5,208)	(13,510)
Loss per share — Basic (HK cents)	*11*	**(0.33)**	(2.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**16,226**	8,722
Deposits paid for acquisition of property, plant and equipment		**47**	1,842
Deferred tax assets	*12*	**418**	720
		16,691	11,284
CURRENT ASSETS			
Inventories		**26,149**	33,035
Trade and other receivables	*13*	**32,720**	23,867
Tax recoverable		**1,617**	483
Pledged bank deposits		**173**	184
Bank balances and cash		**79,493**	97,689
		140,152	155,258
CURRENT LIABILITIES			
Trade and other payables	*14*	**12,056**	16,554
Tax payable		**93**	86
		12,149	16,640
NET CURRENT ASSETS		**128,003**	138,618
TOTAL ASSETS LESS CURRENT LIABILITIES		**144,694**	149,902
CAPITAL AND RESERVES			
Share capital	*15*	**6,000**	6,000
Reserves		**138,694**	143,902
TOTAL EQUITY		**144,694**	149,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 GEM of the Stock Exchange with effect from 18 May 2016 (the "**Listing**"). 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 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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2016 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 period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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 and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
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 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is:

- 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 "Financial Instruments: Recognition and Measurement". 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.

Based on the Group's existing financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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.

In 2016, the International Accounting Standards Board issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an 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 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$7,052,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discount and sales related taxes.

The Group's operating segments are determined based on information reported to the executive directors of the Company who are also directors of all operating subsidiaries, being the chief operating decision maker (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 2017

	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	**90,376**	**10,009**	**5,523**	**105,908**	**105,908**
Segment results	**18,534**	**1,818**	**1,814**	**22,166**	**22,166**
Other income					**577**
Selling and distribution costs					**(3,216)**
Administrative expenses					**(21,621)**
Other gains and losses					**2,242**
Profit before tax					**148**

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 tax					(5,994)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the 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 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:

	2017 *HK$'000*	2016 *HK$'000*
The People's Republic of China (the "**PRC**")	**35,714**	35,207
Asia Pacific region (excluding the PRC)	**57,237**	71,164
Western Europe	**10,987**	10,911
Others	**1,970**	1,910
	105,908	119,192

The Group's business activities are conducted predominantly in the PRC and Malaysia. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	2017	2016
	HK$'000	*HK$'000*
The PRC	**10,805**	6,433
Malaysia	**2,592**	3,629
Others	**2,876**	502
	16,273	10,564

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**46,148**	53,366
Customer B	**12,525**	14,425
Customer C	**11,102**	*

* The corresponding revenue did not contribute over 10% of the Group's revenue.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**176**	132
Sales of scrap materials	**99**	54
Others	**302**	240
	577	426

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net exchange gain	**2,294**	1,541
Loss on disposal of property, plant and equipment	**(52)**	(8)
	2,242	1,533

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on secured bank borrowing	**–**	6

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax:		
Malaysia corporate income tax	**1,564**	3,178
PRC Enterprise Income Tax ("**EIT**")	**–**	642
Singapore corporate income tax	**91**	43
Withholding tax on distributed earnings from a PRC subsidiary	**–**	170
Under(over)provision in prior years	**210**	(169)
Deferred tax charge (credit) *(note 12)*	**257**	(208)
	2,122	3,656

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% for both years.

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%.

The tax charge for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit (loss) before tax	**148**	(5,994)
Tax at the average income tax rate of 25% (2016: 25%)	**37**	(1,499)
Tax effect of expenses not deductible for tax purpose	**951**	4,745
Tax effect of income not taxable for tax purpose	**(124)**	(54)
Tax effect of tax losses not recognised	**1,339**	693
Tax effect of deductible temporary differences not recognised	**–**	98
Utilisation of deductible temporary differences previously not recognised	**(37)**	–
Effect of tax exemptions granted to a Singapore subsidiary	**(141)**	(213)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(119)**	(143)
Withholding tax on distributed earnings from a PRC subsidiary	**–**	170
Under(over)provision in prior years	**210**	(169)
Others	**6**	28
Income tax expense for the year	**2,122**	3,656

9. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration:		
— Fees	**580**	70
— Salaries and other allowances	**2,796**	1,850
— Discretionary bonuses	**–**	1,231
— Retirement benefit scheme contributions	**128**	122
	3,504	3,273
Other staff costs	**24,758**	24,555
Retirement benefit scheme contributions, excluding those of directors	**3,062**	2,521
Total staff costs (including directors' remuneration)	**31,324**	30,349
Auditor's remuneration	**1,069**	1,044
Cost of inventories recognised as expense	**83,742**	87,600
Depreciation of property, plant and equipment	**2,925**	2,570
Minimum lease payments for operating leases in respect of land and buildings	**3,854**	3,439
Write-down (reversal of write-down) of inventories, net	**105**	(27)

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders by the Company during the year ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period.

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.

11. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company	**(1,974)**	(9,627)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**600,000,000**	468,032,787

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 30 June 2016 has taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue.

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

12. DEFERRED TAXATION

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

	Accelerated tax depreciation	**Allowance for inventories**	**Tax losses**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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
(Charge) credit to profit or loss	(477)	23	356	(159)	(257)
Exchange alignment	5	(30)	–	(20)	(45)
At 30 June 2017	**(559)**	**492**	**356**	**129**	**418**

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$4,400,000 (2016: HK$5,280,000) 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.

At the end of the reporting period, the Group has unused tax losses of HK$19,121,000 (2016: HK$12,344,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,422,000 (2016: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$17,699,000 (2016: HK$12,344,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$756,000 (2016: nil) which will lapse in 2022, the remaining tax losses may be carried forward indefinitely.

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**28,554**	21,484
Prepayments, deposits and other receivables	**4,166**	2,383
	32,720	23,867

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**10,213**	11,479
31 – 60 days	**8,351**	7,403
61 – 90 days	**4,741**	1,751
91 – 120 days	**4,104**	570
Over 120 days	**1,145**	281
	28,554	21,484

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$1,393,000 (2016: HK$1,918,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

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

	2017	2016
	HK$'000	*HK$'000*
Overdue:		
1 to 30 days	**859**	1,496
31 to 60 days	**211**	395
61 to 90 days	**7**	27
91 to 120 days	**316**	–
	1,393	1,918

In determining the recoverability of a trade receivable, the Group considers the historical settlement record, subsequent settlement, credit assessment and business relationship with the customers.

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**291**	155
US$	**15,147**	11,448
Euro ("**EUR**")	**3,481**	1,973

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**7,601**	8,490
Other payables and accrued expenses	**4,455**	8,064
	12,056	16,554

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**3,619**	4,292
31 – 60 days	**2,387**	2,844
61 – 90 days	**1,512**	1,278
Over 90 days	**83**	76
	7,601	8,490

The credit period on purchases of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**905**	–
US$	**2,509**	3,574
EUR	**1,225**	2,044

15. 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 and 30 June 2017	**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 and 30 June 2017	**600,000,000**	**6,000,000**

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

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 GEM 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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. 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 mainly based in the Asia Pacific region.

The Group's revenue dropped by 11.1% from approximately HK$119,192,000 for the year ended 30 June 2016 to approximately HK$105,908,000 for the year ended 30 June 2017. The decrease was mainly attributable to the manufacturing of wire/cable harnesses segment and was due to the continuous realignment of product mix of a major customer located in the Asia Pacific region.

Segment information

The Group is currently organised into three operating segments which are (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others.

The following is an analysis of the Group's revenue by operating segments:

	2017	2016	Decrease
	HK$'000	*HK$'000*	*%*
Manufacturing of wire/cable harnesses	**90,376**	99,006	8.7
Manufacturing of power supply cords assembled products	**10,009**	12,848	22.1
Trading of terminals, connectors and others	**5,523**	7,338	24.7
	105,908	119,192	11.1

By operating segments, the revenue of manufacturing of wire/cable harnesses was approximately HK$90,376,000 for the year ended 30 June 2017 and accounted for 85.3% of the Group's total revenue, representing a decrease of 8.7% as compared to approximately HK$99,006,000 for the year ended 30 June 2016. The revenue of manufacturing of power supply cords assembled products was approximately HK$10,009,000 for the year ended 30 June 2017 and accounted for 9.5% of the Group's total revenue, representing a drop of 22.1% as compared to approximately HK$12,848,000 for the year ended 30 June 2016. Such decrease of both segments was the result of the continuous realignment of the product mix of a major customer. The revenue of trading of terminals, connectors and others was approximately HK$5,523,000 for the year ended 30 June 2017 and accounted for 5.2% of the Group's total revenue, representing a decline of 24.7% as compared to approximately HK$7,338,000 for the year ended 30 June 2016. It was owing to the decrease in demand from the customers.

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:

	2017	2016	Increase/ (Decrease)
	HK$'000	*HK$'000*	*%*
The PRC	**35,714**	35,207	1.4
Asia Pacific region (excluding the PRC)	**57,237**	71,164	(19.6)
Western Europe	**10,987**	10,911	0.7
Others	**1,970**	1,910	3.1
	105,908	119,192	(11.1)

By geographical market segments, the revenue from the PRC recorded HK$35,714,000 for the year ended 30 June 2017 and accounted for 33.7% of the Group's total revenue. The revenue from Asia Pacific region (excluding the PRC) was approximately HK$57,237,000 for the year ended 30 June 2017 and accounted for 54.0% of the Group's total revenue, representing a drop 19.6% as compared to approximately HK$71,164,000 for the year ended 30 June 2016. The revenue from Western Europe was approximately HK$10,987,000 for the year ended 30 June 2017 and accounted for 10.4% of the Group's revenue, representing a slight increase of 0.7% as compared to approximately HK$10,911,000 for the year ended 30 June 2016.

Although the price competition was intense during the year, we managed to maintain our market shares in the PRC and Western Europe. This is partly because of the ongoing marketing efforts of the Group; for example, we have joined Wire China 2016 held in Shanghai, the PRC (http://www.wirechina.net/) in September 2016, which is one of the Asia's most influential international trade platforms for wire and cable; we also participated in electronica 2016 held in Munich, Germany (http://electronica.de/) in November 2016, which is one of the world's leading trade fair for electronic components, systems and applications and electronica China 2017 held in Shanghai, the PRC (http://electronics-china.com/) in March 2017. Other than taking part in these trade shows, regular visits and meetings with existing key customers and suppliers were conducted throughout the year with a view to strengthen the relationship with customers (both existing and potential) and suppliers so as to maintain a consistent growth of a sizable and loyal customer base.

As mentioned, the results of the Group was affected by the continuous realignment of product mix of a major customer located in Asia Pacific region since May 2016. Meetings with that customer had been conducted to monitor such business case and its consequences. After the meetings in May and August 2017, we are given to understand that such realignment exercise may be in its final stage and new products and orders had been indicated for the year of 2018.

To get ourselves equipped so as to cater for the possible increased customers' demand in the future, renovation work of our expanded factory in the PRC has been completed for production since October 2016. The aggregate gross floor area of the PRC factory had been increased from approximately 43,000 square feet to approximately 91,000 square feet. In the short run the Group will incur a higher expenditure due to additional fixed costs in running the expanded factory in the PRC. In the long run, we will try to increase its production output in order to improve the absorption of fixed costs and/or overheads in the PRC factory. We aim to reap the benefit of operating in a more cost effective manner.

Besides, our Malaysia factory had already attained the TS16949 certification, an internationally recognized Quality Management System specification of the automotive industry, that enable us to solicit and secure customer order to produce automotive harnesses. A customer order was awarded in December 2016 to our Malaysia factory to manufacture harness for front and rear light to be used in the car manufacturing in Malaysia. Though the volume is not significant yet, it is a vital footprint for us in the future.

In addition, the Group's factory operations are constantly subject to inspection and audit by multinational clients. The factory inspection and audit normally cover the areas of the sophistication of the machineries and equipment, the experiences and expertise of the employee and quality and delivery affairs. The Group is an equal opportunity organization without regard to employees' nationality, sex or age. We always strive to provide a harmonious and good working environment for our employees. The Group organized various team building activities for them to build up teamwork spirit within the factories.

Looking forward, we consider that our markets will remain challenging. We shall continue to monitor and tighten cost control over our operations so as to enhance our competitiveness in the markets — the traditional business strategy of boosting sales and cutting costs. The Group will also keep enhancing its efficiency and effectiveness in the production processes and improving the product quality in order to keep up with customer demands and to achieve consistent customer satisfaction.

FINANCIAL REVIEW

Revenue

The Group's revenue dropped by 11.1% from approximately HK$119,192,000 for the year ended 30 June 2016 to approximately HK$105,908,000 for the year ended 30 June 2017.

Cost of sales and gross profit

Cost of sales decreased by 4.4% from approximately HK$87,600,000 for the year ended 30 June 2016 to approximately HK$83,742,000 for the year ended 30 June 2017. However, due to the intense price competition, the gross profit ratio declined from 26.5% to 20.9% for the year ended 30 June 2017. As a result of the drop in revenue and gross profit ratio, the gross profit of the Group declined by 29.8% from approximately HK$31,592,000 for the year ended 30 June 2016 to approximately HK$22,166,000 for the year ended 30 June 2017.

Selling and distribution costs

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK$3,085,000 for the year ended 30 June 2016 which was at a similar level of approximately HK$3,216,000 for the year ended 30 June 2017.

Administrative expenses

Administrative expenses of the Group increased by 4.5% from approximately HK$20,692,000 for the year ended 30 June 2016 to approximately HK$21,621,000 for the year ended 30 June 2017. Administrative expenses mainly comprised of staff costs, rental expenses and professional and compliance fees. Though the level of salary in both Malaysia and the PRC increased during the year ended 30 June 2017, we used our best effort in curbing the overall increase in the administrative expenses.

Other gains and losses

Other gains and losses increased significantly by 46.2% from approximately HK$1,533,000 for the year ended 30 June 2016 to approximately HK$2,242,000 for the year ended 30 June 2017. These primarily consist of net exchange gain that related to the translation and realisation of the Group's monetary assets denominated in US$ against Malaysia Ringgit especially before the new Malaysian Government foreign exchange policy that came into effect on 5 December 2016. After the introduction of the new policy, Malaysian Ringgit has become more stable and has strengthened following close control of inflow and outflow of fund.

Finance costs

The finance costs decreased from HK$6,000 for the year ended 30 June 2016 to HK$nil for the year ended 30 June 2017 as the Group has not incurred any borrowing during the year.

Income tax expense

Income tax expense decreased by 42.0% from approximately HK$3,656,000 for the year ended 30 June 2016 to approximately HK$2,122,000 for the year ended 30 June 2017. Such drop was simply because of the reduction in the taxable profit of the Group for the year ended 30 June 2017.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 30 June 2017 was approximately HK$1,974,000. For the year ended 30 June 2016, the Group also recorded a loss attributable to owners of the Company in the amount of HK$9,627,000, which has included an one-off listing expenses of approximately HK$15,762,000.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 30 June 2017 (2016: nil).

Liquidity and Financial Resources

The Group's source of funds was primarily from the cash generated from operating activities and the net proceeds from the Listing. As at 30 June 2017, the Group had a financial position with net assets amounted to approximately HK$144,694,000 (2016: approximately HK$149,902,000) and net current assets stood at approximately HK$128,003,000 (2016: approximately HK$138,618,000).

As at 30 June 2017, shareholders' fund amounted to approximately HK$144,694,000 (2016: approximately HK$149,902,000) and current assets amounted to approximately HK$140,152,000 (2016: approximately HK$155,258,000), mainly comprising of bank balances and cash, trade and other receivables, inventories and tax recoverable. Current liabilities amounted to approximately HK$12,149,000 (2016: approximately HK$16,640,000) mainly comprising of trade and other payables and tax payable. The Group's bank balances and cash amounted to approximately HK$79,493,000 (2016: approximately HK$97,689,000). Net asset value per share was HK$0.24 (2016: HK$0.25).

Gearing ratio

The Group's gearing ratio as at 30 June 2017 and 2016, which was calculated by dividing its total borrowings by its total equity as at those dates, were both nil due to the absence of borrowings as at those dates.

Capital Structure

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

As at 30 June 2017, 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 (the "**Share(s)**").

Foreign Exchange Exposure

The revenue of the Group is mainly denominated in US$, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Malaysia 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 management considered that the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$. The exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

On 2 December 2016, the Financial Markets Committee of Bank Negara Malaysia announced several measures intended to enhance the liquidity of the foreign exchange market in Malaysia, which have come into effect since 5 December 2016. Details are set out in the announcement of the Company dated 16 December 2016.

Nevertheless, the Group managed the foreign exchange risk by closely monitoring the movement of foreign currency rates and will take appropriate activities to reduce the foreign exchange risk.

Significant Investment Held

As at 30 June 2017 and 2016, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 June 2017 and 2016, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2017, the Group had approximately HK$91,000 capital commitments mainly related to acquisition of machines (2016: approximately HK$3,289,000).

Employee and Remuneration Policies

As at 30 June 2017, the Group had a total workforce of 399 (2016: 465) employees. Total staff costs for the year ended 30 June 2017 amounted to approximately HK$31,324,000 (2016: approximately HK$30,349,000). 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. In addition to on-the-job training, the Group adopts policies of continuous professional training programs.

Pledge of the Group's Assets

As at 30 June 2017, the bank deposits of approximately HK$173,000 (2016: approximately HK$184,000) were pledged to a bank to secure bank guarantee to the Group.

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.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus dated 29 April 2016 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as of 30 June 2017.

Use of Proceeds

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$56,600,000. These proceeds are intended to be applied as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 June 2017, the unutilised proceeds from the Listing in the amount of approximately HK$47,885,000 has been placed as interest bearing deposits with licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

An analysis of the utilisation of the net proceeds from the Listing up to 30 June 2017 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus)	**Planned use of net proceeds up to 30 June 2017**	**Actual use of net proceeds up to 30 June 2017**	**Unutilised balance as at 30 June 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Upgrade and increase our production capacity	40,978	8,955	6,294	34,684
Enhance our manufacturing, information technology and human resources management capabilities	4,528	2,486	1,531	2,997
Strengthen our sales and marketing efforts	6,226	2,369	890	5,336

As at the date of this announcement, the Directors do not anticipate any material change to the plan as to the use of proceeds.

Comparison of Business Objectives with Actual Progress

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual progress for the year ended 30 June 2017.

Business objective set out in Prospectus	Actual progress up to 30 June 2017
To upgrade and increase our production capacity	
— To carry out factory improvement by replacing the ventilation system (cooling system and air conditioning system) for the production facility in the Malaysia factory.	The ventilation system at the factory production area at the Malaysia factory has been upgraded instead of new replacement.
— To take delivery and install one unit of fully-automated machine for our production facility in the PRC factory.	One unit of fully-automated machine has been installed at the PRC factory.
— To take delivery and install two sets of tooling/equipment at our production facilities in each of the Malaysia factory and the PRC factory, respectively.	Two sets of tooling/equipment have been installed in each of the Malaysia factory and the PRC factory, respectively.
— To place orders for two sets of tooling/equipment for our production facilities in each of the Malaysia factory and the PRC factory, respectively 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 is being carried out. Orders will be placed and delivery is expected to be before the end of 2017.
To enhance our manufacturing, information technology and human resources management capabilities	
— To carry out the improvement of our information technology system at the Malaysia Factory by upgrading the ERP system.	The implementation of the upgrade of the ERP system at the Malaysia factory was completed.

Business objective set out in Prospectus	Actual progress up to 30 June 2017
— To plan for an upgrade of our design software and hardware system in the Malaysia factory and the PRC factory so as to raise our production/production capability level.	Review of the specifications of the design software and hardware system is being carried out. Orders will be placed and delivery is expected to be before the end of 2017.
— To recruit one production manager, two design engineers, two operations engineers, one sales engineer and two technical staff to strengthen our human resources.	Recruitment has been carried out according to the human resources planning.
To strengthen our sales and marketing efforts	
— To visit key customers in the Asia Pacific region and Europe as part of our marketing effort to achieve our sales objectives.	The Company has visited the major customers to introduce our products and exchange market information. Relationship with current customers is further strengthened.
— To participate in a trade show in the PRC.	In March 2017, the Company has participated in the electronica China in Shanghai, the PRC, which is one of Asia's leading trade fair for the electronic components, systems and applications.

The Directors will continuously evaluate the Group's business objectives and will consider to change or modify plans against the changing market condition to ensure the business growth of the Group.

EVENTS AFTER THE REPORTING PERIOD

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

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 Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "**CG Code**"). In the opinion of the Board, the Company has complied with the CG Code for the year ended 30 June 2017.

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 during the year ended 30 June 2017.

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 during the year ended 30 June 2017.

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

During the year ended 30 June 2017, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's Shares.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with the written terms of reference in compliance with the CG Code. The Group's consolidated financial statements for the year ended 30 June 2017 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 2017 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 12 September 2017

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

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