

TEM

TEM Holdings Limited **創新電子控股有限公司***

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8346



2017 Annual Report

* for identification purpose only

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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

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 (the “**Directors**”) of TEM Holdings Limited (the “**Company**”), I hereby present the audited annual result of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2017.

FINANCIAL REVIEW

For the year ended 30 June 2017, the Group achieved revenue of approximately HK\$105,908,000, representing a decrease of 11.1% as compared to approximately HK\$119,192,000 for the year ended 30 June 2016.

Gross profit for the year ended 30 June 2017 was about HK\$22,166,000 decreased by about 29.8% from HK\$31,592,000 last year. Gross profit ratio was 20.9%, declined from 26.5% recorded last year.

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.

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

PROSPECT

Looking forward, the overall global economic environment is full of uncertainties. Given that we have more than 20 years of experience in the wire/cable harness industry and have built stable and long term relationships with our customers in the past years, the Group is still positive in our business developments in the future. In addition, the Group will continue to upgrade its production capabilities, solidify relationship with existing customers and widen customer base.

APPRECIATION

I would like to take this opportunity to extend my gratitude to my fellow directors for their guidance, to all staff for their dedication and hard work and to all our customers and shareholders for their continued support.

Lau Man Tak

Chairman

Hong Kong, 12 September 2017

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 People's Republic of the China ("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 HK\$'000	2016 HK\$'000	Decrease %
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Increase/ (Decrease) %
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of the shares of the Company on GEM of the Stock Exchange on 18 May 2016 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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) HK\$'000	Planned use of net proceeds up to 30 June 2017 HK\$'000	Actual use of net proceeds up to 30 June 2017 HK\$'000	Unutilised balance as at 30 June 2017 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 annual report, the Directors do not anticipate any material change to the plan as to the use of proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objective set out in Prospectus	Actual progress up to 30 June 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.
— 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Man Tak (劉文德), aged 48, 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 Kingston Financial Group Limited (stock code: 1031), a company 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 Main Board of the Stock Exchange (stock code: 1631). 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, KuangChi Science Limited (stock code: 439) from March 2008 to September 2015 and Sincere Watch (Hong Kong) Limited (stock code: 444) from June 2012 to December 2016, which are companies listed on the Main Board of the Stock Exchange.

Mr. Vincent HO Pang Cheng (何鵬程), aged 60, 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 51, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. KOAY Lee Chern, aged 48, 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 10 years and has over 14 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 57, 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 Main Board of the Stock Exchange (stock code: 1631). 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MA Yiu Ho Peter (馬遙豪), aged 52, 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 and China Packaging Holdings Development Limited (later renamed as Mobile Internet (China) Holdings Limited) (stock code: 1439) since December 2013, the securities of these two 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) since July 2016, 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 China Ocean Fishing Holdings Limited), a company listed on the GEM of Stock Exchange (stock code: 8047). From February 2014 to July 2017, Mr. Ma was an independent non-executive director and chairman of audit committee of Huisheng International Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 1340). 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 50, was appointed as an independent non-executive Director on 20 April 2016. Mr. Lee is currently employed by Orient Finance Holdings (Hong Kong) Limited as managing director of investment banking department. 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 August 2015 to February 2017, Mr. Lee worked at LY Capital Limited, a company engaging in advising on corporate finance, as a director. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. LEE Ewe Chee, aged 52, is a manager of the Group and the general manager of TEM Electronics (M) Sdn. Bhd. ("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 24 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 53, is a manager of the Group and the general manager of 江門創新科電業有限公司 ("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 30 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHUI Chi Ho (徐志豪), aged 40, is the business manager of the Group and a director of Optimum Electronics Sdn. Bhd.. 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 13 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.

COMPANY SECRETARY

Mr. WONG Yiu Hung (黃耀雄), aged 60, 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 2017. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

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 (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules. 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.

THE BOARD OF DIRECTORS

Up to the date of this annual report, the Board 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.

CORPORATE GOVERNANCE 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 of the Company (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 the 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) (the “Listing Date”) 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.

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

The 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.

The individual attendance record of the Board meetings, committee meetings and annual general meeting for the year ended 30 June 2017 is set out as follows.

Name of Directors	Attendance Record of Meetings held during the year				Annual General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Number of total meetings	10	4	1	1	1
Executive Directors					
Mr. Lau Man Tak	10/10	N/A	1/1	1/1	1/1
Mr. Vincent Ho Pang Cheng	10/10	N/A	1/1	1/1	1/1
Mr. Kan Wai Kee	10/10	N/A	N/A	N/A	1/1
Ms. Koay Lee Chern	10/10	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Lum Chor Wah Richard	10/10	4/4	1/1	1/1	1/1
Mr. Ma Yiu Ho Peter	10/10	4/4	1/1	1/1	1/1
Mr. Lee Hon Man Eric	10/10	4/4	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year, each of the Directors, namely 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 Ho Man Eric, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

All the Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

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 are 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 the Group. He joined the Group in December 1998 and is responsible for the Group's overall management, corporate development and implementing the corporate strategic.

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 CG 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 CG Code and disclosures in this annual report.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Company has established the audit committee (the “**Audit Committee**”) pursuant to a resolution of the Directors passed on 20 April 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with C.3.3 of the CG Code 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 the 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 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 applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Company has established the remuneration committee (the “**Remuneration Committee**”) on 20 April 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and B.1.2 of the CG Code. 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 the Group; review performance based remuneration; and ensure that none of the 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 2017.

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 the 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

The Company has established the nomination committee (the “**Nomination Committee**”) on 20 April 2016 with written terms of reference in compliance with A.5.2 of the CG Code. 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. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter, Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng, Mr. Lee Hon Man Eric is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a board diversity policy (the “**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, race, language, 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 2017 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 2017 set out in this annual report.

AUDITOR’S REMUNERATION

For the year ended 30 June 2017, 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)	1,048
Non-audit services	–
	1,048

CORPORATE GOVERNANCE REPORT

RISK ASSESSMENT AND INTERNAL CONTROLS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Group, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Group's risk management framework sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying, evaluating and managing risks within its divisions taking into account the objective of such division on an ongoing basis with mitigation plans to manage those risks.
2. The management is responsible for overseeing the risk management and internal control activities of the Group through meetings with each division to ensure principal risks are properly managed and new or changing risks and material internal control defects have been identified and addressed.
3. The Board is responsible for reviewing and approving the effectiveness of the Group's risk management and internal control systems through meetings with the management.

The risk management framework, coupled with our internal controls, ensures that the risk associated with different divisions of the Group are effectively controlled and in line with the Group's risk appetite. Nevertheless, the Group's risk management and internal control systems are designed to manage, but not eliminate, the risk of failing to achieve business objectives entirely, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

As the business of the Group does not involve complex operations, maintaining an internal audit department may divert resources from the Group's major business and was thus not set up in view of the cost benefit tradeoff. As an alternative, the Group had engaged an external internal control consultant, CT Partners Consultants Limited, to conduct a review on its internal control system during the Year. The review had covered a set of business cycles and had included recommendations for the improvement and strengthening of the internal control system. No significant control failings or weaknesses have been identified by CT Partners Consultants Limited during the review.

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 30 June 2017. 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 2017.

CORPORATE GOVERNANCE REPORT

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 year ended 30 June 2017, 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 Company 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 (the “**Requisition**”) must state the purposes of the meeting, signed by the Eligible Shareholder(s) and deposit it to the Board or the Company Secretary 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.

CORPORATE GOVERNANCE REPORT

- (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 of Association 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

For the year ended 30 June 2017, there had been no significant change in the Company's constitutional documents.

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements for the year ended 30 June 2017.

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 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.

PRINCIPAL ACTIVITIES

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.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 30 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 account for approximately 85.3%, 9.5% and 5.2% of the Group’s total sales respectively.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2017 is set out in the “Management Discussion and Analysis” of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers collectively accounted for approximately 77.5% of the total turnover for the year ended 30 June 2017 (2016: approximately 76.8%) and the largest customer accounted for approximately 43.6% of the total turnover for the year ended 30 June 2017 (2016: approximately 44.8%).

The five largest suppliers accounted for approximately 51.7% of the total purchases for the year ended 30 June 2017 (2016: approximately 55.1%) and the largest supplier accounted for approximately 23.2% of the total purchases for the year ended 30 June 2017 (2016: approximately 24.3%).

None of the 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 the Group’s five largest customers or the Group’s five largest suppliers in respect of the year ended 30 June 2017.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

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 the operations and financial position as efficiently and effectively as possible.

Reliance on a number of major customers

The Group derives a substantial portion of the revenues from a number of major customers. The concentration of the sales among a number of major customers exposes us to a variety of risks that could have a material adverse impact on the revenues and profitability, including the reduced demand from a single major customer for the products or loss of a single major customer's business could result in a significant decrease in the revenues.

Fluctuations in the prices of the major raw materials

Some of the 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 the raw materials requirements and are made of metal and plastic that are considered as commodities. If there is an increase in the prices, the Group is not able to shift such corresponding price increase to the customers in a timely manner, and this may have a material and adverse effect on the business, financial conditions and results of operations.

DIVIDEND

The Board does not recommend any payment of a final dividend for the year ended 30 June 2017. Other details are set out in note 13 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year ended 30 June 2017 amounted to approximately HK\$10,000.

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 29 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

At as 30 June 2017, the Group's reserves available for distribution to equity holders comprising share premium and retained profits amounted to approximately HK\$138,694,000 (2016: approximately HK\$143,902,000) calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

DIRECTORS' REPORT

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.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 June 2017 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 30 June 2017 in the share capital of the Company are set out in note 21 to the consolidated financial statements of the Group in this annual report.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

Details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 8 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.

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.

DIRECTORS' REPORT

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 the 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 was no other significant connected transaction and related party transaction entered into by the Group for the year ended 30 June 2017.

DIRECTORS

The Directors of the Company during the year ended 30 June 2017 and up to the date of this annual report were as follows:

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

Brief biographical details of Directors and senior management are set out on pages 13 to 17 of this annual report.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors annual 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.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transaction disclosed in note 25 to the consolidated financial statements, no transaction, arrangement and contract of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or a connected entity of a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2017 or at any time during the year ended 30 June 2017.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract or an appointment letter (as the case may be) with the 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) the Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to the 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, 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. Kan Wai Kee and Mr. Lee Hon Man Eric will retire from office and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

At no time during the year ended 30 June 2017 and up to the date of this annual report was any permitted indemnity provision being in force for the benefit of any of the Directors.

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 2017.

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 2017.

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 this annual report.

EMOLUMENT POLICY

As at 30 June 2017, the Group employed 399 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 24 to the consolidated financial statements in this annual report.

DIRECTORS' 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 2017, 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	Capacity/Nature of Interest	Number of ordinary Shares held (Note 1)	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Lau Man Tak ("Mr. Lau")	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 ("Jumbo Planet") which is wholly owned by Mr. Lau.

Save as disclosed above, as at 30 June 2017, none of the Directors or the chief executive of the Company or any of their respective associates 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 set out in the GEM Listing Rules.

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.

DIRECTORS' REPORT

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 2017.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the year ended 30 June 2017 was the Company, any of its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2017, so far is known to the Directors the following persons (not being a Director 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 Shareholder	Nature of Interest	Number of ordinary Shares held (Note 1)	Approximate shareholding percentage in the issued share capital of the Company (%)
Jumbo Planet	Beneficial owner (Note 2)	450,000,000 Shares (L)	75
Ms. Lim Youngsook ("Ms. Lim")	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 which is wholly owned by Mr. Lau.
- (3) Ms. Lim is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim 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 2017, 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.

DIRECTORS' REPORT

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 the 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.

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 12 September 2017, 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 (“**RHB**”), as at 30 June 2017, except for the compliance adviser agreement dated 12 January 2016 entered into between the Company and RHB, none of RHB, its directors, employees or close associates (as defined in the GEM Listing Rules) 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.

CORPORATE GOVERNANCE

The Company’s corporate governance report is set out on pages 18 to 26 of this annual report.

AUDITOR

The financial statements for the year ended 30 June 2017 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming AGM.

Since the incorporation of the Company and up to the date of this annual report, there has been no change in the Company’s auditor.

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, 12 September 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The following report has been prepared by the Group in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide contained in Appendix 20 of the GEM Listing Rules for performance reporting on ESG issues for the year ended 30 June 2017.

Unless otherwise stated, this report focuses on the Group's core activities, which are the manufacturing and supply of wire/cable harnesses and power supply cords assembled products.

Management of the Group considers sustainability is essential in both the development of the Group's business and the welfare of those communities the Group operates in. It therefore had committed the Group to participate in more and more environmental protection activities and social charities in recent years.

The Group had strictly complied with all the applicable laws and regulations to its operations and had adhered to a high standard of corporate social responsibility during the year. This would be demonstrated in the following "Environmental" and "Social" sessions in this report.

ENVIRONMENT

I. Eco-friendly features at our production plant

Our products and production method

We manufacture our products in compliance with the directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (ROHS) as adopted by the European Union. The directive specified limitations on the usage of certain chemicals such as lead, mercury and cadmium.

Furthermore, the Group is in compliance with "REACH" by identifying and managing the risks linked to the substances it manufactures and markets in the European Union (EU). "REACH" is a regulation adopted by the EU to improve the protection of human health and the environment from the risks that can be posed by chemicals.

Waste Management

Our production plant in Malaysia practices management of production waste in accordance with the local environmental laws and regulations. Specifically, our Malaysia production plant would dispose its wastes at prescribed premises by the government, store the wastes in proper containers to ensure no spillage or leakage to the environment, provide proper labelling to the contained waste, and ensure staff responsible for handling waste have received relevant training.

Our production plant in China also complies with local environmental laws and regulations when disposing wastes. Plant management is required to timely update its knowledge of the local environmental laws and regulations in order to ensure environmental compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Energy

To raise our savings in electricity, in our Malaysia production plant and office, we have replaced our existing lightings with LED fluorescent lights. The production plant had also installed smaller size compressor to save electricity during production. Instead of air conditioning at our plant areas, we use air coolers for cooling. This helps further boost our savings on electricity.

Emission

Due to the nature of the industry we engaged in, our production plants would not emit any toxics into the environment.

II. Eco-friendly features at our office

We strive to make green purchasing decisions with selected office products and equipment as well as develop energy saving guidelines to reduce electricity consumption to mitigate any negative impacts.

The Group's management would from time to time promote energy conservation and water saving awareness among its staff. For example, indoor temperature would be regulated at a reasonable level, unnecessary lightings would be switched off when they are not in use, staff are also encouraged to use recycled paper for printing and should produce printed copies during their work only when necessary.

SOCIAL

I. Our People

The Group highly values its people. It places great emphasis on safety and health in the working environment of all its employees. Non-discriminatory and equal opportunity employment practices are strictly followed. To nurture and develop its human resources, the Group provides ample professional development and promotion opportunities to its people. All levels of staff are required to abide by the Group's human resources policies, especially its expected code of conduct and high business ethics.

Staff Composition

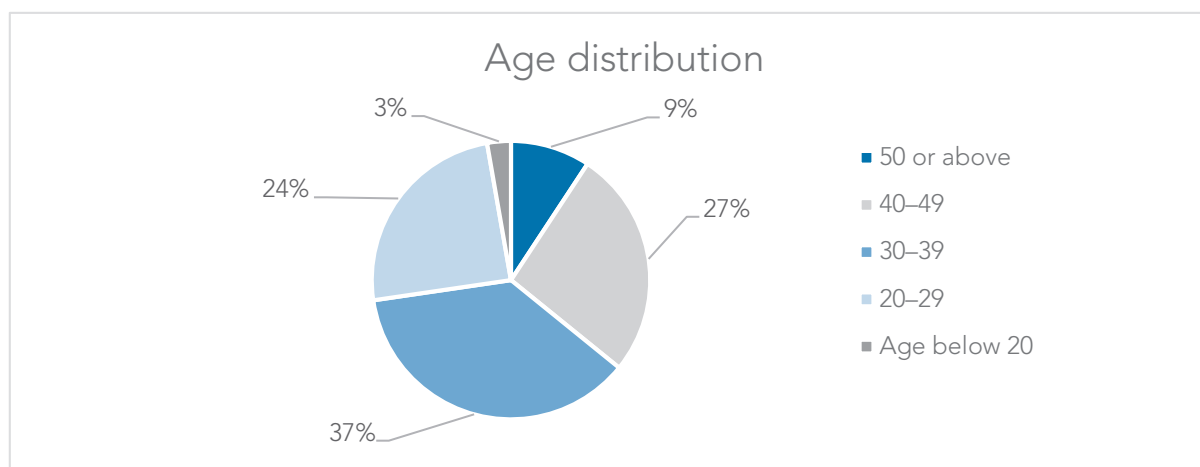


Figure 1 Age distribution (total no. of staff = 399)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

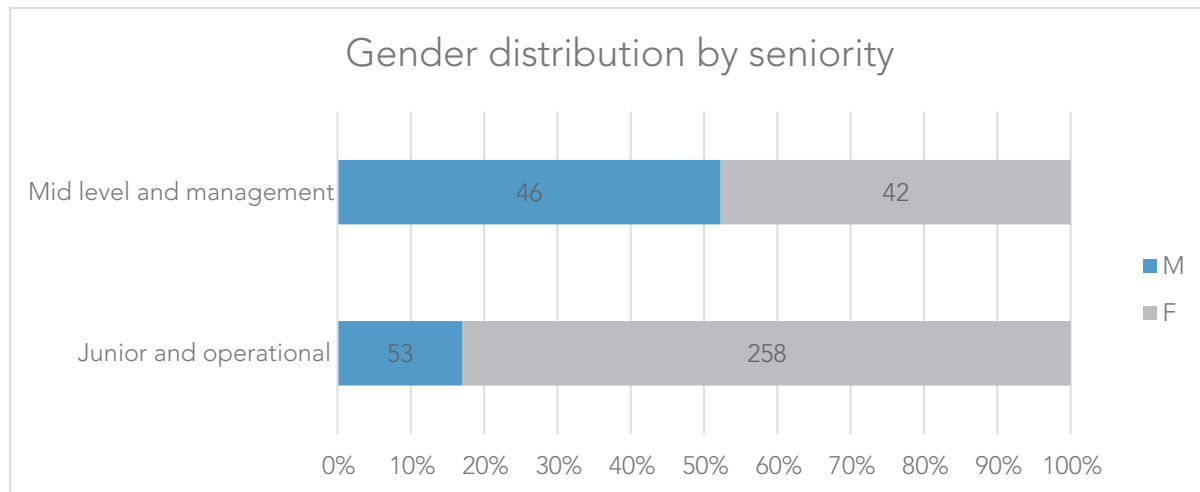


Figure 2 Gender distribution by seniority

Figure 1 represents the age distribution of our entire employees, while figure 2 is a breakdown of the gender distribution by seniority.

Figure 1 shows the age groups of "20–29", "30–39" and "40–49", each representing 24%, 37% and 27% of our entire staff, respectively. The lowest and highest age groups of "below 20" and "50 or above" representing around 12% of our entire staff. We do not see the distribution being particularly skewed towards any age group. Such is consistent with the Group's principle of anti-age discrimination when recruiting and retaining people.

Looking at figure 2, the ratio of male to female staff in "Mid-level and management" is close to 1:1. This reflects our stance of anti-discrimination based on gender. Although the ratio of female in the "junior and operational" class is around 80% as compared to 20% of male, this is only an industry norm and does not conflict with our anti-sex discrimination principle.

Overall, the staff composition demonstrates that the Group values contributions from staff of different seniority, and is firmly against discrimination based on age and gender.

Occupational health and safety

All of our regional offices strictly comply with the local labour laws and regulations and do not hire any child labour or engaged in forced labour practices. We provide sufficient protective gears and equipment to our operators to ensure they can work safely and healthily.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At our Malaysia production plant, we had specifically designated an Emergency Rescue Team (ERT) and a Safety and Health Committee to oversee employees' occupational health and safety. Safety meetings of the committee would be regularly held. Safety training concerning fire hazard prevention and first aid were provided to staff by relevant professionals. A safety audit were also conducted by an external qualified professional during the year to make recommendations for the regional office to further improve its safety environment.

At both our China and Malaysia production plant, to ensure staff would be able to evacuate effectively and efficiently during fire hazard and at the same time assist in controlling the accident site, fire drills and trainings are organised. Protective gears would also be provided to staff for their use during work.

Training and development

Level of knowledge, skills and capabilities of our employees is a cornerstone to our success. The Group monitors employees' professional development progress by keeping personal training records for the entire staff. Each training would have a training effectiveness assessment conducted. Trainings were provided by both our management (for example, forklift driving, team building) and by external professional training bodies on topics such as computer skills, first aid and organisation management.

Employment and employee welfare

We offer competitive remuneration package comprising compensation and benefits, which include adequate medical and dental allowance, paid paternity and marriage leave, retirement benefits, training and education subsidies. Furthermore, bonding events such as team building activities and annual dinner were organised to express the Group's gratitude to its staff every year.

II. Operating Practices

Supply Chain Management

We do not only concern how our operation practices would affect the natural environment — we also care about our suppliers in this regard. Before engaging suppliers or subcontractors, our quality assurance teams would use a "supplier quality system audit checklist" to check and assure supplier's performances in different aspects, including the supplier's management quality, process control, corrective action, and environmental procedures.

As mentioned, since the Group aims at full compliance with "REACH" of the EU, it would require its suppliers to observe the same standard and provide a declaration letter to state their compliance with "REACH".

The Group practices a transparent and competitive bidding system and internal control measures to ensure that our tendering and procurement process is conducted in an open, fair and just manner. When need to engage new suppliers, we would invite at least 2 to 3 suppliers to obtain as many quotations as possible.

The Group supports fair and open competition to ensure prudent and fair practices across our supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption and best practices

To ensure our employees adhere to the Group's code of conduct and best practices, the compliance manual sets out clear internal guidelines and best practices in terms of prevention of bribery, personal information protection, principles of corporate governance, and equal opportunities.

We believe that we have constructed a strong sense of anti-corruption and anti-fraudulent behaviour in our corporate governance framework. Our staff would be acutely aware of the ever-changing landscape of corruption and fraud, and would duly report on any suspected corruption or fraudulent behaviour.

To the best of our knowledge, there had not been any non-compliance case noted in relation to anti-corruption related laws and regulations as of 30 June 2017.

III. Community Involvement

The Group pays a lot of attention to those in need of help in the society. In November 2016, the Group helped a family who suffered from traffic accident by making donation to a charity fund. The donation had helped provide immediate relief to the family.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Continue to using energy-saving and eco-friendly production methods, equipment and materials;
- Promote awareness and practices on resources usage reduction, waste reduction and energy conservation; and
- Actively explore opportunities to organise events with charitable organisations and participate in community programs.

INDEPENDENT AUDITOR'S REPORT



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)

OPINION

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 47 to 95, which comprise the consolidated statement of financial position as at 30 June 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Write-down of inventories</i></p> <p>We identified the write-down of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the management judgment involved in identification of obsolete and slow-moving inventories and measurement of the write-down of inventories by the management.</p> <p>As set out in the consolidated statement of financial position, the carrying amount of inventories is HK\$26,149,000 (net of allowance for inventories of HK\$2,202,000), which represents 16.7% of the Group's total assets as at 30 June 2017. Write-down of inventories of HK\$105,000 was recognised in profit or loss for the year ended 30 June 2017 as disclosed in note 11 to the consolidated financial statements.</p> <p>As disclosed in note 5 to the consolidated financial statements, the management reviews the usability and saleability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing analysis. The current market demand and future sales plan of the inventories are taken into consideration for the measurement of write-down of those obsolete and slow-moving inventories by the management.</p>	<p>Our procedures in relation to assessing the write-down of inventories include:</p> <ul style="list-style-type: none"> • Understanding the Group's policy in the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories; • Testing the accuracy of the ageing analysis of inventories by tracing the ageing categories to the production reports or delivery notes, on a sample basis; • Testing the net realisable value of inventories with reference to the latest invoice prices in subsequent sales, on a sample basis; • Testing the usage of raw materials and work in progress subsequent to the end of the reporting period by tracing to the production reports, on a sample basis; • Discussing with the management and evaluating the basis of obsolete and slow-moving inventories identified by the management with reference to the ageing analysis, and the measurement of write-down of those obsolete and slow-moving inventories with reference to the current market demand and future sales plan of inventories; and • Assessing the historical accuracy of write-down of inventories to evaluate the appropriateness of the basis made by the management in the current year.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of trade receivables</i>	
<p>We identified the impairment of trade receivables as a key audit matter due to the significance of trade receivables to the consolidated financial statements and the management judgement involved in identification of long-aged receivables and determination of the impairment of trade receivables.</p> <p>As set out in the consolidated statement of financial position, the carrying amount of trade receivables is HK\$28,554,000, which represents 18.2% of the Group's total assets as at 30 June 2017. The directors of the Company consider that no impairment on trade receivables is required as at 30 June 2017 as disclosed in note 5 to the consolidated financial statements.</p> <p>As disclosed in note 5 to the consolidated financial statements, in determining the allowance for doubtful debts of trade receivables, the management has considered the ageing analysis, historical settlement record, subsequent settlement, credit assessment and business relationship with the customers.</p>	<p>Our procedures in relation to assessing the impairment of trade receivables included:</p> <ul style="list-style-type: none"> • Understanding the Group's policy in identification of long-aged receivables and determination of the impairment of trade receivables; • Testing the accuracy of ageing of trade receivables by tracing to the sales invoices and delivery notes, on a sample basis; • Testing settlements during and subsequent to the end of the reporting period by tracing to the bank receipts, on a sample basis; and • Discussing with the management and evaluating the basis of identification of long-aged receivables and determination of the impairment of trade receivables, with reference to ageing analysis, historical settlement record, subsequent settlement, credit assessment and business relationship with the customers.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Luk Kam Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
12 September 2017

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	6	105,908	119,192
Cost of sales		(83,742)	(87,600)
Gross profit		22,166	31,592
Other income	7	577	426
Selling and distribution costs		(3,216)	(3,085)
Administrative expenses		(21,621)	(20,692)
Other gains and losses	8	2,242	1,533
Listing expenses		–	(15,762)
Finance costs	9	–	(6)
Profit (loss) before tax		148	(5,994)
Income tax expense	10	(2,122)	(3,656)
Loss for the year	11	(1,974)	(9,650)
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(47)	50
<i>Item that may be reclassified subsequently to profit or loss:</i>			
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)	14	(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	15	16,226	8,722
Deposits paid for acquisition of property, plant and equipment		47	1,842
Deferred tax assets	16	418	720
		16,691	11,284
CURRENT ASSETS			
Inventories	17	26,149	33,035
Trade and other receivables	18	32,720	23,867
Tax recoverable		1,617	483
Pledged bank deposits	19	173	184
Bank balances and cash	19	79,493	97,689
		140,152	155,258
CURRENT LIABILITIES			
Trade and other payables	20	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	21	6,000	6,000
Reserves		138,694	143,902
TOTAL EQUITY		144,694	149,902

The consolidated financial statements on pages 47 to 95 were approved and authorised for issue by the Board of Directors on 12 September 2017 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 2017

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (note i)	Retained profits HK\$'000	Total HK\$'000		
At 1 July 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 21(e))	1,500	78,000	–	–	–	79,500	–	79,500
Transaction costs attributable to issue of shares (see note 21(e))	–	(7,160)	–	–	–	(7,160)	–	(7,160)
Capitalisation issue (note 21(d))	4,500	(4,500)	–	–	–	–	–	–
Transfer	–	–	–	301	(301)	–	–	–
Reclassification adjustment upon deregistration of a subsidiary (note ii)	–	–	–	(2,143)	2,143	–	–	–
Acquisition of additional interest in a subsidiary (note iii)	–	–	–	–	(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
Loss for the year	–	–	–	–	(1,974)	(1,974)	–	(1,974)
Exchange differences arising on translation to presentation currency	–	–	(47)	–	–	(47)	–	(47)
Exchange differences arising on translation of foreign operations	–	–	(3,187)	–	–	(3,187)	–	(3,187)
Total comprehensive expense for the year	–	–	(3,234)	–	(1,974)	(5,208)	–	(5,208)
Transfer	–	–	–	53	(53)	–	–	–
At 30 June 2017	6,000	66,340	(5,921)	2,742	75,533	144,694	–	144,694

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

Notes:

- (i) 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.
- (ii) A PRC subsidiary of the Company, 青島創新科電業有限公司 ("TEM-Qingdao") had 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.
- (iii) During the year ended 30 June 2016, the Group acquired an additional 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) 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 2017

	2017 HK\$'000	2016 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	148	(5,994)
Adjustments for:		
Finance costs	–	6
Loss on disposal of property, plant and equipment	52	8
Depreciation of property, plant and equipment	2,925	2,570
Write-down (reversal of write-down) of inventories, net	105	(27)
Unrealised exchange (gain) loss	(246)	873
Bank interest income	(176)	(132)
Operating cash flows before movements in working capital	2,808	(2,696)
Decrease in inventories	5,351	1,093
(Increase) decrease in trade and other receivables	(9,750)	9,013
Decrease in trade and other payables	(4,109)	(4,298)
Cash (used in) generated from operations	(5,700)	3,112
Income taxes paid	(2,991)	(5,129)
NET CASH USED IN OPERATING ACTIVITIES	(8,691)	(2,017)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(8,868)	(1,584)
Deposits paid for acquisition of property, plant and equipment	(47)	(1,902)
Advance to a related company	–	(2,425)
Withdrawal of pledged bank deposits	–	2,262
Repayment from a related company	–	12,407
Proceeds from disposal of property, plant and equipment	15	7
Interest received	176	132
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(8,724)	8,897

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK\$'000	2016 HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	79,500
Interest paid	–	(6)
Acquisition of non-controlling interests of a subsidiary	–	(14)
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
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,415)	73,323
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(781)	(876)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	97,689	25,242
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	79,493	97,689

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 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 to 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 these 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. APPLICATION OF NEW AND AMENDMENTS TO 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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 as disclosed in note 22. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 HKAS 36 “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 reassesses 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 relevant components of equity including reserves 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 after re-attribution of the relevant equity component, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. 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 relevant subsidiary'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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 (loss) before tax' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 and other defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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 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 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.

Financial liabilities at amortised cost

Financial liabilities representing trade payables are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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, 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

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

Write-down of inventories

At the end of each reporting period, the management reviews the usability and saleability of inventories, and writes down for obsolete and slow-moving inventories. The management identifies obsolete and slow-moving inventories with reference to ageing analysis, and determines the net realisable values of inventories based on current market demand and future sales plan of inventories. When the expectation of the net realisable value is less than the cost, a further allowance may arise.

As at 30 June 2017, the carrying amount of inventories is HK\$26,149,000 (2016: HK\$33,035,000), net of allowance for inventories of HK\$2,202,000 (2016: HK\$2,223,000).

Impairment of trade receivables

The management reviews the ageing analysis of trade receivables at the end of each reporting period and identifies the long-aged receivables that may not be recoverable in the future. Impairment loss of trade receivables is made when there is objective evidence that the recoverability of trade receivables becomes doubtful, based on historical settlement record, subsequent settlement, credit assessment and business relationship with the customers. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 30 June 2017, the carrying amount of trade receivables is HK\$28,554,000 (2016: HK\$21,484,000). The directors of the Company consider that no impairment on trade receivables is required as at 30 June 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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 described in note 4. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. REVENUE AND SEGMENT INFORMATION (continued)

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 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 HK\$'000	2016 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 HK\$'000	2016 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

7. OTHER INCOME

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

	2017 HK\$'000	2016 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 16)	257	(208)
	2,122	3,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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% 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 HK\$'000	2016 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

11. LOSS FOR THE YEAR

	2017 HK\$'000	2016 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 2017

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	10	960	–	18	988
Mr. Vincent Ho Pang Cheng	10	912	–	48	970
Mr. Kan Wai Kee	10	389	–	18	417
Ms. Koay Lee Chern	10	535	–	44	589
Independent non-executive directors					
Mr. Lum Chor Wah Richard	180	–	–	–	180
Mr. Ma Yiu Ho Peter	180	–	–	–	180
Mr. Lee Hon Man Eric	180	–	–	–	180
	580	2,796	–	128	3,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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

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

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 Company and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

(b) Employees' emoluments

The five highest paid individuals of the Group during the year included three directors (2016: three directors), details of whose remuneration are set out in note 12(a) above. Details of the remuneration for the year of the remaining two (2016: two) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other allowances	973	857
Discretionary bonuses	–	99
Retirement benefit scheme contributions	85	35
	1,058	991

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2017 Number of employees	2016
Nil to HK\$1,000,000	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

13. 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.

14. 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 HK\$'000	2016 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Furniture and fixtures 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 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
Additions	403	456	726	986	3,441	4,673	10,685
Disposals	(164)	(60)	(122)	(97)	–	–	(443)
Reclassification	428	–	610	230	–	(1,268)	–
Exchange alignment	(620)	(272)	(152)	(143)	(11)	–	(1,198)
At 30 June 2017	11,959	5,761	4,609	4,449	4,634	5,883	37,295
DEPRECIATION							
At 1 July 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
Provided for the year	746	477	465	551	686	–	2,925
Eliminated on disposals	(157)	(58)	(64)	(97)	–	–	(376)
Exchange alignment	(445)	(235)	(175)	(149)	(5)	–	(1,009)
At 30 June 2017	8,205	4,699	3,237	3,380	1,548	–	21,069
CARRYING VALUES							
At 30 June 2017	3,754	1,062	1,372	1,069	3,086	5,883	16,226
At 30 June 2016	3,851	1,122	536	398	337	2,478	8,722

The cost of above items of property, plant and equipment, other than construction in progress, less their residual values are depreciated on a straight-line basis at rates as follows:

Plant and machinery	10% – 50% per annum
Furniture and fixtures	10% – 50% per annum
Office equipment	20% – 50% per annum
Leasehold improvements	Over the period of the relevant lease
Motor vehicles	15% – 30% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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	Tax losses HK\$'000	Others HK\$'000	Total 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

17. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Raw materials	15,996	20,304
Work in progress	1,855	2,777
Finished goods	8,298	9,954
	26,149	33,035

18. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 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 HK\$'000	2016 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

18. TRADE AND OTHER RECEIVABLES (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

19. 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 3.40% (2016: 0.01% to 3.30%) per annum.

Pledged bank deposits carry interest at fixed rate of 3.30% (2016: 3.30%) per annum, are used to secure bank guarantee 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:

	2017 HK\$'000	2016 HK\$'000
HK\$	56,634	73,336
US\$	10,336	7,393
EUR	2,232	1,519

20. TRADE AND OTHER PAYABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

20. TRADE AND OTHER PAYABLES (continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

21. SHARE CAPITAL

	Number of shares	Share capital HK\$
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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:

- 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.
- 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.
- 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.
- 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.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. OPERATING LEASES

The Group as lessee

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:

	2017 HK\$'000	2016 HK\$'000
Land and buildings		
Within one year	2,610	2,611
In the second to fifth years inclusive	4,442	145
	7,052	2,756

Leases are negotiated and rentals are fixed for a term of two to three years.

23. CAPITAL COMMITMENTS

	2017 HK\$'000	2016 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	91	3,289

24. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

24. RETIREMENT BENEFIT SCHEMES (continued)

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 amount contributed by the Group to the schemes and the expense 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 2017, the retirement benefit scheme contributions made by the Group amounted to HK\$3,190,000 (2016: HK\$2,643,000).

25. RELATED PARTY DISCLOSURES

(a) Related party transaction

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

Name of related party	Nature of transaction	2017 HK\$'000	2016 HK\$'000
Company which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	215	1,022

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2017 HK\$'000	2016 HK\$'000
Fees, salaries and other allowances	4,772	3,169
Discretionary bonuses	–	1,330
Retirement benefit scheme contributions	231	208
Total	5,003	4,707

The remuneration of directors and key management personnel is determined having regard to the performance of individuals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

26. 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 current and prior years.

27. 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 equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. Based on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	108,220	119,357
Financial liabilities		
Amortised cost	7,601	8,490

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, pledged bank deposits, bank balances and cash and trade payables. Details of the 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 and trade payables 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
HK\$	56,634	73,336	–	–
US\$	24,930	18,635	2,424	3,341
EUR	5,713	3,361	1,225	2,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

28. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the currencies of US\$ and EUR. Since HK\$ is pegged to the functional currency of the relevant group entities of US\$, 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% (2016: 5%) increase in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the 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% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in profit before tax (2016: a decrease in loss before tax) where the relevant foreign currencies strengthen against the functional currencies of the relevant group entities. For a 5% weakening of the relevant foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the results before tax.

	2017 HK\$'000	2016 HK\$'000
US\$	1,125	765
EUR	224	66

In the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

28. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances disclosed in note 19.

Sensitivity 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 (2016: 10 basis point) increase and decrease are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the Group's profit before tax would increase/decrease by HK\$79,000 (2016: loss before tax would decrease/increase by HK\$95,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Credit risk

As at 30 June 2017, 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 2017, the Group has concentration of credit risk as 57% (2016: 32%) 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 84% (2016: 70%) of the total trade receivables as at 30 June 2017. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

28. FINANCIAL INSTRUMENTS (continued)

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

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.

Liquidity tables

As at 30 June 2017

	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 2017 HK\$'000
Non-derivative financial liability					
Trade payables	–	5,097	2,504	7,601	7,601

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

28. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of financial assets and financial liabilities 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.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSET		
Investments in subsidiaries	39,167	39,167
CURRENT ASSETS		
Prepayments, deposits and other receivables	156	79
Amount due from a subsidiary	5,272	–
Bank balances and cash	49,260	66,859
	54,688	66,938
CURRENT LIABILITIES		
Other payables and accrued expenses	905	1,391
Amounts due to subsidiaries	1,720	10,509
	2,625	11,900
NET CURRENT ASSETS	52,063	55,038
TOTAL ASSETS LESS CURRENT LIABILITIES	91,230	94,205
CAPITAL AND RESERVES		
Share capital	6,000	6,000
Reserves	85,230	88,205
TOTAL EQUITY	91,230	94,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

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
Loss and total comprehensive expense for the year	–	–	(2,975)	(2,975)
At 30 June 2017	66,340	39,167	(20,277)	85,230

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

30. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2017 and 2016 are set out below:

Name of subsidiary	Place of incorporation/ establishment	Principal place of operation	Paid up issued/ registered capital	Equity interest attributable to the Group	Principal activities
				2017	2016
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.	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
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	The PRC	The PRC	US\$2,100,000	100%	100% Manufacture and sale of wire/cable harnesses and power supply cords assembled products
Optimum Electronics	Malaysia	Malaysia	RM50,000	100%	100% Assembly of wire/cable harnesses and power supply cords assembled products
SEAP (HK) Limited	Hong Kong	Hong Kong	HK\$1	100%	100% Inactive

* Directly held by the Company

FINANCIAL SUMMARY

For the four years ended 30 June 2014, 2015, 2016 and 2017

RESULTS

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	105,908	119,192	131,288	136,563
Profit (loss) before tax	148	(5,994)	21,184	19,260
Income tax expense	(2,122)	(3,656)	(4,765)	(4,650)
(Loss) profit for the year	(1,974)	(9,650)	16,419	14,610
(Loss) profit for the year attributable to:				
Owners of the Company	(1,974)	(9,627)	16,444	14,610
Non-controlling interests	–	(23)	(25)	–
	(1,974)	(9,650)	16,419	14,610

ASSETS AND LIABILITIES

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	156,843	166,542	119,762	107,718
Total liabilities	(12,149)	(16,640)	(23,638)	(20,484)
Net assets	144,694	149,902	96,124	87,234
Equity attributable to:				
Owners of the Company	144,694	149,902	96,142	87,234
Non-controlling interests	–	–	(18)	–
	144,694	149,902	96,124	87,234

Notes:

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

No consolidated financial statements of the Group for the year ended 30 June 2013 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.