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

2020
Annual Report

* For identification purpose only

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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. Ng Ka Wai

Non-Executive Director

Ms. Koay Lee Chern

Independent Non-Executive Directors

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

NOMINATION COMMITTEE

Mr. Lee Hon Man Eric *(Chairman)*
Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Ma Yiu Ho Peter
Mr. Cheung Wai Kuen

REMUNERATION COMMITTEE

Mr. Cheung Wai Kuen *(Chairman)*
Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric

COMPANY SECRETARY

Ms. Ng Ka Wai

AUTHORISED REPRESENTATIVES

Mr. Lau Man Tak
Mr. Kan Wai Kee

COMPLIANCE OFFICER

Mr. Kan Wai Kee

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hong Kong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian 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
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPANY'S WEBSITE

http://www.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 2020.

FINANCIAL REVIEW

It has been a challenging year to our Group for the year under review, specifically the business environment around the globe was adversely affected by the outbreak of Novel Coronavirus ("**COVID-19**") pandemic in the beginning of 2020, and China and the United States trade tension combined together significantly impacted our financial and operational conditions. For the year ended 30 June 2020, the Group recorded revenue of approximately HK$93,971,000, representing a decrease of 2.3% as compared to approximately HK$96,163,000 for the year ended 30 June 2019. Gross profit for the year ended 30 June 2020 was approximately HK$9,246,000, decreased by 31.3% from approximately HK$13,457,000 for the year ended 30 June 2019. Gross profit margin dropped from 14.0% to 9.8% when compared to the year ended 30 June 2019. Loss for the year ended 30 June 2020 was approximately HK$14,192,000. The Group also recorded a loss in the amount of approximately HK$10,763,000 for the year ended 30 June 2019.

The Board does not recommend the payment of any final dividend for the year ended 30 June 2020.

PROSPECT

Looking forward, the global economic environment will continue to be clouded by the COVID-19 pandemic and the increasing international conflicts; continued weakness in sales of home appliance products are anticipated in late 2020 or early 2021. We recognised the tremendous challenges in the forthcoming year and we will continue monitoring the situations and make timely and appropriate response as and when necessary.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all of our shareholders, customers and business partners for their support over the past year, and thank my fellow Directors, all management and employees for their tireless efforts and contributions.

Lau Man Tak
Chairman
Hong Kong, 15 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

For the year ended 30 June 2020, the Group recorded a revenue of approximately HK$93,971,000, a drop of approximately 2.3% from the last year. Gross profit declined by 31.3% from approximately HK$13,457,000 for the year ended 30 June 2019 to HK$9,246,000 for the year ended 30 June 2020. The decline in gross profit was mainly caused by (i) the provision of write-down of inventories amounted approximately HK$3,407,000; and (ii) the adoption of a more competitive pricing strategy under the intensive market competition. The loss for the year was approximately HK$14,192,000, increased by approximately 31.9% from HK$10,763,000 for the year ended 30 June 2019.

The outbreak of the COVID-19 in early 2020 and the trade tension between China and the United States have disrupted the world economy to a large extent. During the year under review, series of stringent precautionary and control measures have been implemented by governments of various countries and regions, in some of which the Group has manufacturing plants, to control the spread of the COVID-19, which led to market uncertainties and instabilities of the orders for the Group's products.

Segment information

The Group manages its business by three operating segments which are (i) manufacture and sale of wire/cable harnesses, (ii) manufacture and sale 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:

	For the year ended 30 June					
	2020		2019		Increase/(Decrease)	
	HK$'000	%	HK$'000	%	HK$'000	%
Manufacture and sale of wire/cable harnesses	**85,856**	**91.4**	82,713	86.0	3,143	3.8
Manufacture and sale of power supply cords assembled products	**6,838**	**7.3**	9,506	9.9	(2,668)	(28.1)
Trading of terminals, connectors and others	**1,277**	**1.3**	3,944	4.1	(2,667)	(67.6)
	93,971	**100.0**	96,163	100.0	(2,192)	(2.3)

The revenue of manufacture and sale of wire/cable harnesses increased to approximately HK$85,856,000 for the year ended 30 June 2020 from approximately HK$82,713,000 for the year ended 30 June 2019. The gross profit of this segment was approximately HK$7,648,000 for the year ended 30 June 2020. The revenue of manufacture and sale of power supply cords assembled products was approximately HK$6,838,000 for the year ended 30 June 2020, representing a fall of 28.1% as compared to approximately HK$9,506,000 for the year ended 30 June 2019. The gross profit of this segment was approximately HK$1,313,000 for the year ended 30 June 2020. The revenue of trading of terminals, connectors and others was approximately HK$1,277,000 for the year ended 30 June 2020, representing a fall of 67.6% as compared to approximately HK$3,944,000 for the year ended 30 June 2019. The gross profit of this segment was approximately HK$285,000 for the year ended 30 June 2020.

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:

	For the year ended 30 June					
	2020		2019		Increase/(Decrease)	
	HK$'000	%	HK$'000	%	HK$'000	%
The PRC	**30,546**	**32.5**	27,499	28.6	3,047	11.1
Asia Pacific region (excluding the PRC)	**46,090**	**49.1**	51,595	53.7	(5,505)	(10.7)
Western Europe	**11,766**	**12.5**	11,381	11.8	385	3.4
Americas	**5,569**	**5.9**	5,688	5.9	(119)	(2.1)
	93,971	**100.0**	96,163	100.0	(2,192)	(2.3)

The revenue from the PRC recorded HK$30,546,000 for the year ended 30 June 2020, accounted for 32.5% of the Group's total revenue which represented an increase of 11.1% as compared to approximately HK$27,499,000 for the year ended 30 June 2019. The revenue from Asia Pacific region (excluding the PRC) was approximately HK$46,090,000 for the year ended 30 June 2020 and accounted for 49.1% of the Group's total revenue, representing a decrease of 10.7% as compared to approximately HK$51,595,000 for the year ended 30 June 2019. The revenue from Western Europe was approximately HK$11,766,000 for the year ended 30 June 2020 and accounted for 12.5% of the Group's revenue, representing an increase of 3.4% as compared to approximately HK$11,381,000 for the year ended 30 June 2019. The revenue from Americas was approximately HK$5,569,000 for the year ended 30 June 2020 and accounted for 5.9% of the Group's total revenue, representing a decrease of 2.1% as compared to approximately HK$5,688,000 for the year ended 30 June 2019.

The rapid outbreak and large-scale spread of the COVID-19 across the world since February 2020 had a disruptive impact on the economic sentiment coupled with unstable supply chains of various industries in many countries resulting a signification reduction of economic activities worldwide. Our PRC Factory resumed production on 12 February 2020, three weeks after production halt since the Chinese New Year holidays and the suspension period prescribed by the relevant PRC Government authorities which, amongst other things, lead to the drop of production capacity in our PRC Factory.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Malaysia Factory was also affected by the implementation of the Restriction of Movement Order (the "**Order**") announced by the Malaysian Government on 16 March 2020. This Order, effective nationwide initially for 2 weeks from 18 March 2020 and our Malaysia Factory was therefore requested to shut down. We had managed to obtain the conditional approval on 19 April 2020 from the Malaysia government to partially resume the operation in our Malaysia Factory subject to certain health precautionary requirements. Nonetheless, under these circumstances the production capacity of our Malaysia Factory is still far behind from its full capacity due to the uncertainty of labour workforce and lower efficiency after implementing the necessary measures to curb against the COVID-19. The Order was later changed to Conditional Movement Control Order on 4 May 2020 and then to Recovery Movement Control Order (the "**RMCO**") on 10 June and the RMCO will be extended until the end of 2020. The continuance of the RMCO is expected to continue to have a disruption on our Malaysia Factory's operations including delay in receipt of raw material and delivery of finished products and the receipt of visit of customers from outside Malaysia. As at the date of this report, both our PRC and Malaysia Factories had substantially restored to its normal operation.

For the year under review, the overall demand for electronic products and components had fallen due to the battered global economy by the COVID-19 outbreak. Besides, the outlook for coming months is uncertain especially with the recent levels of geopolitical risk increased in particular markets and are expected to have economic impacts for the worldwide.

OUTLOOK

It was an unprecedented year of challenge for the Group in the financial year of 2019/20. The trade tensions between China and the United States lingered in 2019 followed by the outbreak of the COVID-19 pandemic in early 2020. We encountered a global economy overcast by a lot of uncertainties.

The Group will closely monitor how such developments will affect our operations and will utilize our utmost efforts to mitigate those impacts.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK$96,163,000 for the year ended 30 June 2019 to approximately HK$93,971,000 for the year ended 30 June 2020. Such drop is attributable to (i) the temporary shut down in both PRC factory and Malaysia factory between February and April 2020 due to the COVID-19 outbreak; the estimated aggregate non-production days of the Group was about six weeks; and (ii) the ongoing price competitions.

Cost of sales and gross profit

Due to (i) the provision of write-down of inventories amounted approximately HK$3,407,000; and (ii) the ongoing price competitions, the gross profit margin decreased from 14.0% for the year ended 30 June 2019 to 9.8% for the year ended 30 June 2020. As a result, the gross profit of the Group fell by 31.3% from approximately HK$13,457,000 for the year ended 30 June 2019 to approximately HK$9,246,000 for the year ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income increased by 51.3% from approximately HK$815,000 for the year ended 30 June 2019 to approximately HK$1,233,000 for the year ended 30 June 2020. Such increase was mainly due to the one-off government grant of approximately HK$501,000 from the PRC government for our PRC factory being certified as one of 高新技術企業 (High-New Technology Enterprise) in China during November 2018.

Selling and distribution costs

The Group's selling and distribution costs mainly consisted of transportation, marketing and promotion expenses and storage costs, amounted to approximately HK$2,599,000 for the year ended 30 June 2020 and decreased from approximately HK$2,897,000 for the year ended 30 June 2019. The decrease was mainly due to the decrease in the marketing and promotion expenses given the international travelling became very difficult during the COVID-19.

Administrative expenses

The Group's administrative expenses, mainly comprised of staff costs, rental expenses, general office expenses, depreciation, licence fees, professional fees and travelling expenses reduced by 7.5% from approximately HK$23,293,000 for the year ended 30 June 2019 to approximately HK$21,540,000 for the year ended 30 June 2020. Such decrease was mainly due to the continuous stringent control measures imposed by the Group.

Finance cost

Finance cost increased by approximately HK$80,000 was mainly due to the increase of interest on lease liabilities for the year ended 30 June 2020 (2019: nil).

Other gains and losses

Other gains and losses mainly comprised of net exchange loss and gain on disposal of property, plant and equipment, which amounted to net other loss of approximately HK$190,000 for the year ended 30 June 2020 as compared to net other gains of approximately HK$494,000 for the year ended 30 June 2019. For the year ended 30 June 2020, the Group recognized net exchange loss of approximately HK$208,000 as a result of depreciation of Renminbi against HK$.

Income tax expense

The Group recorded income tax expense of approximately HK$358,000 for the year ended 30 June 2020 which is a reversal from income tax credit of approximately HK$628,000 for the year ended 30 June 2019. The change was mainly due to the provision of Malaysia Corporate Income Tax.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had a financial position with net assets amounted to approximately HK$109,677,000 (2019: approximately HK$125,994,000) and net current assets stood at approximately HK$93,610,000 (2019: approximately HK$109,243,000).

As at 30 June 2020, shareholders' fund amounted to approximately HK$109,677,000 (2019: approximately HK$125,994,000) and current assets amounted to approximately HK$104,857,000 (2019: approximately HK$124,501,000), mainly comprising of bank balances and cash, trade receivables, prepayments, deposits and other receivables and inventories. Current liabilities amounted to approximately HK$11,247,000 (2019: approximately HK$15,258,000) comprising of trade and other payables, lease liabilities and tax payable. The Group's bank balances and cash amounted to approximately HK$37,714,000 (2019: approximately HK$45,212,000). Net asset value per share was HK$0.18 (2019: HK$0.21).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

The Group's gearing ratio as at 30 June 2020 was 0.7% (2019: nil), which is calculated based on the lease liabilities divided by the equity.

Capital Structure

The share capital of the Company only comprises of ordinary shares. There was no change in the Company's capital structure during the year.

As at 30 June 2020, 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 United States dollars ("**US$**"), while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Malaysian Ringgit ("**MYR**"), Euro and Renminbi, which exposes the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. The management will from time to time review and adjust the Group's hedging and financial strategies based on exchange rate movement.

Significant Investment Held

As at 30 June 2020 and 2019, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 June 2020 and 2019, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2020 the Group had approximately HK$2,362,000 (2019: approximately HK$637,000) capital commitments mainly related to acquisition of machines.

Employee and Remuneration Policies

As at 30 June 2020, the Group had a total workforce of 394 (2019: 429) employees. Total staff costs for the year ended 30 June 2020 amounted to approximately HK$30,231,000 (2019: approximately HK$32,912,000). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of the Group's Assets

As at 30 June 2020, the bank deposits of approximately HK$555,000 (2019: approximately HK$565,000) were pledged to a bank to secure bank guarantee to a subsidiary of 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

As at 30 June 2020, the Group did not have other plans for material investments and capital assets.

Use of Proceeds

The net proceeds from the listing of the shares of the Company on GEM of the Stock Exchange on 18 May 2016 (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 dated 29 April 2016 (the "**Prospectus**"). As at 30 June 2020, the unutilised proceeds from the Listing in the amount of approximately HK$20,835,000 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 below.

An analysis of the utilisation of the net proceeds from the Listing up to 30 June 2020 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK$'000	Actual use of net proceeds up to 30 June 2020 HK$'000	Unutilised balance as at 30 June 2020 HK$'000
Upgrade and increase our production capacity	40,978	20,143	20,835
Enhance our manufacturing, information technology and human resources management capabilities	4,528	4,528	–
Strengthen our sales and marketing efforts	6,226	6,226	–

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.

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 ("Mr. Lau"), aged 51, is the Chairman and an executive Director of the Company. Mr. Lau also holds directorships in all the subsidiaries of the Company. He is also a member of each of the Remuneration Committee and the Nomination Committee. His role and responsibility in the Group is corporate development and strategic planning. Mr. Lau joined the Group in April 2010.

Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in November 1991. He has more than 18 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 and Investment Institute since April 2000 and November 2015, respectively.

Mr. Lau is currently the chairman and a non-executive director of REF Holdings Limited ("**REF**") (stock code: 1631), an independent non-executive director of each of Kingston Financial Group Limited (stock code: 1031) and Synergis Holdings Limited (stock code: 2340), which are companies listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on GEM.

Mr. Vincent HO Pang Cheng ("Mr. Ho"), aged 63, is an executive Director and the chief executive officer of the Company, the general manager of the Group and a director of TEM Group Limited, SEAP Trading Pte. Ltd. ("**SEAP**"), TEM Malaysia (M) Sdn. Bhd. ("**TEM Malaysia**") and 江門創新科電業有限公司 (TEM Electronics (Jiangmen) Co Ltd) ("**TEM Jiangmen**"). He is also a member of each of the Remuneration Committee and the Nomination Committee. 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 ("Mr. Kan"), aged 54, is an executive Director of the Company and a director of BAP Trading Company Limited, TEM Jiangmen, Glory Sun Developments Limited, SEAP and SEAP (HK) Limited. 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.

Ms. NG Ka Wai ("Ms. Ng"), aged 55, was appointed as an executive Director on 16 January 2020. She is a company secretary of the Company in September 2018. Ms. Ng joined the Group in September 2012 and is responsible for overseeing the overall operation of the Group. She is also responsible for the company secretarial practice of the Group. Ms. Ng has been in manufacturing industry for over 10 years and has over 25 years of professional experience in financial management and auditing.

Ms. Ng holds a Bachelor Degree of Business Administration in Accounting from the Chinese University of Hong Kong. She is a fellow member of the Association of Chartered Certified Accountants since October 2000 and a member of the Hong Kong Institute of Certified Public Accountants since December 1995.

NON-EXECUTIVE DIRECTOR

Ms. KOAY Lee Chern, ("Ms. Koay") aged 51, was appointed as a Director on 12 January 2016 and became the executive Director on 20 April 2016. She was re-designated from executive Director to non-executive Director in October 2019. Ms. Koay joined the Group in November 2010 and prior to the re-designation, has been responsible for overseeing the overall administration, human resources affairs, financial control of the Group and a director of TEM Malaysia.

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 15 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MA Yiu Ho Peter ("Mr. Ma"), aged 55, was appointed as an independent non-executive Director on 20 April 2016. He is the chairperson of the Audit Committee as well as a member of each of the Remuneration Committee and the Nomination Committee. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaging in property development and hospitality. Mr. Ma is also an independent non-executive director of Royal Catering Group Holdings Company Limited (stock code: 8300) since July 2016 and Indigo Star Holdings Limited (stock code: 8373) since October 2017, both of which are companies 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). Mr. Ma was also an independent non-executive director and chairman of audit committee of Huisheng International Holdings Limited (stock code: 1340) from February 2014 to July 2017, Convoy Financial Services Holdings Limited (later renamed as Convoy Global Holdings Limited) (stock code: 1019) from March 2010 to July 2018 and China Packaging Holdings Development Limited (later renamed as Mobile Internet (China) Holdings Limited) (stock code: 1439) from December 2013 to August 2020, all of which are companies listed on the Main Board of Stock Exchange. 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 ("Mr. Lee"), aged 53, was appointed as an independent non-executive Director on 20 April 2016. He is the chairperson of the Nomination Committee as well as a member of each of the Audit Committee and the Remuneration Committee. Mr. Lee is currently an independent non-executive director of Synergis Holdings Limited (stock code: 2340) and REF (stock code: 1631), which are companies listed on the Main Board of the Stock Exchange. 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 March 2017 to June 2020, Mr. Lee worked at Orient Capital (Hong Kong) Limited, a company engaging in advising on corporate finance, as managing director of investment banking department. 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.

Mr. CHEUNG Wai Kuen ("Mr. Cheung"), aged 52, was appointed as an independent non-executive Director on 19 September 2019. He is the chairperson of the Remuneration Committee and members of the Audit Committee and Nomination Committee. Mr. Cheung graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in November 1991 and obtained his MBA from The University of Manchester in June 2012. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants since January 1997 and a fellow member of the Association of Chartered Certified Accountants since April 2000.

Mr. Cheung has more than 25 years of experience in accounting, auditing, financial, general management and direct investment in international accounting firm, private equity, public and private companies, focusing in Hong Kong and emerging markets including People's Republic of China and Brazil. He is currently the director of a consulting and advisory firm.

SENIOR MANAGEMENT

Mr. LEE Ewe Chee ("Mr. Lee"), aged 55, is a manager of the Group and the general manager and a director of TEM Malaysia. Mr. Lee joined the Group in July 2015 and is responsible for the operations and general management of TEM Malaysia. Mr. Lee graduated from Tunku Abdul Rahman College in Malaysia with a diploma in technology in May 1990, and obtained a master's degree in business administration from Anglia Ruskin University in the United Kingdom in July 2016 through distance learning.

Mr. Lee has over 27 years of experience in mechanical engineering, and 26 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Kok Ming ("Mr. Wong"), aged 48, is a manager of the Group and the general manager of TEM Jiangmen. Mr. Wong joined the Group in February 2018 and is responsible for plant operations, include sales and marketing and general management of TEM Jiangmen. Mr. Wong graduated from Staffordshire University, United Kingdom with a bachelor's degree of engineering in mechanical engineering in July 1994, and obtained a master's degree in business administration in marketing from the Trinity College and University, London in June 1999.

Mr. Wong has over 20 years of working experience covering engineering, quality, operation and sales and marketing assurance of manufacturing industry in the PRC. From September 2012 to January 2018, Mr. Wong worked at JCH Hardware Manufactory Ltd., a company engaging in high quality grade stainless steel hardware fabrication for ship, boat and automotive which export to USA market, as a factory director responsible for overseeing factory operation. From September 2008 to January 2011, Mr. Wong worked at NingBo Neutrik Electronics Co Ltd in ZheJiang, the PRC, a company engaging in manufacturing innovative electrical and electronic interconnection products, cable assembly and systems, as a technical manager responsible for overseeing the manufacturing department. From May 2005 to June 2008, he worked as group engineering manager of CKK Plastic & Metal Manufactory Limited. From January 2003 to February 2005, he worked as program manager of Peak Metal & Plastic Manufactory Ltd. From August 1999 to December 2002, he worked as sales account manager of Dynacraft Industries Sdn Bhd. From August 1994 to June 1998, he worked as technical support engineer of Philips Audio Electronics Sdn Bhd.

Mr. CHUI Chi Ho ("Mr. Chui"), aged 42, is the business manager of the Group. 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 15 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

Ms. NG Ka Wai is the company secretary of the Company. Please refer to the paragraph headed "Executive Directors" above for her biography.

COMPLIANCE OFFICER

Mr. KAN Wai Kee 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 2020. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Directors and the management of the Company recognise 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 2020.

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 2020.

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 2020.

THE BOARD OF DIRECTORS

Up to the date of this annual report, the Board currently comprises a total of eight Directors, being four executive Directors, one non-executive Director and three 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. Ng Ka Wai (appointed on 16 January 2020)

Non-Executive Director

Ms. Koay Lee Chern (re-designated from an executive Director to a non-executive Director on 1 October 2019)

Independent Non-Executive Directors

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen (appointed on 19 September 2019)
Mr. Lum Chor Wah Richard (resigned on 19 September 2019)

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

CORPORATE GOVERNANCE REPORT

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 of the Company 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.

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 of the independent non-executive Directors' written 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.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company and until terminated by not less than three months' notice in writing served by either party on the other. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company and until terminated by not less than one months' notice in writing by either party on the other. Their appointments are subject to retirement by rotation and re-election at the Company's annual general meeting ("**AGM**") in accordance with the articles of association of the Company (the "**Articles**").

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

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

FUNCTIONS OF THE BOARD AND MANAGEMENT

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

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

With the various experience of both the executive Directors, the non-executive Director 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.

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. Ng Ka Wai (appointed on 16 January 2020), Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Ho Man Eric and Mr. Cheung Wai Kuen (appointed on 19 September 2019), 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.

BOARD COMMITTEE

The Board has established three Board committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (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 www.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.

CORPORATE GOVERNANCE REPORT

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.

Audit Committee

The Company has established 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 re-appointment and removal of external auditor; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. With effect from 19 September 2019, as Mr. Lum Chor Wah Richard has resigned as an independent non-executive Director and the member of the Audit Committee, Mr. Cheung Wai Kuen has been appointed as an independent non-executive Director and the member of the Audit Committee. 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. Cheung Wai Kuen 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.

During the year ended 30 June 2020, the Audit Committee held five meetings to review the quarterly, interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work.

Remuneration Committee

The Company has established the remuneration committee on 20 April 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and 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. With effect from 19 September 2019, as Mr. Lum Chor Wah Richard has resigned as an independent non-executive Director and the chairman of the Remuneration Committee, Mr. Cheung Wai Kuen has been appointed as an independent non-executive Director and the chairman of the Remuneration Committee. At present, the Remuneration Committee consists of five members with three independent non-executive Directors and two executive Directors who are Mr. Cheung Wai Kuen, Mr. Lee Hon Man Eric, Mr. Ma Yiu Ho Peter, Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng. Mr. Cheung Wai Kuen is the chairman of the Remuneration Committee.

During the year ended 30 June 2020, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

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.

Particulars of the Directors' remuneration for the year ended 30 June 2020 are set out in note 11 to the consolidated financial statements.

Pursuant to code provision B.1.5. of the CG Code, the remuneration of the members of the senior management of the Group (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" of this annual report for the year ended 30 June 2020 by band is set out below.

Remuneration band	Number of individual
Nil to HK$1,000,000	4

Nomination Committee

The Company has established 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 a regular basis; identify qualified individuals to become Board members; assess the independence of independent non-executive Directors; make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and monitor the implementation of the board diversity policy on an ongoing basis.

To facilitate sustainable and balanced development of the Company, the Nomination Committee has adopted a board diversity policy (the "**Diversity Policy**"), which sets out the approach to achieve diversity of the Board. Under the Diversity Policy, the appointment and/or recommendation for appointment will be based on objective criteria, having due regard to the benefits of diversity on the Board, including, among others, the candidates' gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Decisions of the Nomination Committee are made based on the merits and contribution of the selected candidates.

The Nomination Committee has also adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of appointment and re-appointment of Directors.

Procedure and Process for Nomination of Directors

The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

(a) Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

(b) The number of directorships in other listed/public companies;

(c) Commitment for responsibilities of the Board in respect of available time and relevant interest;

(d) Qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;

(e) Experience in the Group's principal business and/or the industry in which the Group operates;

(f) Independence;

(g) Reputation for integrity; and

(h) Potential contributions that the individual can bring to the Board.

Nomination Procedures

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents, and may seek independent professional advice to access a wider range of potential candidates.

ii. The secretary of the Nomination Committee shall invite nomination of candidates from the Board members (if any) for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by the Board.

iii. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

iv. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate.

v. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration.

vi. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

vii. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

viii. The Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting.

With effect from 19 September 2019, as Mr. Lum Chor Wah Richard has resigned as an independent non-executive Director and the member of the Nomination Committee, Mr. Cheung Wai Kuen has been appointed as an independent non-executive Director and the member of the Nomination Committee. At present, 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. Cheung Wai Kuen, 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.

During the year ended 30 June 2020, the Nomination Committee held two meetings for, inter alia, considering the retirement and re-election of the Directors at the AGM and to assess, review and make recommendations on the structure, size and composition of the Board.

PRACTICES AND CONDUCT OF MEETINGS

Schedules and agendas for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is given. Board papers together with appropriate, complete and reliable information are circulated to all Directors not less than 3 days before the date of the Board meetings to enable them to make informed decisions.

All Directors are supplied in a timely manner with all relevant documentation and financial information. The company secretary of the Company (the "**Company Secretary**") is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version is open for their inspection.

The individual attendance record of the Board meetings, committee meetings and annual general meeting for the year ended 30 June 2020 is set out as follows.

	Attendance Record of Meetings held during the year				
Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Number of total meetings	13	5	2	2	1
Executive Directors					
Mr. Lau Man Tak	13/13	N/A	2/2	2/2	1/1
Mr. Vincent Ho Pang Cheng	12/13	N/A	2/2	2/2	1/1
Mr. Kan Wai Kee	13/13	N/A	N/A	N/A	1/1
Ms. Ng Ka Wai (appointed on 16 January 2020)	8/8	N/A	N/A	N/A	0/0
Non-Executive Director					
Ms. Koay Lee Chern (re-designated from executive Director to non-executive Director on 1 October 2019)	13/13	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Ma Yiu Ho Peter	13/13	5/5	2/2	2/2	1/1
Mr. Lee Hon Man Eric	13/13	5/5	2/2	2/2	1/1
Mr. Cheung Wai Kuen (appointed on 19 September 2019)	12/12	4/4	1/1	1/1	1/1
Mr. Lum Chor Wah Richard (resigned on 19 September 2019)	1/1	1/1	1/1	1/1	0/0

The Board was satisfied with the attendance of the Directors as they have committed sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of the materiality of interest and be required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

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 2020 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 2020 set out in this annual report.

AUDITOR'S REMUNERATION

For the year ended 30 June 2020, the remuneration paid or payable to HLB Hodgson Impey Cheng Limited ("**HLB**") 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)	680
Non-audit services	–
	680

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, Roma Group 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 Roma Group 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 2020. 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 2020.

COMPANY SECRETARY

Ms. Ng Ka Wai ("Ms. Ng") was appointed as the Company Secretary in September 2018. The biographical details of Ms. Ng are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Pursuant to Rule 5.15 of the GEM Listing Rules, Ms. Ng has taken no less than 15 hours of relevant professional training during the year ended 30 June 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- results of operations;
- cash flows;
- financial condition;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- the payments by subsidiaries of cash dividends; and
- other factors that the Board may deem relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

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 (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, 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 EGM 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.

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

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

Right to put enquiries to the Board

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

CONSTITUTIONAL DOCUMENTS

For the year ended 30 June 2020, 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 2020.

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 5 to the consolidated financial statements of the Group.

SEGMENT INFORMATION

During the year under review, manufacture and sale of wire/cable harnesses, manufacture and sale of power supply cords assembled products and trading of terminals, connectors and others account for approximately 91.4%, 7.3% and 1.3% of the Group's total sales respectively.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2020 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 80.7% of the total turnover for the year ended 30 June 2020 (2019: approximately 74.9%) and the largest customer accounted for approximately 39.5% of the total turnover for the year ended 30 June 2020 (2019: approximately 45.2%).

The five largest suppliers accounted for approximately 50.7% of the total purchases for the year ended 30 June 2020 (2019: approximately 42.9%) and the largest supplier accounted for approximately 28.6% of the total purchases for the year ended 30 June 2020 (2019: approximately 20.4%).

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 2020.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 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 many have a material and adverse effect on the business, financial conditions and results of operations.

Foreign exchange risk management

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 MYR, Euro and Renminbi, which exposes the Group to foreign currency risk. Management will from time to time review and adjust the Group's hedging and financial strategies based on exchange rate movement.

DIVIDEND

The Board does not recommend any payment of a final dividend for the year ended 30 June 2020 (2019: nil).

DONATIONS

No charitable donations was made by the Group during the year ended 30 June 2020 (2019: nil).

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 30 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

At as 30 June 2020, the Company's reserves available for distribution to equity holders comprising share premium and retained profits amounted to approximately HK$107,216,000 (2019: approximately HK$121,408,000) calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

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

During the year ended 30 June 2020, 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 2020 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 30 June 2020 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 7 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.

DIRECTORS' REPORT

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.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 30 June 2020, the Group had the following continuing connected transactions, details of which were disclosed in compliance with the requirements of the GEM Listing Rules.

1. Master Sales Agreement

As disclosed in the announcement of the Company dated 18 April 2019 (the "**Announcement**"), Brascabos International Group Limited ("**Brascabos**", together with its subsidiaries, "**Brascabos Group**") entered into the framework agreement with the Company (the "**Master Sales Agreement**") in relation to the sale of power cords, cable/wire and harnesses. Jumbo Planet Group Limited, which is indirect wholly owned by Mr. Lau, holds 450,000,000 Shares, representing 75% of the issued shares capital of the Company. Mr. Lau is an executive Director and indirectly owns the entire share capital of Brascabos. Mr. Lau is a connected person of the Company and the transactions contemplated under the Master Sales Agreement constitute continuing connected transaction for the Company under the GEM Listing Rules. As the highest applicable percentage ratio calculated with reference to the annual caps was less than 25% and each of the relevant annual caps was less than HK$10,000,000, the Master Sales Agreement and the transactions contemplated thereunder are subject to annual review and disclosure requirements, but are exempt from the independent Shareholders' approval requirement under the GEM Listing Rules.

Pursuant to the Master Sales Agreement, the member(s) of the Group and the member(s) of the Brascabos Group shall enter into individual agreement(s) or order(s) from time to time to relation to sale of power cords, cable/wire and harnesses by the Group to the Brascabos Group during the term. The relevant transactions would be conducted in the usual and ordinary course of business of the Group, on normal commercial terms and based on the prevailing market rates. The prevailing market price shall be made with reference to products of comparable quality, specifications and quantities and applicable foreign exchange rates based on market information collected by the Group's sales and technical departments and reviewed by the senior management of the Group from time to time; and where applicable, the terms agreed with the Group's independent third party customers for products of comparable quality, specifications and quantities and applicable foreign exchange rates in recent transactions such that the price shall be no less favourable than those available to the Group's independent third party customers. The senior management of the Group would also carry out the internal control procedures in relation to the Master Sales Agreement.

As disclosed in the Announcement, the Company estimated the transaction amount for the transactions contemplated under the Master Sales Agreement for the three years ending 30 June 2021 would not exceed HK$4.5 million, HK$6.0 million and HK$8.0 million, respectively.

The transaction amounts between the Group and the Brascabos Group for the year ended 30 June 2020 was approximately HK$3.3 million (being approximately 55.0% of the annual cap of HK$6.0 million for the year ended 30 June 2020).

During the year ended 30 June 2020, the senior management of the Group has monitored and ensured that (a) the continuing connected transactions have been conducted in accordance with the pricing policies or mechanisms (if applicable) under the Master Sales Agreement, as appropriate; and (b) the Company's internal control procedures (including those disclosed in the Announcement) are adequate and effective to ensure that continuing connected transactions are so conducted.

2. Financial Printing Services Agreement

On 4 July 2019, 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, regarding the provision of financial printing services. The terms of the Financial Printing Services Agreement expired on 30 June 2020. In order for REF Financial to continue provide the financial printing services to the Company, on 18 June 2020 the Company entered into another one-year financial printing services agreement (the "**New Financial Printing Services Agreement**") with REF Financial for financial printing service from 1 July 2020 to 30 June 2021.

The transaction amount incurred for the financial printing services was approximately HK$250,000 for the year ended 30 June 2020 (2019: approximately HK$177,000).

Mr. Lau is an executive Director, Chairman and controlling shareholder, was indirectly interested in 75% of the total issued share capital in REF Financial. Accordingly, REF Financial is an associate of Mr. Lau and thus a connected person of the Company under the GEM Listing Rules.

Given each of the applicable percentage ratios (other than the profits ratio), as defined under the GEM Listing Rules, in respect of the New 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 New Financial Printing Services Agreement is exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under the GEM Listing Rules.

All independent non-executive Directors of the Company had reviewed and confirmed that the above transactions for the year ended 30 June 2020 were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 20.54 of the GEM Listing Rules.

Based on work performed, the auditor has confirmed to the Board to the effect that nothing has come to its attention that causes it to believe that the above transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the annual caps disclosed in the relevant announcements, if applicable.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, there was no other connected transaction and related party transaction entered into by the Group for the year ended 30 June 2020 that was required to be disclosed in accordance with the GEM Listing Rules. The Company further confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year ended 30 June 2020.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year ended 30 June 2020 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. Ng Ka Wai (appointed on 16 January 2020)

Non-executive Director

Ms. Koay Lee Chern (re-designated from an executive Director to a non-executive Director on 1 October 2019)

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen (appointed on 19 September 2019)
Mr. Lum Chor Wah Richard (resigned on 19 September 2019)

Brief biographical details of Directors and senior management are set out on pages 10 to 14 of this annual report.

Information regarding directors' emoluments is set out in note 11 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' 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 2020 or at any time during the year ended 30 June 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries or controlled entities had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 June 2020 or at any time during the year ended 30 June 2020.

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 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, 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. In accordance with the Articles, Mr. Vincent Ho Pang Cheng and Mr. Lee Hon Man Eric will retire at the AGM and, being eligible, offer themselves for re-election at the AGM.

Pursuant to article 112 of the Articles, 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/her 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. Ms. Ng Ka Wai was appointed by the Board as an executive Director on 16 January 2020 to fill a causal vacancy on the Board. In accordance with article 112 of the Articles, Ms. Ng Ka Wai shall hold office until the forthcoming annual general meeting and, being eligible, offer herself for re-election at the AGM.

DIRECTORS' REPORT

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors of the Company subsequent to the date of the interim report for the six months ended 31 December 2019 of the Company are set out below:

— Mr. Ma Yiu Ho Peter retired from the positions as an independent non-executive director and chairman of the audit committee of China Packaging Holdings Development Limited (later renamed as Mobile Internet (China) Holdings Limited) on 28 August 2020, a company listed on the Main Board of Stock Exchange (stock code: 1439).

— Mr. Lee Hon Man Eric resigned as a managing director of investment banking department of Orient Capital (Hong Kong) Limited with effect from 6 June 2020.

In respect of the change in emoluments of Directors, please refer to note 11 to the financial statements.

PERMITTED INDEMNITY PROVISION

At no time during the year ended 30 June 2020 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 2020.

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 2020.

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 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

As at 30 June 2020, the Group employed 394 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' 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 2020, 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) Mr. Lau, the chairman and the executive Director, 450,000,000 Shares were held by Jumbo Planet Group Limited ("**Jumbo Planet**"). Jumbo Planet is a direct wholly-owned subsidiary of New Universe Industries Limited ("**New Universe**"). New Universe is a direct wholly-owned subsidiary of Perfect Asset Investments Limited ("**Perfect Asset**"), which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed, or taken to be, interested in the Shares held by Jumbo Planet in the Company. Mr. Lau is a director of Jumbo Planet, New Universe and Perfect Asset.

Save as disclosed above, as at 30 June 2020, 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 Part XV of SFO or 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.

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 2020.

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' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the year ended 30 June 2020 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 2020, 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
New Universe	Interest in a controlled corporation *(Note 2)*	450,000,000 Shares (L)	75
Perfect Asset	Interest in a controlled corporation *(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. Jumbo Planet is a direct wholly-owned subsidiary of New Universe. New Universe is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, each of New Universe and Perfect Asset and Mr. Lau is deemed, or taken to be, interested in the Shares held by Jumbo Planet in the Company.

(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 2020, 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 of 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.

NON-COMPETITION UNDERTAKINGS

A non-competition undertaking (the "**Non-competition Undertaking**") was entered into by Mr. Lau and Jumbo Planet (collectively, the "**Controlling Shareholders**") in favour of the Company, under which each of the Controlling Shareholders has irrevocably and unconditionally, jointly and severally, warranted and undertaken to the Company (for the Company and as trustee for each of its subsidiaries) that, amongst other matters, he/it will not, and will procure any Controlling Shareholder and his/its associates and any company directly or indirectly controlled by the Controlling Shareholder not to, except through any member of the Group, directly or indirectly (whether on its own account or with each other in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on the business from time to time.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance with and the enforcement of the terms of the Non-competition Undertaking by the Controlling Shareholders during the year ended 30 June 2020.

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 15 September 2020, being the latest practicable date prior to the issue of this annual report, in accordance with Rule 11.23 of the GEM Listing Rules.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 15 to 27 of this annual report.

AUDITORS

Deloitte Touche Tohmatsu ("**Deloitte**") was appointed as Auditors since the Listing. On 17 January 2020, Deloitte resigned as Auditors. On the same date, the Board appointed HLB to fill the casual vacancy as Auditors until the conclusion of the next AGM.

HLB was appointed as the Auditors for the year ended 30 June 2020. The accompanying consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards have been audited by HLB.

HLB retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as Auditors is to be proposed at the forthcoming AGM.

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board

Lau Man Tak
Chairman
Hong Kong, 15 September 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products as well as selling of terminals, connectors and others, with its manufacturing operations in Malaysia and the People's Republic of China (the "**PRC**").

The Group is pleased to present the Environmental, Social and Governance Report (the "**ESG Report**") for the financial year ended 30 June 2020. This ESG Report summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The ESG Governance Structure

The Board supports the Group's commitments to fulfil its ESG responsibilities, oversee and set out the overall direction of the Group's ESG strategies, and ensures the effectiveness of the Group's ESG risk management and internal control mechanism. The Group has assigned personnel to systematically identify and cater to ESG issues. The said personnel are responsible for collecting and analysing relevant ESG data and identifying the Group's ESG issues. Besides, the said personnel periodically report to the Board for the evaluation and subsequent implementation or revision of the Group's ESG strategies.

SCOPE OF REPORTING

The ESG Report covers the Group's businesses and operational activities in the PRC, Malaysia, Singapore, and Hong Kong. In particular, operational activities in the PRC and Malaysia include the manufacture and sale of wire/cable harnesses and power supply cords assembled products; while business activities in Hong Kong and Singapore include the selling of terminals, connectors, power cords, and other related products.

The Group understands the importance of transparency and will expand the scope of the disclosure when the Group's data collection system matures.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 of Rules Governing the Listing Securities on GEM of the Stock Exchange.

Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report on pages 42 to 63 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges, and measures taken by the Group during the year ended 30 June 2020.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, management and employees, suppliers or subcontractors, customers, government or regulatory bodies, media, and the public.

In formulating operational and ESG strategies, the Group considers stakeholders' expectations by utilising diversified engagement methods and communication channels as shown below.

Stakeholders	Communication Channels	Expectations
Shareholders and investors	• Annual general meeting • Financial reports • Announcements and circulars • Company website	• Sustainable profitability • Return on investment • Optimising risk management and internal control • Regular information disclosure
Management and employees	• Training, seminars and briefing sections • Regular performance reviews • Employee suggestion boxes • Direct email	• Remuneration and benefits • Fair and competitive employment practices and policies • Safe and healthy work environment • Effective internal and external communication • Fulfilment of the company's goals and performance targets
Suppliers and subcontractors	• Supplier on-site inspection • Face-to-face meetings and events • Suppliers' quality system audit checklist • Liaison with the procurement manager	• Fair competition • Win-win cooperation • Compliance with the local laws and regulations
Customers	• Customer service hotline and email • Product tracking system	• High-quality products and services • Rapid response and customer satisfaction
Government and regulatory bodies	• Written or electronic correspondences • Punctual tax payment	• Compliance with the local laws and regulations
Media and the public	• ESG reports	• Transparency of financial and ESG issues disclosure • Compliance with the local laws and regulations

The Group aims to collaborate with its stakeholders to improve its ESG performance and continuously create greater value for the wider community.

MATERIALITY ASSESSMENT

The management and staff of the Group's major operations have participated in the preparation of the ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of related matters to its businesses and stakeholders. The Group compiled a survey concerning the identified material ESG issues to collect information from relevant departments, business units, and stakeholders of the Group.

Feedback from relevant stakeholders has been considered in determining the Group's material ESG aspects to be covered in the ESG Report. Summary of the Group's material ESG issues according to its relative importance:

Least material	Material	Most material
Greenhouse Gas ("GHG") Emissions Community Investment	Wastes Management Use of Packaging Material Occupational Health and Safety Talent Attraction and Retention Prevention of Child and Forced Labour Energy Consumption Protection of Intellectual Property ("IP") Rights Whistleblowing Mechanism	Sourcing of Raw Material Remuneration and Dismissal Development and Training Product Quality and Safety Customer Services Supplier Selection Mechanism

During the year ended 30 June 2020, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You may provide valuable advice in respect of the ESG Report or its performances in sustainable development by emailing to info@tem-group.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

Environmental protection has always been one of the fundamental values of the Group. In the course of achieving the Group's business objectives and maximising value creation for its stakeholders, the Group strives to achieve a balance between its operation needs and the environment by using resources wisely and minimising pollutants from its business operation. The Group recognises its responsibility to contribute towards environmentally sustainable development as reflected by its policy statement:

- Towards full compliance with environmental legislation and other applicable requirements.
- Environmentally clean, use energy and raw materials efficiently.
- Move to prevent pollution by applying environmentally friendly technologies, sound waste management and work practices.

The Group adheres to the Restriction of Hazardous Substances ("ROHS") as adopted by the European Union ("EU") and manufactures its products in compliance with the restriction on the use of certain hazardous chemical substances such as lead, mercury, and cadmium as specified in the directive. The Group also complies with the Directive and Registration, Evaluation, Authorisation, and Restriction of Chemicals ("REACH") by identifying and managing the risks linked to the substances it manufactures and markets in the EU. Besides, the Group requires its subsidiaries to regularly update their knowledge on the applicable national and EU environmental laws and regulations relevant to its product and ensure strict compliance with the policies. The Group minimises any possible negative environmental impact of its manufacturing activities by ensuring its products do not contain any harmful substances to the environment.

Besides, the Group has formulated related environmental policies and initiatives to promote sustainability within its business. The Group upholds the principles of emission reduction and resource efficiency in its environmental management approaches. This is achieved by implementing measures that promote energy efficiency, wastes reduction and other green initiatives. The Group is also committed to educating its employees in raising their awareness of environmental protection and complying with relevant environmental laws and regulations. Within its policy framework, the Group continually looks for opportunities to pursue environmentally friendly initiatives, enhance its environmental performance by reducing energy consumption and the use of other resources.

During the year ended 30 June 2020, the Group was not aware of any material non-compliance with laws and regulations concerning air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including but not limited to the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Environment Quality Act 1974 of Malaysia, Environmental Public Health Act of Singapore, and the Waste Disposal Ordinance of Hong Kong.

Air Emissions

Due to the light industry nature, the production plants of the Group do not emit any air pollutants. The principal source of exhaust gas emissions arising from the Group's operation was limited to petrol consumed by vehicles. In response to the above emission source, the Group has taken corresponding emissions reduction measures which will be described in the following section "GHG Emissions".

Summary of air emissions performances:

Types of air emissions	Unit	2020	2019
Nitrogen oxides (NOx)	kg	8.07	7.88
Sulphur oxides (SOx)	kg	0.17	0.13
Particulate matter (PM)	kg	0.59	0.60

GHG Emissions

The major sources of the Group's GHG emissions were generated from petrol consumed by vehicles (Scope 1), purchased electricity (Scope 2), and business air travel (Scope 3).

Scope 1 — Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol consumption by vehicles in its operations:

- Plan routes ahead of time to reduce route repetition and optimise fuel consumption;
- Switch off the engine whenever the vehicle is idling; and
- Regularly undergo maintenance service to ensure optimal engine performance and fuel use.

Scope 2 — Indirect GHG Emissions

Electricity consumption accounted for the largest percentage of GHG emissions of the Group. The Group has implemented measures to reduce energy consumption, such measures will be described in the section "Use of Resources" under aspect A2.

Scope 3 — Other Indirect GHG Emissions

Business air travel contributed to the category of other indirect GHG emissions. Noting that air travel generates a large amount of GHG emissions, the Group only utilises air travel when deemed necessary. Tele-conferences and web conferences are the Group's preferred modes of communication.

During the year ended 30 June 2020, the total GHG emissions has increased by about 16.22% from approximately 896.80 tCO_2e in 2019 to approximately 1,042.26 tCO_2e in 2020. The main reason was due to the increase in total energy consumption of utilisation of the PRC's wiring plant in 2020 as compared to 2019.

Summary of GHG emissions performances:

Indicator[1]	Unit	2020	2019
Direct GHG emissions (Scope 1) — Petrol consumption	tCO_2e	30.08	24.27
Energy indirect GHG emissions (Scope 2) — Purchased electricity	tCO_2e	994.59	847.89
Other indirect GHG emissions (Scope 3) — Business air travel	tCO_2e	17.59	24.64
Total GHG emissions	tCO_2e	1,042.26	896.80
Intensity[2]	tCO_2e/million HKD revenue	11.09	9.33

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China Southern Power Grid, "Investments Sustainability Report 2019" issued by HK Electric, "Table of Contents for Singapore Energy Statistics 2019" issued by Energy Market Authority, "2017 CDM Electricity Baseline For Malaysia" issued by Malaysian Green Technology Corporation, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. During the year ended 30 June 2020, the Group's total revenue was approximately HK$93,971,000, while for the year ended 30 June 2019 was approximately HK$96,163,000. The data is also used for calculating other intensity data.

Sewage Discharge

Due to the Group's business nature, the Group did not consume a significant amount of water, therefore its business activities did not generate a material portion of discharge into the water.

Wastes Management

The Group recognises the importance of good wastes management practices and strives to properly manage and dispose wastes produced by its business activities. The Group's wastes management practices comply with relevant laws and regulations relating to environmental protection.

Non-hazardous Wastes

The non-hazardous wastes produced by the Group were mainly general waste, office paper, and production wastes. The Group is committed to handling and disposing all wastes generated by its business activities by adhering to its wastes management principles. All of the Group's wastes management practices comply with relevant laws and regulations.

Concerning production wastes, the Group would recycle and reuse most of the production wastes until they reach the end of their life cycle; while remaining production wastes would be collected by recycling companies from the plant warehouses. The Groups ensures employees have received relevant training for sorting and handling of such wastes. Plant management is also required to update their knowledge of local environmental laws and regulations to ensure compliance.

At the same time, the Group has adopted the following practices to reduce general wastes and paper wastes:

- Encourage double-sided printing or photocopying and electronic communication;
- Use recycled paper for photocopying and printing;
- Save used envelopes for internal communication or drafting;
- Use stainless steel cutlery and boxes instead of single-use disposable items; and
- Promote separation of wastes (such as cartons boxes and plastic).

With the adoption of such wastes reduction measures, the Group hopes to embed an environmentally friendly mindset among its employees. During the year ended 30 June 2020, the Group's total non-hazardous wastes has decreased by about 4.63% from approximately 6,639.80 kg in 2019 to approximately 6,332.28 kg in 2020.

Summary of major non-hazardous wastes disposal performance:

Types of waste	Unit	2020	2019
Total non-hazardous wastes	kg	6,332.28	6,639.80
Intensity	kg/million HKD revenue	67.39	69.05

Hazardous Wastes

The use of hazardous chemicals is inevitable during the production of wire/cable harnesses and power supply cords assembled products. Therefore, the Group has formulated the Hazardous Chemicals Management System (《危險化學品管理制度》) which governs the storage, safekeeping and handling of chemicals to ensure safety. The Group also strictly abides by ROHS in governing the use of chemical substances for the manufacturing of various types of electronic and electrical equipment. As such, the Group will only generate an insignificant amount of hazardous wastes, in particular, electronics wastes and chemical waste during the manufacturing process.

To better manage the hazardous wastes generated, the Group appoints person-in-charge to collect and store electronics wastes and chemicals. The subsidiary's management also ensures the person-in-charge has received relevant training. Hazardous wastes are stored at the dangerous warehouse with clear labelling to avoid mix-up or cross-contamination. The use of power and fire is prohibited in the said warehouse and only permitted personnel is allowed to access the warehouse. Multiple large hazard warning labels have been affixed on both the interior and exterior of the warehouse to warn employees of potentially hazardous wastes exposure.

The Group requires that any flammable and explosive materials at the end of their life cycle may only be disposed by contracted licensed hazardous wastes collectors with prior approval from the Head of Safety Department.

A2. Use of Resources

General Disclosure and KPIs

The Group aims to minimise environmental impacts in its operation by identifying and imposing measures to increase energy and resource efficiency. Policies such as Efficient Use of Resources and the Directives, Environmental Regulations and Customer Requirements Management Regulations Set (《指令、環保法規和客戶要求管理規定》) are established to provide guidelines on water, electricity, and wastes management. The said procedures are also regularly reviewed to ensure that the guidelines continue to be of relevance. All employees are duly notified of the implementation of such guidelines during induction training and when the guidelines are being updated.

Energy Consumption

The principal energy consumption of the Group is electricity consumption. The Group closely monitors and controls the use of electricity in each department. Apart from the accountability system, the Group concerns the existing energy usage policies are also emphasised to see whether they are sufficient or too lenient, changes will then be made as soon as practicable.

Energy Saving Measures

Posters can be seen around all the Group's premises to promote and raise employees' awareness of energy efficiency. The Group has formulated measures to promote efficient electricity consumption. Such measures include but not limited to:

- Limit daily electricity supply period;
- Maintain the indoor temperature at an eco-friendly level of 25 degree Celsius;
- Select energy-efficient equipment and electrical appliances;
- Install LED fluorescent lights;
- Install smaller size compressor to save electricity during production;
- Use air coolers instead of using air-conditioning for cooling; and
- Switch off electrical appliances or air-conditioners when not in use.

Through these energy-saving measures, employees' awareness of energy conservation has been increased. During the year ended 30 June 2020, the total energy consumption has increased by about 8.43% from approximately 1,379.87 MWh in 2019 to approximately 1,496.17 MWh in 2020. The increase in total energy consumption was due to the increased utilisation of the PRC's wiring plant in 2020 as compared to 2019.

Summary of energy consumption performances:

Types of energy	Unit	2020	2019
Direct energy consumption			
Petrol	MWh	109.58	86.83
Indirect energy consumption			
Purchased electricity	MWh	1,386.59	1,293.04
Total energy consumption	MWh	1,496.17	1,379.87
Intensity	MWh/million HKD revenue	15.92	14.35

Water Consumption

The Group is committed to reducing water usage by educating its employees on the importance of water conservation and wishes to nurture its employees the habit of water conservation.

Water conservation is not limited to the daily usage of its employees but also to its daily operation. Water will be used in the Group's production plant to cool down wires, regardless, the Group has installed a recycling system to recycle water to reduce water consumption. Therefore, such water data is of insignificant.

In the meantime, water conservation measures, such as utilising recycled water for cleaning and installing water-saving thimble in taps are in place and are considered to be adequate at this point. Employees are reminded to cherish the use of water by reminder labels that are posted beside water taps within the office area. With the implementation of these measures, the Group has observed an increase in employees' awareness of water conservation. During the year ended 30 June 2020, the total water consumption has reduced by about 16.48% from approximately 20.09 cubic meter in 2019 to approximately 16.78 cubic meter in 2020.

Summary of water consumption performance:

Indicator	Unit	2020 ('000)	2019 ('000)
Total water consumption	cubic meter	16.78	20.09
Intensity	cubic meter/million HKD revenue	0.18	0.21

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

Use of Packaging Material

To promote environmental protection and save costs, only the necessary packaging materials would be applied to the finished products.

The Group has established the Policy on Production Cost Saving Activity to regulate the use of packaging material. The Group uses paper carton boxes and plastic as packaging material, and the usage of such packaging material is seen as the norm of the industry. The Group has made its utmost effort to find solutions in reducing the use of packaging material, such as reminding workers to treat carbon boxes carefully so that carton boxes can be reused for packing the subparts until they reach the end of their life cycle. The Group also reminds employees to use recycled material for packaging and reduce the use of plastic layers as much as possible during the packaging process.

With the well-established policy and sound measures, the overall consumption of packaging material appears to be very limited. During the year ended 30 June 2020, the total use of packaging material has increased by about 6.44% from approximately 48.42 tonnes in 2019 to approximately 51.54 tonnes in 2020. The main reason was due to an increase for the protection of packaging contents from any damage that could happen during transport, handling and storage.

Summary of the use of packaging material performances:

Types of packaging material	Unit	2020	2019
Paper carton boxes	tonnes	44.70	44.62[3]
Plastics	tonnes	6.84	3.80
Total packaging material	tonnes	51.54	48.42
Intensity	tonnes/million HKD revenue	0.55	0.50

Note:

3. Figure is restated.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group is committed to minimising negative environmental impacts occasioned by its business operations where practicable and has proactively adopted a multi-faceted approach.

Sourcing of Raw Material

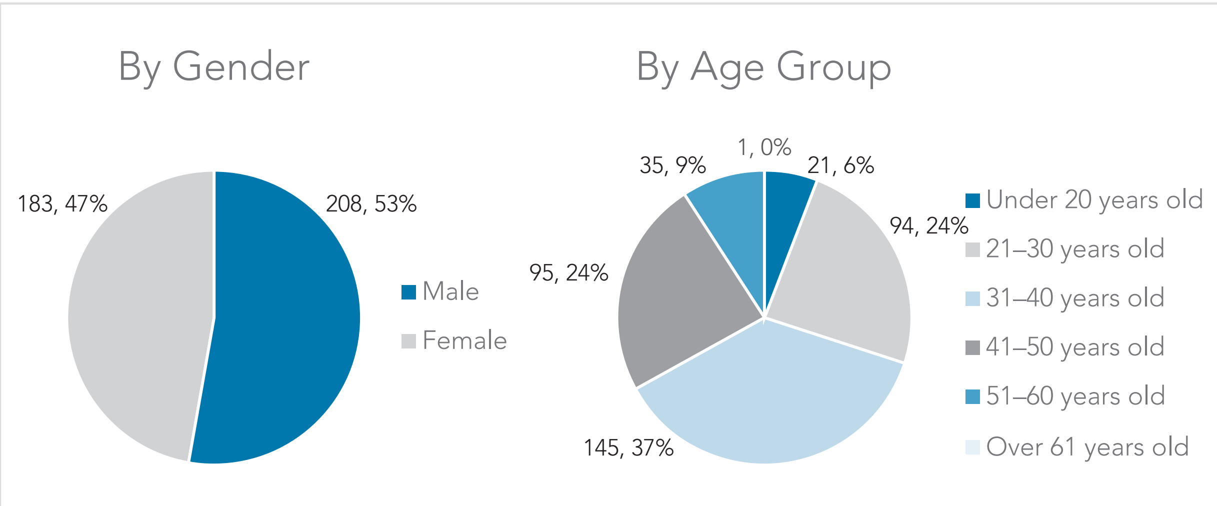
The Group usually sources raw materials from external providers and it realises that the sourcing of raw material may cast environmental impacts if the supplied material is not abided to relevant international standards. Noting the issue, the Group requires all incoming raw material to obtain the Certificate of Accreditation and lab test reports as references to ROHS and REACH standards. It minimises the environmental impacts brought by the substandard raw material.

SOCIAL

B1. Employment

General Disclosure and KPIs

Employees are the most valuable asset of the Group. The Group recognises that sustainable development of the Group relies heavily on good recruitment and retention practices. As at 30 June 2020, the Group had 394 employees in total of which 391 were full-time employees and 3 were Independent Non-Executive Directors. The employee composition of all full-time employees by gender and age group are as follows:



Relevant employment policies and regulations are formally documented in the Employee Handbook, covering recruitment and promotion, remuneration and dismissal, working hours and rest periods as well as diversity and equal opportunities, etc. The Group regularly reviews these policies and practices to ensure continuous improvement of its employment standards and competitiveness against the common interests of employees and the Group.

During the year ended 30 June 2020, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong, Minimum Wage Ordinance of Hong Kong, Labour Law of the PRC, Employment Act of Singapore, and the Employment Act 2020 of Malaysia.

Talent Attraction and Retention

Employees of the Group are recruited via a robust, transparent, and fair recruitment process based on their experience, skills, and qualifications as well as their potential to fulfil the Group's current and future needs.

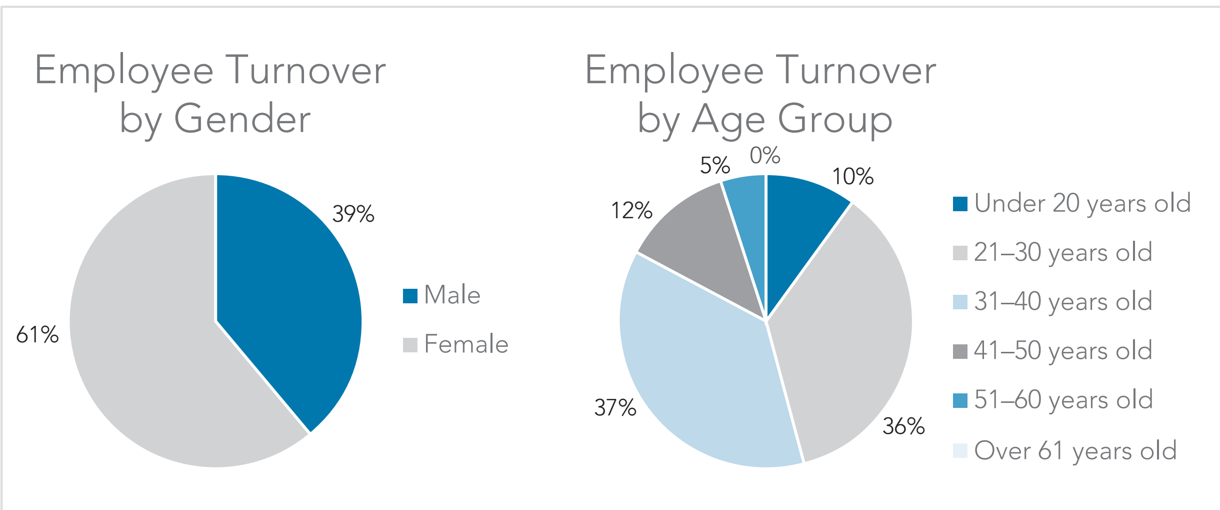
The Group prioritises internal promotion over external recruitment because this not only reduces administrative and time costs on recruitment but also encourages staff retention. The consideration of promotion will be based on the assessment of the existing staff's qualifications, seniority, performance, leadership, and other relevant factors.

Besides, the Group will arrange internal redeployment within and across the departments to achieve the highest work efficiency.

Remuneration and Dismissal

The Group offers remuneration packages to employees which are commensurate with their positions, duties, qualifications, and experience to reward them for their contributions to the Group's success. The employees' remuneration comprises of basic salary, annual bonus, overtime payment allowance, etc. Other benefits such as medical and dental allowance, paid paternity and marriage leave, and retirement benefits are also included in the remuneration packages. To further boost employees' morale, the Group offers financial incentives to employees with good performance. The Group conducts annual assessments on the efficacy of the remuneration system to safeguard employees' benefits. The Group has clearly stated the working hours and rest periods in the Employee Handbook for employees according to local employment laws.

Unreasonable dismissal under any circumstances is prohibited, dismissal would be based on reasonable and lawful grounds supported by the internal policies pertained to the Employee Handbook. Verbal warnings will be issued to provide a fair opportunity to staff for improvement. If there is no improvement, the Group shall then consider dismissal only upon receiving dismissal instruction from the relevant department. The employee turnover rate by gender and age group are as below:



Equal Opportunities, Diversity, and Anti-discrimination

Sustainable growth of the Group relies on the diversity of talents. The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. The Group is dedicated to providing equal opportunities in all aspects of employment and maintaining workplace free from discrimination, physical or verbal harassment against any individual based on race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. The Group does not tolerate sexual harassment or abuse in the workplace in any form.

B2. Health and Safety

General Disclosure and KPIs

The Group places high priority in providing its employees with a safe and healthy working environment and strives to eliminate potential health and safety hazards at the workplace.

During the year ended 30 June 2020, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance of Hong Kong, Production Safety Law of the PRC, Workplace Safety and Health Act of Singapore, and Occupational Safety and Health Act 1994 of Malaysia.

Occupational Health and Safety

The Group 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.

To ensure fire safety, fire extinguishers are stored at visibly seen areas and fire escape routes are clearly shown throughout the premises. To avoid fire hazards, smoking is prohibited within the workplace and production plants, fire exits, and major passageways are kept clear from obstruction. Department heads are responsible for ensuring that workplaces and production plants are safe from potential health and safety malpractices. Besides, the Group provides its employees with adequate protective gear and equipment to ensure they can work safely and healthily. The existing fire drill system especially for the Group's production plants have complied with the Laws of Malaysia Fire Services Act and Fire Control Law of the PRC and the relevant policies can be found in the Fire Drill Proposal (《消防演習方案》) and Summary of Safety Production Standardization Management System (《安全生產標準化管理制度匯總》) in the PRC's operation.

Due to the Group's business operation and its close association with the use of flammable and corrosive substances, it is pertinent to ensure that employees of the Group are familiar with safety knowledge and the use of such substances. The Group upholds the principle of "Three to stay away and one is forbidden" （三遠離，一嚴禁） in managing flammable and corrosive substances, and ensures they are kept safe away from fire, water, and power sources.

Safety Training and Inspections

Employees are required to participate in regular mass toolbox safety meetings and training to keep abreast of the most updated industrial health and safety standards. These training sessions prepare its employees for safe working practices and proper use of personal protective equipment.

Hazard warning labels are clearly shown where applicable, each work area is carefully labelled with conspicuous warning signs to ensure workers enter the area with appropriate protective equipment. Fire drills are conducted to raise employees' fire prevention awareness, all staff is instructed with the correct use of fire extinguishers, and the Group's fire evacuation plans is constantly reviewed. In response to emergencies, different places of the premise are also equipped with first aid kits and fire extinguishers. Person-in-charge of each department would regularly inspect and monitor their respective working areas to ensure that all areas are clear from health hazards.

In view of the outbreak of coronavirus (COVID-19), the Group had implemented measures to ensure safety of staff, safety within the Group's premises, and business continuity. In response to the PRC Government's public health measures, the Group has promptly established a crisis management working team in its PRC production plant for coordinating and arranging the provisions of services to maintain normal operation. Despite the time of lockdown in both the PRC and Malaysia, the Group has strengthened the sanitation of its operations to ensure a healthy and safe work environment, such as providing sufficient protective equipment and surgical masks to its employees and applying stringent temperature screening on employees and vendors before entry into the premises. The Group also sets out guidelines to employees advising the reporting measures in case of an outbreak of the COVID-19 among employees and related family members.

B3. Development and Training

General Disclosure and KPIs

Development and Training

Training and continuous development are indispensable to keep abreast of the latest trend and industrial requirements. Therefore, the Group takes a proactive approach to expose employees to different types of opportunities to advance their careers. Employees are encouraged to attend internal and external training courses to refresh their prior knowledge, familiarise themselves with newly updated guidelines, and maintain their competitiveness within the industry.

Internally, the Group provides its new employees with induction training in the name of the product basic knowledge, staff basic education, and office software training. All staff has also repeatedly attended workshops that are related to their daily operations. Training contents are regularly reviewed to ensure they are up-to-date with the industrial standards and to ensure they continue to be of relevance to the daily operation of the Group. Effectiveness assessments are conducted to provide feedback to the trainees on their skills learned and proficiency in the relevant areas. Employees' professional development are monitored with sufficient training records kept.

B4. Labour Standards

General Disclosure

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as prescribed by laws and regulations. The Group strictly complies with local laws and does not employ children until they reach the legal age to work as defined by local laws and regulations. Personal data such as identification cards will be collected to verify the identity of the interviewee during the recruitment process to ensure the applicant is over the legally authorised working age pertained to local labour laws. Should violations occur, it will be dealt with in the light of circumstances.

To prevent forced labour practices, the human resources management functions would ensure sufficient rest days would be given to employees, and all overtime work applications need to be authorised by the Human Resources Management Department. The Group would not force any employees to work overtime against their will, or otherwise, it would be subjected to corporal punishment or coercion of any type related to work.

During the year ended 30 June 2020, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the PRC, Employment Act of Singapore and Employment Act 2020 of Malaysia.

B5. Supply Chain Management

General Disclosure

Suppliers Selection Mechanism

The Procurement Process Control Procedure (《採購程序控制程式》) and the Suppliers Management Procedure (《供應商管理程式》) set forth a very detailed procurement and procedures of suppliers' engagement. Besides, the Group has complied with REACH standard that requires its suppliers to observe the same standard and provide a declaration letter to state their compliance with the said standard.

The Group practices a transparent and competitive bidding system and internal control measures to ensure that its tendering and procurement process is conducted in an open, fair, and just manner. The Group strives not to over-rely on a specific supplier to ensure a stable supply and thus the timeliness of product completion. As such, the Group would invite at least 2 to 3 suppliers to provide quotations. During the costing stage of a customer contract, departments involving marketing, production, planning, and customer service would participate to evaluate the pricing of the materials and parts to be purchased from suppliers.

To be qualified as the Group's supplier, the supplier should score at least 70% of the suppliers' assessment rating. The Group's Quality Assurance Department would use a supplier quality system audit checklist to check and assure supplier's performances in different aspects such as the supplier's management quality, process control, corrective actions in case of deficiencies, and environmental procedures. Approved suppliers are then categorised into 3 levels of which A-class specifies with the preferential purchase from the Group. The Group only procures from the suppliers in the approved supplier list to safeguard the products, raw materials, and service quality received in compliance to the Group's standards. The Group is also keen on supporting its local economy and thus endeavours to source locally where practicable.

To address environmental risks occasioning from the supply chain, the Group requests to verify the supplier's company background, operating license, and other identification documents before the engagement. This avoids potential engagement with companies that operate illegally or provide environmentally damaging raw materials to the Group.

B6. Product Responsibility

General Disclosure and KPIs

The Group is dedicated to producing high-quality products, not only is it crucial to end-user safety but it also attracts future business opportunities.

During the year ended 30 June 2020, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling, and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Trade Descriptions Ordinance of Hong Kong, Personal Data (Privacy) Ordinance of Hong Kong, Product Quality Law of the PRC, Consumer Protection Law of the PRC, Personal Data Protection Act of Singapore, and the Sales of Goods Act 1957 of Malaysia.

Product Quality and Safety

The Group has established the Summary of Safety Production Standardization Management System (《安全生產標準化管理制度匯總》) which is based on the Production Safety Law of the PRC and Policies on Production and Quality in Malaysia plant to oversee the production quality and quality control.

The existing quality management system contains clear procedures regarding management system planning, support, operation, and performance evaluation. Workers are duly notified of the management system and are required to strictly abide by the procedures. The final products will be subjected to strict inspection by the Quality Assurance Department. Financial incentives are in place to enhance the passing rate of products. During the year ended 30 June 2020, the Group has recorded few complaints concerning product quality. The complaints were dealt in a timely manner; therefore, the Group considers that no material impact has been posed to its operations.

Besides, the Group manufactures its products in compliance with ROHS standard, which restricts the use of specific hazardous materials found in electrical and electronic products. The Group also complies with REACH standard by identifying and managing the risks linked to the substances it manufactures and markets in the EU.

IP Rights

The Group engages in the manufacture of wire/cable harnesses and power supply cords assembled products; therefore, the protection of IP rights is of paramount importance to the Group. Workers are required to sign a confidentiality agreement before participating in any part of the production chain to avoid unwanted disclosure. Unrelated personnel are prohibited from accessing any data of the technological know-how and inventions created.

Customer Services

Feedback from customers is welcomed as it is the key to enhancing the service of the Group. Procedures for handling feedback have been set up. Feedback is recorded in detail and appropriate follow-up actions are taken. Should the feedback bear significant weight to the improvement of the Group, the feedback will be considered as a case study to prevent re-occurrence.

Advertising and Labelling

Due to the Group's business nature, the Group did not involve in any publicity activities. Therefore, the Group does not involve material advertising and labelling related risks.

B7. Anti-corruption

General Disclosure and KPIs

Anti-corruption

The Group emphatically affirms its zero-tolerance stance regarding corruption, fraud, and all other behaviours that severely violate professionalism and work ethics. The Group places a high priority on integrity, honesty, and fairness. To ensure the Group's employees adhere to its code of conduct and best practices, the Group has set out clear internal guidelines and best practices in terms of prevention of bribery, personal information protection, principle of corporate governance, and equal opportunities.

During the year ended 30 June 2020, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, Company Law of the PRC, Prevention of Corruption Act of Singapore and Anti-Corruption Commission Act 2009 of Malaysia.

Whistleblowing Mechanism

The Group has set out a reporting and investigative procedure to encourage employees to report fraudulent activities pertained to the Whistleblower Policy. The Group endeavours to protect the whistleblower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under this policy shall be assured of the protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

8. Community Investment

General Disclosure

Community Investment

The Group is committed to emboldening and supporting the public by various means of social participation and contribution as part of its strategic development. The Group strives to nurture corporate culture and practice corporate citizenship in daily work life. To fulfil the Group's corporate social responsibility, it focuses on inspiring its employees' sense of social responsibility by encouraging them to participate in charitable activities during their work and spare time. The Group also believes participating in activities that repay the society can increase its employees' civic awareness while establishing correct values.

The Group has shown its willingness to help people with disabilities by helping them to integrate into the community. During the financial year ended 30 June 2020, 2 people with disabilities working at the Group's production plant in the PRC.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions — Air Emissions (Not applicable — Explained)
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions — GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Wastes Management (Not applicable — Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Wastes Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions — Air Emissions, GHG Emissions and Wastes Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Wastes Management

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Material (Not applicable — Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Sourcing of Raw Material

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1 ("recommended disclosures")	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2 ("recommended disclosures")	Employee turnover rate by gender, age group and geographical region.	Employment — Remuneration and Dismissal
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.3 ("recommended disclosures")	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety — Safety Measures
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 ("recommended disclosures")	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
KPI B4.2 ("recommended disclosures")	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1 ("recommended disclosures")	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Product Quality and Safety
KPI B6.2 ("recommended disclosures")	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Product Quality and Safety
KPI B6.3 ("recommended disclosures")	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — IP Rights
KPI B6.4 ("recommended disclosures")	Description of quality assurance process and recall procedures.	Product Responsibility — Product Quality and Safety

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.2 ("recommended disclosures")	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption —Whistleblowing Mechanism
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF TEM HOLDINGS LIMITED
(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 70 to 131, which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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.

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories	
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. As set out in the consolidated statement of financial position, the carrying amount of inventories is HK$40,247,000 (net of allowance for inventories of HK$5,173,000. Net provision of inventories write-down of HK$3,407,000 was recognised in profit or loss for the year ended 30 June 2020 as disclosed in note 10 to the consolidated financial statements. As disclosed in note 4 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.	Our procedures in relation to assessing the write-down of inventories include: • 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. Based on the procedures performed, we found the estimations of management in relation to the assessment on write-down of inventories to be supportable by available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECL**") of the Group's trade receivables at the end of the reporting period. As disclosed in notes 18 and 28(b) to the consolidated financial statements, the trade receivables carried at HK$23,573,000 (net of allowance for expected credit loss of HK$362,000) as at 30 June 2020. Net allowance for expected credit loss of HK$131,000 was reversed in profit or loss during the year ended 30 June 2020. As disclosed in note 4 to the consolidated financial statements, except for trade receivables with significant balances are assessed for ECL individually, the Group uses provision matrix to calculate the ECL for the remaining trade receivables collectively. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Details of the ECL are set out in note 28(b) to the consolidated financial statements.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Evaluating management's basis and judgement in determining ECL on trade receivables as at 30 June 2020, including their identification of trade receivables with significant balance, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated provision rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 30 June 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents. We found the management judgement and estimates used to assess the recoverability of trade receivables and determine the ECL provision to be supportable by available evidence.

INDEPENDENT AUDITORS' REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2019 were audited by another auditors who expressed an unmodified opinion on 19 September 2019.

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 auditors' report thereon (the "Other Information").

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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion solely to you, as a body, 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 HKSAs 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 HKSAs, 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 auditors' 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 director on the audit resulting in the independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 15 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*5*	**93,971**	96,163
Cost of sales		**(84,725)**	(82,706)
Gross profit		**9,246**	13,457
Other income	*6*	**1,233**	815
Selling and distribution costs		**(2,599)**	(2,897)
Administrative expenses		**(21,540)**	(23,293)
Finance cost	*7*	**(80)**	–
Other gains and losses	*8*	**(190)**	494
Allowance for expected credit loss of deposits and other receivables, net		**(35)**	–
Reversal of allowance for expected credit loss of trade receivables, net		**131**	33
Loss before tax		**(13,834)**	(11,391)
Income tax (charge)/credit	*9*	**(358)**	628
Loss for the year	*10*	**(14,192)**	(10,763)
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(151)**	44
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,974)**	(1,838)
Other comprehensive expense for the year		**(2,125)**	(1,794)
Total comprehensive expense for the year		**(16,317)**	(12,557)
Loss per share — Basic and diluted (HK cents)	*13*	**(2.37)**	(1.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**15,199**	15,882
Deposits paid for acquisition of property, plant and equipment		**1,860**	41
Deferred tax assets	*16*	**488**	828
		17,547	16,751
CURRENT ASSETS			
Inventories	*17*	**40,247**	44,833
Trade receivables, prepayments, deposits and other receivables	*18*	**26,341**	32,822
Tax recoverable		**–**	1,069
Pledged bank deposits	*19*	**555**	565
Bank balances and cash	*19*	**37,714**	45,212
		104,857	124,501
CURRENT LIABILITIES			
Trade and other payables	*20*	**10,391**	15,258
Tax payable		**67**	–
Lease liabilities	*15*	**789**	–
		11,247	15,258
NET CURRENT ASSETS		**93,610**	109,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**111,157**	125,994
NON-CURRENT LIABILITY			
Lease liabilities	*15*	**1,480**	–
NET ASSETS		**109,677**	125,994

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	*21*	**6,000**	6,000
Reserves		**103,677**	119,994
TOTAL EQUITY		**109,677**	125,994

The consolidated financial statements on pages 70 to 131 were approved and authorised for issue by the Board of Directors on 15 September 2020 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 2020

	Share Capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 *(Note)*	Retained profits HK$'000	Total equity HK$'000
As at 1 July 2018	6,000	66,340	(2,362)	2,742	65,831	138,551
Loss for the year	–	–	–	–	(10,763)	(10,763)
Exchange differences arising on translation to presentation currency	–	–	44	–	–	44
Exchange differences arising on translation of foreign operations	–	–	(1,838)	–	–	(1,838)
Total comprehensive expense for the year	–	–	(1,794)	–	(10,763)	(12,557)
As at 30 June 2019 and 1 July 2019	6,000	66,340	(4,156)	2,742	55,068	125,994
Loss for the year	–	–	–	–	(14,192)	(14,192)
Exchange differences arising on translation to presentation currency	–	–	(151)	–	–	(151)
Exchange differences arising on translation of foreign operations	–	–	(1,974)	–	–	(1,974)
Total comprehensive expense for the year	–	–	(2,125)	–	(14,192)	(16,317)
As at 30 June 2020	6,000	66,340	(6,281)	2,742	40,876	109,677

Note: The People's Republic of China (the "**PRC**") reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in 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. No appropriation is required if the balance at the statutory reserve has reached 50% of the registered capital of the relevant PRC subsidiaries. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(13,834)	(11,391)
Adjustments for:		
Gain on disposal of property, plant and equipment	(18)	(179)
Depreciation of property, plant and equipment	4,348	4,252
Reversal of inventories write-down, net	–	(81)
Write-down of inventories, net	3,407	–
Reversal of allowance for expected credit loss on trade receivables, net	(131)	(33)
Allowance for expected credit loss on deposits and other receivables	35	–
Unrealised exchange (gain)/loss	(28)	257
Finance cost	80	–
Bank interest income	(380)	(588)
Operating cash flows before movements in working capital	(6,521)	(7,763)
Decrease/(increase) in inventories	763	(6,990)
Decrease in trade receivables, prepayments, deposits and other receivables	5,637	3,267
(Decrease)/increase in trade and other payables	(4,523)	1,817
Cash used in operations	(4,644)	(9,669)
Income taxes refunded	1,077	844
NET CASH USED IN OPERATING ACTIVITIES	(3,567)	(8,825)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,203)	(4,021)
Placement of pledged bank deposits	(14)	(14)
Deposits paid for acquisition of property, plant and equipment	(1,905)	(41)
Interest received	380	588
Proceeds from disposal of property, plant and equipment	25	399
NET CASH USED IN INVESTING ACTIVITIES	(2,717)	(3,089)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(507)	–
Interest paid	(80)	–
NET CASH USED IN FINANCING ACTIVITIES	(587)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,871)	(11,914)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(627)	(130)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	45,212	57,256
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	37,714	45,212

1. GENERAL

TEM Holdings Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate holding company is Jumbo Planet Group Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and ultimate holding company is Perfect Asset Investments Limited, a company incorporated in the BVI. 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$**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). The directors of the Company have selected HK$ as the presentation currency because the shares of the Company are listed on the Stock Exchange.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associate and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by the amount of any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and;

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

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

HKFRS 16 Leases (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is 6.02%.

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	HK$'000
Operating lease commitment at 30 June 2019	2,617
Less: total future interest expenses	(19)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 July 2019	2,598
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	(2,222)
Lease liabilities as at 1 July 2019	376
Analysed as:	
— Current	233
— Non-current	143
	376

The carrying amount of right-of-use assets for own use as at 1 July 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 *(Note)*	376

	HK$'000
Leased premises	376

Note: The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities at 1 July 2019.

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

HKFRS 16 Leases (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position. Line items that were affected by the changes have not been included.

	Carrying amount previously reported at 30 June 2019 HK$'000	Adjustments HK$'000	Carrying amount under HKFRS 16 at 1 July 2019 HK$'000
Non-current asset			
Property, plant and equipment	15,882	376	16,258
Current liability			
Lease liabilities	–	(233)	(233)
Non-current liability			
Lease liabilities	–	(143)	(143)

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

New and amendments to HKFRSs in issue but not effective

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions[3]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9[6]
Amendments to HKFRS 17	Insurance Contracts[6]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[7]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 June 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after 1 January 2022.
6 Effective for annual periods beginning on or after 1 January 2023.
7 Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Group anticipate the adoption of all New and Amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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 GEM of the Stock Exchange ("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 goods and services.

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 characteristics 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 these consolidated 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 accounted for in accordance with HKFRS 16 (since 1 July 2019) or HKAS 17 (before application of HKFRS 16), 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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.

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.

On the disposal of a foreign operation (that is, 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 of which the retained interest becomes a financial asset), the exchange differences that arising on translation to presentation currency and translation of foreign operations accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to retained profit and profit or loss, respectively.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement pension schemes for staff in the PRC and overseas which are defined contribution schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-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.

Taxation

Income tax charge 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (upon application of HKFRS 16)

Definition of a lease

Lease is a contract contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee (upon application of HKFRS 16)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (upon application of HKFRS 16) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (upon application of HKFRS 16) (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (upon application of HKFRS 16) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to adoption of HKFRS 16 on 1 July 2019)

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 these 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).

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the receivable is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. trade receivables are assessed as separate group, deposits and other receivables, pledged bank deposits and bank balances are assessed for ECL on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities 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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (representing trade payables and lease liabilities) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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 liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 that the cost, a further allowance may arise.

As at 30 June 2020, the carrying amount of inventories is HK$40,247,000 (2019: HK$44,833,000), net of allowance for inventories of HK$5,173,000 (2019: HK$1,900,000).

Provision of ECL for trade receivables

Except for trade receivables with significant balances are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the remaining trade receivables collectively. The provision rates are based on past due analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration quantitative and qualitative information that is reasonable and supportable including forward-looking information that in available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 18 and 28(b) respectively.

As at 30 June 2020, the carrying amount of trade receivables are HK$23,573,000 (2019: HK$28,376,000), net of allowance for expected credit loss HK$362,000 (2019: HK$493,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Manufacture and sale of wire/cable harnesses	**85,856**	82,713
Manufacture and sale of power supply cords assembled products	**6,838**	9,506
Trading of terminals, connectors and others	**1,277**	3,944
Revenue from contracts with customers	**93,971**	96,163

All the revenue from contracts with customers are recognised at point in time.

Performance obligations for contracts with customers

The Group manufactures and sells a range of wire/cable harnesses, power supply cords assembled products and trading of terminals, connectors and other related products. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being at the point the products are delivered to the customers with specified shipping terms. Upon delivery, the customers have full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group have objective evidence that all criteria for acceptance have been satisfied. The credit terms are ranging from 30 days to 120 days (2019: 30 days to 150 days).

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Transaction price allocated to the remaining performance obligation for contracts with customers

Wire/cable harnesses, power supply cords assembled products, terminals, connectors and other related products are delivered within period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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) manufacture and sale of wire/cable harnesses, (ii) manufacture and sale of power supply cords assembled products and (iii) trading of terminals, connectors and others. No analysis of segment asset or segment liability is presented as such information is not regularly reviewed by 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 2020

	Manufacture and sale of wire/cable harnesses HK$'000	Manufacture and sale of power supply cords assembled products HK$'000	Trading of terminals, connectors and others HK$'000	Total HK$'000
Revenue				
External sales	85,856	6,838	1,277	93,971
Segment results	7,648	1,313	285	9,246
Other income				1,233
Selling and distribution costs				(2,599)
Administrative expenses				(21,540)
Finance cost				(80)
Other gains and losses				(190)
Allowance for expected credit loss of deposits and other receivables, net				(35)
Reversal of allowance for expected credit loss of trade receivables, net				131
Loss before tax				(13,834)

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 30 June 2019

	Manufacture and sale of wire/cable harnesses HK$'000	Manufacture and sale of power supply cords assembled products HK$'000	Trading of terminals, connectors and others HK$'000	Total HK$'000
Revenue				
External sales	82,713	9,506	3,944	96,163
Segment results	11,234	1,458	765	13,457
Other income				815
Selling and distribution costs				(2,897)
Administrative expenses				(23,293)
Other gains and losses				494
Reversal of allowance for expected credit loss of trade receivables, net				33
Loss before tax				(11,391)

5. 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:

	2020 HK$'000	2019 HK$'000
The PRC	30,546	27,499
Asia Pacific region (excluding the PRC) *(Note)*	46,090	51,595
Western Europe	11,766	11,381
Americas	5,569	5,688
	93,971	96,163

Note: The Group's revenue from Asia Pacific region is mainly derived from customers located in Thailand.

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:

	2020 HK$'000	2019 HK$'000
The PRC	8,915	10,856
Malaysia	5,862	2,031
Others	2,282	3,036
	17,059	15,923

Note: Non-current assets excluded deferred tax assets.

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	37,084	43,449
Customer B[2]	N/A*	9,833
Customer C[2]	12,044	10,592
Customer D[2]	16,590	N/A*

1 Revenue was related to all operating segments.

2 Revenue was related to manufacture and sale of wire/cable harnesses segment.

* Revenue generated from the customer did not contribute 10% or more of the Group's revenue in the corresponding year.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	380	588
Sales of scrap materials	–	30
Government grant *(Note)*	750	115
Others	103	82
	1,233	815

Note: The government grant represents a subsidy received by the subsidiaries of the Company, which mainly represents the one-off government grant of approximately HK$501,000 from the PRC government for the PRC factory being certified as one of High New Technology Enterprise in China.

7. FINANCE COST

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	80	–

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Net exchange (loss)/gain	(208)	315
Gain on disposal of property, plant and equipment	18	179
	(190)	494

9. INCOME TAX CHARGE/(CREDIT)

	2020 HK$'000	2019 HK$'000
The income tax charge/(credit) comprises:		
Current tax:		
PRC Enterprises Income tax	4	–
Malaysia Corporate Income tax	69	–
Overprovision in prior years	(27)	(28)
	46	(28)
Deferred tax charge/(credit) *(Note 16)*	312	(600)
	358	(628)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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 entities have no assessable profits for both years.

9. INCOME TAX CHARGE/(CREDIT) (continued)

Under the Law of the PRC on enterprise income tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. Pursuant to the relevant law and regulation in the PRC, the PRC subsidiary is granted tax incentives as a High and New Technology Enterprise (高新技術企業) and is entitled to a concessionary tax rate of 15% for 3 years from 2018 to 2020.

No provision for PRC Enterprise Income Tax ("**EIT**") has been made as the group entity has no assessable profits for the year ended 30 June 2019.

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 income tax rate applicable in Malaysia is 24% for both years. No provision for Malaysia corporate income tax has been made as the group entities have no assessable profits for the both year.

The income tax rate applicable in Singapore is 17% for both years. No provision for Singapore corporate income tax has been made as the group entity has no assessable profits for the current year. The 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 SGD190,000 chargeable income) for the year 2020.

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

	2020 HK$'000	2019 HK$'000
Loss before tax	(13,834)	(11,391)
Tax at the average income tax rate of 16.3% (2019: 15.4%)	(2,256)	(1,756)
Tax effect of expenses not deductible for tax purpose	1,216	720
Tax effect of income not taxable for tax purpose	(138)	(81)
Tax effect of tax losses not recognised	1,812	1,240
Overprovision in prior years	(27)	(28)
Others	(249)	(723)
Income tax charge/(credit) for the year	358	(628)

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' remuneration:		
— Fees	674	580
— Salaries and other allowances	3,052	2,941
— Retirement benefit scheme contributions	102	95
	3,828	3,616
Other staff costs	24,733	26,496
Retirement benefit scheme contributions, excluding those of directors	1,670	2,800
Total staff costs (including directors' remuneration)	30,231	32,912
Capitalised in inventories	(17,693)	(19,576)
	12,538	13,336
Auditors' remuneration		
— Audit service		
— HLB Hodgson Impey Cheng Limited	680	–
— Other auditor	120	1,201
— Non-audit service		
— Other auditor	–	141
	800	1,342
Cost of inventories recognised as an expense	56,663	53,580
Depreciation of property, plant and equipment	4,348	4,252
Short-term lease expenses	2,307	–
Minimum lease payments on land and buildings classified as operating leases under HKAS 17	–	3,564
Inventories write-down, net*	3,407	–
Reversal of inventories write-down, net	–	(81)
Allowance for expected credit loss on deposits and other receivables	35	–
Reversal of allowance for expected credit loss on trade receivables	(131)	(33)

* The net inventories write-down was included in the cost of sales.

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

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 30 June 2020

Name of director	Fees HK$'000	Salaries and other allowances HK$'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	921	43	974
Mr. Kan Wai Kee	10	488	18	516
Ms. Koay Lee Chern*	3	173	5	181
Ms. Ng Ka Wai (appointed on 16 January 2020)	5	510	18	533
Non-executive director				
Ms. Koay Lee Chern*	90	–	–	90
Independent non-executive directors				
Mr. Lum Chor Wah Richard (resigned on 19 September 2019)	45	–	–	45
Mr. Ma Yiu Ho Peter	180	–	–	180
Mr. Lee Hon Man Eric	180	–	–	180
Mr. Cheung Wai Kuen (appointed on 19 September 2019)	141	–	–	141
	674	3,052	102	3,828

* Ms. Koay Lee Chern was re-designated from executive Director to non-executive Director with effect from 1 October 2019.

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

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

For the year ended 30 June 2019

Name of director	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Lau Man Tak	10	960	18	988
Mr. Vincent Ho Pang Cheng	10	939	44	993
Mr. Kan Wai Kee	10	488	18	516
Ms. Koay Lee Chern	10	554	15	579
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	2,941	95	3,616

11. 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 (2019: three directors), details of whose remuneration are set out in note 11(a) above. Details of the remuneration for the year of the remaining two (2019: two) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other allowances	1,081	1,067
Retirement benefit scheme contributions	112	114
	1,193	1,181

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:

	2020 HK$'000	2019 HK$'000
Nil to HK$1,000,000	2	2

No emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders by the Company during the years ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

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

	2020 HK$'000	2019 HK$'000
Loss:		
Loss for the year attributable to owners of the Company	**(14,192)**	(10,763)

	2020 '000	2019 '000
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	**600,000**	600,000

Basic loss per share is the same as diluted loss per share as the Company has no dilutive potential ordinary shares for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leased premises HK$'000	Plant and machinery HK$'000	Furniture fixtures, and moulds HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
As at 1 July 2018	–	20,002	7,569	5,046	5,036	4,843	16	42,512
Additions	–	758	71	545	243	1,476	1,238	4,331
Disposals	–	(236)	(142)	(44)	(5)	(713)	–	(1,140)
Reclassification	–	768	328	18	–	–	(1,114)	–
Exchange alignment	–	(700)	(248)	(168)	(154)	(25)	(5)	(1,300)
As at 30 June 2019	–	20,592	7,578	5,397	5,120	5,581	135	44,403
Adjustment upon application of HKFRS 16	376	–	–	–	–	–	–	376
As at 1 July 2019	376	20,592	7,578	5,397	5,120	5,581	135	44,779
Additions	1,585	1,132	65	313	64	–	644	3,803
Disposals	–	(42)	(92)	(128)	(180)	–	–	(442)
Reclassification	–	491	245	38	–	–	(774)	–
Exchange alignment	(53)	(829)	(301)	(219)	(179)	(30)	–	(1,611)
As at 30 June 2020	**1,908**	**21,344**	**7,495**	**5,401**	**4,825**	**5,551**	**5**	**46,529**
DEPRECIATION								
As at 1 July 2018	–	10,102	5,699	3,956	4,156	2,045	–	25,958
Provided for the year	–	1,553	709	477	593	920	–	4,252
Eliminated on disposals	–	(62)	(96)	(44)	(5)	(713)	–	(920)
Exchange alignment	–	(325)	(179)	(124)	(125)	(16)	–	(769)
As at 30 June 2019 and 1 July 2019	–	11,268	6,133	4,265	4,619	2,236	–	28,521
Provided for the year	453	1,676	628	386	310	895	–	4,348
Eliminated on disposals	–	(38)	(92)	(128)	(177)	–	–	(435)
Exchange alignment	(11)	(483)	(249)	(178)	(165)	(18)	–	(1,104)
As at 30 June 2020	**442**	**12,423**	**6,420**	**4,345**	**4,587**	**3,113**	**–**	**31,330**
CARRYING VALUES								
As at 30 June 2020	**1,466**	**8,921**	**1,075**	**1,056**	**238**	**2,438**	**5**	**15,199**
As at 30 June 2019	–	9,324	1,445	1,132	501	3,345	135	15,882

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leased premises	Over the term of the lease
Plant and machinery	10%–50% per annum
Furniture, fixtures and moulds	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

15. LEASE LIABILITIES

	2020 HK$'000
Analysed as	
— Current	789
— Non-current	1,480
	2,269
Minimum lease payments due	
— Within one year	905
— More than one year but not later than two years	765
— More than two years but not later than five years	824
	2,494
Less: Future finance charges	(225)
Present value of lease liabilities	2,269

Note: Lease liabilities included lease of premises and hire purchase of machinery. The effective interest rates of the lease liabilities are between 6.02% and 6.59% per annum.

16. DEFERRED TAX ASSETS

The following are the major deferred tax (liabilities)/assets 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
As at 1 July 2018	(674)	472	357	101	256
Credit/(charge) to profit or loss	69	(118)	338	311	600
Exchange alignment	48	(12)	(2)	(62)	(28)
As at 30 June 2019 and 1 July 2019	(557)	342	693	350	828
Credit/(charge) to profit or loss	90	93	(330)	(165)	(312)
Exchange alignment	5	(17)	(6)	(10)	(28)
As at 30 June 2020	**(462)**	**418**	**357**	**175**	**488**

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 retained profits of the PRC subsidiary amounting to HK$669,000 (2019: HK$2,888,000) 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 HK$42,061,000 (2019: HK$31,936,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,428,000 (2019: HK$2,829,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$40,633,000 (2019: HK$29,107,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$362,000, HK$2,324,000 and HK$3,677,000 which will lapse in 2023, 2024 and 2025 respectively (2019: tax losses of HK$362,000 and HK$2,324,000 which will lapse in 2023 and 2024), the remaining tax losses may be carried forward indefinitely.

17. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	27,191	33,201
Work in progress	4,670	3,660
Finished goods	8,386	7,972
	40,247	44,833

18. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	23,935	28,869
Less: Allowance for expected credit loss	(362)	(493)
	23,573	28,376
Prepayments, deposits and other receivables	2,803	4,446
Less: Allowance for expected credit loss	(35)	–
	2,768	4,446
Total	26,341	32,822

Included in trade receivables are amounts due from related parties of HK$177,000 (2019: HK$610,000), which are unsecured, interest-free and repayable with credit period of 30 days.

The Group allows credit period ranging from 30 days to 120 days to its customers (2019: 30 days to 150 days).

18. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables net of allowance for expected credit loss presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0–30 days	8,457	9,174
31–60 days	6,971	7,249
61–90 days	4,457	5,985
91–120 days	3,688	5,667
Over 120 days	–	301
	23,573	28,376

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. As at 30 June 2020 and 2019, the majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,466,000 (2019: HK$5,317,000) which are past due as at the reporting date. Out of the past due balances, none of the trade receivables have been past due 90 days or more. The Group does not hold any collateral over these balances.

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

	2020 HK$'000	2019 HK$'000
US$	10,545	21,592
Euro ("**EUR**")	2,208	2,014

Details of impairment assessment of trade receivables for the year ended 30 June 2020 and 2019 are set out in note 28(b).

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 2.75% (2019: 0.01% to 3.58%) per annum.

Pledged bank deposits carry interest at fixed rate of 2.40% (2019: 3.15%) 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:

	2020 HK$'000	2019 HK$'000
HK$	**13,085**	21,318
US$	**8,044**	7,508
EUR	**2,456**	4,383

20. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**4,710**	9,678
Other tax payables and accruals *(Note)*	**5,681**	5,580
	10,391	15,258

Note: As at 30 June 2020, other tax payables and accruals mainly comprised of accrued staff cost of approximately HK$2,094,000 (2019: HK$2,463,000).

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:

	2020 HK$'000	2019 HK$'000
0–30 days	1,639	6,428
31–60 days	1,323	1,907
61–90 days	686	1,198
Over 90 days	1,062	145
	4,710	9,678

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

	2020 HK$'000	2019 HK$'000
US$	680	2,716
EUR	648	2,720

21. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	20,000,000	200,000
Issued and fully paid:		
As at 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	600,000	6,000

22. OPERATING LEASES

The Group as lessee

As at 30 June 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK$'000
Within one year	2,472
In the second to fifth years inclusive	145
	2,617

Leases are negotiated and rentals are fixed for two to three years for the year ended 30 June 2019.

23. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,362**	637

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.

24. RETIREMENT BENEFIT SCHEMES (continued)

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.

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 represent contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. For the year ended 30 June 2020, the retirement benefit scheme contributions made by the Group amounted to HK$1,772,000 (2019: HK$2,895,000).

25. RELATED PARTY DISCLOSURES

(a) Related party transactions

Apart from the outstanding balances with related parties as disclosed in note 18, during the year, the Group also entered into the following transactions with its related parties:

Name of related party	Nature of transaction	2020 HK$'000	2019 HK$'000
Companies which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	**250**	177
Brascabos International Group Limited and its subsidiaries	Sales of power cords, cable/wire and harnesses	**3,326**	3,511

(b) Compensation of key management personnel

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

	2020 HK$'000	2019 HK$'000
Short term benefits	**5,232**	5,014
Post-employment benefits	**232**	227
	5,464	5,241

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

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 years ended 30 June 2020 and 2019.

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 and 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.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Amortised cost	**63,045**	74,153
Financial liabilities		
Amortised cost	**6,979**	9,678

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables pledged bank deposits, bank balances and cash, trade payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also has trade receivables, bank balances and cash, trade payables and lease liabilities 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	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
HK$	**13,085**	21,318	**–**	–
US$	**18,589**	29,100	**680**	2,716
EUR	**4,664**	6,397	**648**	2,720

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% (2019: 5%) increase in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2019: 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% (2019: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss after 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 loss after tax.

	2020 HK$'000	2019 HK$'000
US$	**708**	1,069
EUR	**165**	160

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.

Interest rate risk

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

No sensitivity analysis is made as the interest rate exposure is considered to be minimal.

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment

As at 30 June 2020, 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.

Trade receivables arising from contracts with customers

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 performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Deposits and other receivables

The Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk since initial recognition. The credit quality of the deposits and other receivables has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties.

Pledged bank deposits and bank balances

The Group has no concentration of credit risks on pledged bank deposits and bank balances and the credit risk is limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. The existing counterparties do not have default in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero.

As at 30 June 2020, the Group has concentration of credit risk as 39% (2019: 50%) 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 83% (2019: 87%) of the total trade receivables as at 30 June 2020.

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past- due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment.

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 HK$'000	Gross carrying amount 2019 HK$'000
Financial assets at amortised cost						
Trade receivables	*18*	N/A	Watch list	Lifetime ECL	19,932	22,635
			Note	Lifetime ECL (Provision matrix)	4,003	6,234
					23,935	28,869
Deposits and other receivables	*18*	N/A	N/A	12m ECL	1,238	2,337
Pledged bank deposits	*19*	A2	N/A	12m ECL	555	565
Bank balances	*19*	Aa1 to A3	N/A	12m ECL	37,696	45,191

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due analysis.

Provision matrix — debtors' aging

As at 30 June 2020, as part of the Group's credit risk management, debtors with significant outstanding balances with gross carrying amount of HK$19,932,000 (2019: HK$22,635,000) were assessed individually. For the remaining debtors, the Group uses debtors' aging to assess the impairment for its customers in relation to its manufacture and sale of wire/cable harnesses and power supply cords assembled products and trading of terminals, connectors and others operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 30 June 2020 and 2019 within lifetime ECL (not credit-impaired).

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment (continued)

Note: Life time ECL on trade receivables using provisional matrix

Gross carrying amount

As at 30 June 2020

	Average loss rate %	Trade receivables HK$'000	Credit loss allowance HK$'000
Current (not past due)	0.05	3,930	2
1–30 days past due	–	59	–
31–60 days past due	–	14	–
		4,003	2

As at 30 June 2019

	Average loss rate %	Trade receivables HK$'000	Credit loss allowance HK$'000
Current (not past due)	0.09	4,595	4
1–30 days past due	0.15	1,455	2
31–60 days past due	0.46	172	1
61–90 days past due	0.46	12	–
		6,234	7

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment (continued)

The average loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Trade Receivables

As at 30 June 2020, the Group provided HK$2,000 (2019: HK$7,000) allowance for expected credit loss on trade receivables based on the provision matrix. Allowance for expected credit loss of HK$360,000 (2019: HK$486,000) was made on debtors with significant balances.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 July 2018	526
Allowance for expected credit losses reversed	(33)
As at 30 June 2019 and 1 July 2019	493
Allowance for expected credit losses reversed	(131)
As at 30 June 2020	362

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment of assessment (continued)

Deposits and other receivables

As at 30 June 2020, the Group provided allowance for expected credit loss of HK$35,000 (2019: nil) on deposits and other receivables.

The following table shows the movement in 12m ECL that has been recognised for deposits and other receivables under the general approach.

	12m ECL (not credit impaired) HK$'000
As at 1 July 2018, 30 June 2019 and 1 July 2019	–
Allowance for expected credit losses	35
As at 30 June 2020	**35**

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liability.

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.

28. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity tables

As at 30 June 2020

	Weighted average effective interest rate	Undiscounted cash flow Less than 1 year	Over 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount at 30 June 2020
	%	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	–	4,710	–	4,710	4,710
Lease liabilities	6.37	905	1,589	2,494	2,269
		5,615	1,589	7,204	6,979

As at 30 June 2019

	Weighted average effective interest rate	Undiscounted cash flow Less than 1 year	Over 1 year but less than 5 years	Total undiscounted cash flows	Carrying amount at 30 June 2019
	%	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	–	9,678	–	9,678	9,678

(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.

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2020 and 2019 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
				2020	2019	
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 terminals, connectors, power cords and other related products
TEM Electronics (M) Sdn. Bhd.	Malaysia	Malaysia	MYR2,400,000	100%	100%	Manufacture and sale of wire/ cable harnesses and power supply cords assembled products
BAP Trading Company Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Trading business and investment holding
江門創新科電業有限公司	The PRC *(Note (i))*	The PRC	US$2,100,000	100%	100%	Manufacture and sale of wire/ cable harnesses and power supply cords assembled products

* *Directly held by the Company*

Notes *(i)* The entity is a wholly-foreign owned enterprises established/operated in the PRC.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	39,167	39,167
Amount due from a subsidiary	30,000	30,000
	69,167	69,167
CURRENT ASSETS		
Prepayments and deposits	181	156
Amount due from a subsidiary	14,322	12,942
Bank balances and cash	2,545	6,487
	17,048	19,585
CURRENT LIABILITIES		
Accruals	952	1,232
Amounts due to subsidiaries	1,719	1,719
	2,671	2,951
NET CURRENT ASSETS	14,377	16,634
TOTAL ASSETS LESS CURRENT LIABILITIES	83,544	85,801
CAPITAL AND RESERVES		
Share capital	6,000	6,000
Reserves	77,544	79,801
TOTAL EQUITY	83,544	85,801

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

Movements in the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000 *(Note)*	Accumulated losses HK$'000	Total HK$'000
As at 1 July 2018	66,340	39,167	(23,086)	82,421
Loss and total comprehensive expense for the year	–	–	(2,620)	(2,620)
As at 30 June 2019 and 1 July 2019	66,340	39,167	(25,706)	79,801
Loss and total comprehensive expense for the year	–	–	(2,257)	(2,257)
As at 30 June 2020	**66,340**	**39,167**	**(27,963)**	**77,544**

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.

31. NON-CASH TRANSACTION

During the year ended 30 June 2020, the Group had non-cash addition to right-of-use assets presented in property, plant and equipment and lease liabilities of HK$2,560,000, in respect of lease arrangements for premises and hire purchase of machinery.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities HK$'000
As at 1 July 2018 and 30 June 2019	–
Effect of adoption of HKFRS 16	376
As at 1 July 2019	376
Financing cash flow	(587)
Foreign exchange adjustments	(160)
Other non-cash movements	2,640
Net debt as at 30 June 2020	2,269

33. EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

34. APPROVAL AND AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 September 2020.

FINANCIAL SUMMARY

For the five years ended 30 June 2016, 2017, 2018, 2019 and 2020

RESULTS

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**93,971**	96,163	106,165	105,908	119,192
Loss before tax	**(13,834)**	(11,391)	(8,744)	148	(5,994)
Income tax credit (charge)	**(358)**	628	(432)	(2,122)	(3,656)
Loss for the year	**(14,192)**	(10,763)	(9,176)	(1,974)	(9,650)
Loss for the year attributable to:					
Owners of the Company	**(14,192)**	(10,763)	(9,176)	(1,974)	(9,627)
Non-controlling interests	**–**	–	–	–	(23)
	(14,192)	(10,763)	(9,176)	(1,974)	(9,650)

ASSETS AND LIABILITIES

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**122,404**	141,252	152,991	156,843	166,542
Total liabilities	**(12,727)**	(15,258)	(13,914)	(12,149)	(16,640)
Net assets	**109,677**	125,994	139,077	144,694	149,902
Equity attributable to:					
Owners of the Company	**109,677**	125,994	139,077	144,694	149,902
Non-controlling interests	**–**	–	–	–	–
	109,677	125,994	139,077	144,694	149,902

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