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

2018
Annual Report

* For identification purpose only

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Yiu Hung *(CPA)*

AUTHORISED REPRESENTATIVES

Mr. Lau Man Tak
Mr. Kan Wai Kee

COMPLIANCE OFFICER

Mr. Kan Wai Kee

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

COMPLIANCE ADVISER

CLC International Limited
13/F, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

http://ir.tem-group.com

STOCK CODE

8346

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of TEM Holdings Limited (the "**Company**"), I hereby present the audited annual result of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2018.

FINANCIAL REVIEW

For the year ended 30 June 2018, the Group achieved revenue of approximately HK$106,165,000, representing an increase of 0.2% as compared to approximately HK$105,908,000 for the year ended 30 June 2017. Gross profit for the year ended 30 June 2018 was about HK$16,062,000, decreased by about 27.5% from approximately HK$22,166,000 for the year ended 30 June 2017. Gross profit margin was 15.1%, dropped by about 20.9% when compared to the year ended 30 June 2017. Loss for the year ended 30 June 2018 was approximately HK$9,176,000. The Group also recorded a loss in the amount of approximately HK$1,974,000 for the year ended 30 June 2017.

The Board does not recommend the payment of any final dividend for the year ended 30 June 2018.

PROSPECT

Looking forward, although the global economic performance remain unstable, we aim to maintain our competitive edge through careful strategic planning and vigilant cost control.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to my fellow Directors and all staff for their efforts and contribution. Besides, I also would like to offer my sincere appreciations to all customers, business partners and shareholders for their continuing support.

Lau Man Tak
Chairman
Hong Kong, 12 September 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the manufacturing and supply of wire/cable harnesses and power supply cords assembled products, with our manufacturing operations in Malaysia and the People's Republic of the China (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.

During the year ended 30 June 2018, the Group recorded a revenue of approximately HK$106,165,000, a slight increase of approximately 0.2% from the last year. Gross profit for the year ended 30 June 2018 amounted to HK$16,062,000, with gross profit margin of 15.1% which compared to 20.9% for the last year. The decline in gross profit was mainly caused by the continuous shortage of supply and tight delivery of raw material from a major supplier which led to an increase in the cost of direct materials and the cost of manufacturing overheads. The loss for the year ended 30 June 2018 was approximately HK$9,176,000, increased substantially from HK$1,974,000 for the year ended 30 June 2017.

Segment information

The Group manages its business by three operating segments which are (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others.

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

	For the year ended 30 June					
	2018		2017		Increase/ (Decrease)	
	HK$'000	%	HK$'000	%	HK$'000	%
Manufacturing of wire/cable harnesses	**89,979**	**84.8**	90,376	85.3	(397)	(0.4)
Manufacturing of power supply cords assembled products	**11,573**	**10.9**	10,009	9.5	1,564	15.6
Trading of terminals, connectors and others	**4,613**	**4.3**	5,523	5.2	(910)	(16.5)
	106,165	**100.0**	105,908	100.0	257	0.2

The manufacturing of wire/cable harness experienced a slight slowdown of revenue. The revenue of manufacturing of wire/cable harnesses decreased to approximately HK$89,979,000 for the year ended 30 June 2018 from approximately HK$ 90,376,000 for the year ended 30 June 2017. The gross profit of this segment was approximately HK$12,478,000 for the year ended 30 June 2018. The revenue of manufacturing of power supply cords assembled products was approximately HK$11,573,000 for the year ended 30 June 2018, representing an increase of 15.6% as compared to approximately HK$10,009,000 for the year ended 30 June 2017. The gross profit of this segment was approximately HK$2,305,000 for the year ended 30 June 2018. The revenue of trading of terminals, connectors and others was approximately HK$4,613,000 for the year ended 30 June 2018, representing a decline of 16.5% as compared to approximately HK$5,523,000 for the year ended 30 June 2017. The gross profit of this segment was approximately HK$1,279,000 for the year ended 30 June 2018.

The overall profitability dropped markedly mainly due to the continuous shortage of supply and tight delivery of raw material from a major supplier which led to an increase in the cost of direct materials and the cost of manufacturing overhead in the manufacturing of wire/cable harness segment. Such challenges are expected to continue in the coming quarters, putting pressure on the overall profit margin. However, we shall continue to strengthen our procurement capabilities and optimize production capacities, so as to enhance our production efficiency and uplift the product quality. Regarding the manufacturing of power supply cords assembled products segment, positive feedback from customers were received after development and installation of various automated production processes and machinery during the year ended 30 June 2018.

On the other hand, the improvement in operation efficiency of our factory in the PRC was offset by the margin squeezed by major customers during the year ended 30 June 2018. Moreover, the increasing cost of manufacturing overheads and installation of environmental friendly machines and equipment for complying with the stringent environmental regulations in the PRC is expected to pose additional high pressure in the operating profit margin in the coming quarters.

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					
	2018		2017		Increase/ (Decrease)	
	HK$'000	%	HK$'000	%	HK$'000	%
The PRC	37,016	34.9	35,714	33.7	1,302	3.6
Asia Pacific region (excluding the PRC)	54,596	51.4	57,237	54.0	(2,641)	(4.6)
Western Europe	12,746	12.0	10,987	10.4	1,759	16.0
Others	1,807	1.7	1,970	1.9	(163)	(8.3)
	106,165	100.0	105,908	100.0	257	0.2

The revenue from the PRC recorded HK$37,016,000 for the year ended 30 June 2018 and accounted for 34.9% of the Group's total revenue and represented a slight increase of 3.6% as compared to approximately HK$35,714,000 for the year ended 30 June 2017. The revenue from Asia Pacific region (excluding the PRC) was approximately HK$54,596,000 for the year ended 30 June 2018 and accounted for 51.4% of the Group's total revenue, representing a drop of 4.6% as compared to approximately HK$57,237,000 for the year ended 30 June 2017. The revenue from Western Europe was approximately HK$12,746,000 for the year ended 30 June 2018 and accounted for 12.0% of the Group's revenue, representing an increase of 16.0% as compared to approximately HK$10,987,000 for the year ended 30 June 2017.

As shown from above, the revenue generated from the PRC and the Western Europe increased by approximately 6.6% in aggregate when compared to last year. Such increase demonstrated the contribution from our continual participation in the world's leading trade fair and conference for electronics, both electronica and electronica China, since 2016. We first participated the electronica held in Munich, Germany (which takes place every two years) in November 2016 and electronica China held in Shanghai, the PRC (which takes place annually) in March 2017 and 2018. Both electronica are international trade fairs for the electronics industry and the range of exhibits at electronica covers technologies, products and solutions in the entire electronics industry and their visitors represent nearly all consumer segments and user branches of industry. Through both electronica and regular visits with existing and potential customers, we intend not only to enrich our industry knowledge and connections but also to reach out to more potential customers. We will participate in electronica 2018 in Munich, Germany between November 13 and 16, 2018.

By doing so, we would like to diversify our customer mix and optimize our production capacities to maintain our competitiveness in the market. The overall performance is also forecasted to improve gradually through crystallization of these customers' visits, requests for quotation from the potential customers thereafter and continuous effort to uplift the profit level of existing productions.

OUTLOOK AND PROSPECTS

Based on the current order status and communications with the Group's major customers, we anticipate that the revenue of the Group in the coming year would be better than 2018. However, the global economy is expected to become increasingly challenging in the coming quarters, especially in the manufacturing sectors. The economy and trading relationship amongst the United States, China and the European Union are getting more dynamic with high uncertainty. Our management team shall keep close monitoring on the unstable market demand with implementation of contingent measures, including costs controls, closer cooperation with customers, stricter inventory management, and prudent financial risk management.

Amid uncertainties and poor market sentiment in the overall macro-economic environment, the Group continues to align its strategic direction of providing value-added service and products with higher quality to our customers. The Group's long-term goal is to enhance the overall profitability by leveraging the existing well-organized business platform and capital employed.

FINANCIAL REVIEW

Revenue

The Group's revenue slightly increased from approximately HK$105,908,000 for the year ended 30 June 2017 to approximately HK$106,165,000 for the year ended 30 June 2018.

Cost of sales and gross profit

The Group's cost of sales increased by 7.6% from approximately HK$83,742,000 for the year ended 30 June 2017 to approximately HK$90,103,000 for the year ended 30 June 2018. The gross profit margin decreased from 20.9% for the year ended 30 June 2017 to 15.1% for the year ended 30 June 2018. Such decline was mainly attributable to the continuous shortage of supply and tight delivery of raw material from a major supplier which led to an increase in the cost of direct materials and the cost of manufacturing overheads. As a result of the drop in gross profit margin, the gross profit of the Group fell by 27.5% from approximately HK$22,166,000 for the year ended 30 June 2017 to approximately HK$16,062,000 for the year ended 30 June 2018.

Selling and distribution costs

The Group's selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK$3,154,000 for the year ended 30 June 2018 which was approximately the same as HK$3,216,000 for the year ended 30 June 2017. Though marketing and promotion activities had been continuously carried out, we strived our best to minimize the expenses incurred.

Administrative expenses

The Group's administrative expenses, mainly comprised of staff costs, rental expenses and professional and compliance fees, increased by 2.3% from approximately HK$21,621,000 for the year ended 30 June 2017 to approximately HK$22,122,000 for the year ended 30 June 2018.

Other gains and losses

The Group recorded approximately HK$87,000 net other losses for the year ended 30 June 2018 and approximately HK$2,242,000 net other gains for the year ended 30 June 2017. The change from net other gains for the year ended 30 June 2017 to net other losses this year was mainly because of the exchange loss on Malaysian Ringgit ("**MYR**") recognized in 2018 while the exchange gain on MYR recognized for the year ended 30 June 2017.

Income tax expense

The Group's income tax expense significantly dropped by 79.6% to approximately HK$432,000 for the year ended 30 June 2018 from approximately HK$2,122,000 for the year ended 30 June 2017. It was because of nil corporate income tax recorded for our Malaysia subsidiary for the year ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had a financial position with net assets amounted to approximately HK$139,077,000 (2017: approximately HK$144,694,000) and net current assets stood at approximately HK$121,946,000 (2017: approximately HK$128,003,000).

As at 30 June 2018, shareholders' fund amounted to approximately HK$139,077,000 (2017: approximately HK$144,694,000) and current assets amounted to approximately HK$135,860,000 (2017: approximately HK$140,152,000), mainly comprising of bank balances and cash, trade and other receivables, inventories and tax recoverable. Current liabilities amounted to approximately HK$13,914,000 (2017: approximately HK$12,149,000) mainly comprising of trade and other payables and tax payable. The Group's bank balances and cash amounted to approximately HK$57,256,000 (2017: approximately HK$79,493,000). Net asset value per share was HK$0.23 (2017: HK$0.24).

Gearing Ratio

The Group's gearing ratio as at 30 June 2018 and 2017, which was calculated by dividing its total borrowings by its total equity as at those dates, were both nil due to the absence of borrowings as at those dates.

Capital Structure

The share capital of the Company only comprises of ordinary shares. There has been no change in the capital structure of the Group since the listing of the shares of the Company on GEM of the Stock Exchange on 18 May 2016 (the "**Listing**").

As at 30 June 2018, the Company's issued share capital was HK$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK$0.01 each (the "**Share(s)**").

Foreign Exchange Exposure

The revenue of the Group is mainly denominated in US$, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in 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. 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 2018 and 2017, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 June 2018 and 2017, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2018, the Group had approximately HK$464,000 capital commitments mainly related to acquisition of machines (2017: approximately HK$91,000).

Employee and Remuneration Policies

As at 30 June 2018, the Group had a total workforce of 400 (2017: 399) employees. Total staff costs for the year ended 30 June 2018 amounted to approximately HK$33,060,000 (2017: approximately HK$31,324,000). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis with reference to their performance, qualifications, experience, positions and the performance of the Group.

Staff benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong, Singapore, Malaysia and the PRC. In addition to on-the-job training, the Group adopts policies of continuous professional training programs.

Pledge of the Group's Assets

As at 30 June 2018, the bank deposits of approximately HK$567,000 (2017: approximately HK$173,000) 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

Save as disclosed in the prospectus dated 29 April 2016 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as of 30 June 2018.

Use of Proceeds

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$56,600,000. These proceeds are intended to be applied as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 June 2018, the unutilised proceeds from the Listing in the amount of approximately HK$43,327,000 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 2018 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK$'000	Planned use of net proceeds up to 30 June 2018 HK$'000	Actual use of net proceeds up to 30 June 2018 HK$'000	Unutilised balance as at 30 June 2018 HK$'000
Upgrade and increase our production capacity	40,978	40,978	9,583	31,395
Enhance our manufacturing, information technology and human resources management capabilities	4,528	4,528	2,151	2,377
Strengthen our sales and marketing efforts	6,226	6,226	1,539	4,687

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.

Comparison of Business Objectives with Actual Progress

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual progress for the year ended 30 June 2018.

Business objective set out in Prospectus	Actual progress up to 30 June 2018
To upgrade and increase our production capacity	
— To continue to carry out factory improvement.	Four units of air cooler have been installed in the Malaysia Factory.
— To purchase five fully-automated machines for our production facility in the PRC Factory.	Five units of fully-automated machines have been installed in the PRC Factory.
— To purchase four fully-automated machines for our production facility in the Malaysia Factory.	Review of the required specifications of the fully-automated machines is being carried out.
— To purchase two sets of tooling/equipment at our production facility in the PRC Factory.	Two sets of tooling/equipment have been installed in the PRC Factory.
— To purchase three sets of tooling/equipment at our production facility in the Malaysia Factory.	Three sets of tooling/equipment have been installed in the Malaysia Factory.
— To place orders for two units and four units of fully-automated machines for our production facilities in the Malaysia Factory and the PRC Factory, respectively, in anticipation of an increase in the capacity requirement arises from anticipated additional orders and to replace our semi-automated machines.	Two units and four units of fully-automated machines have been installed in the Malaysia Factory and the PRC Factory respectively.

Business objective set out in Prospectus	Actual progress up to 30 June 2018
To enhance our manufacturing, information technology and human resources management capabilities	
— To carry out the improvement of our information technology system at the Malaysia Factory and the PRC Factory.	Computer hardware has been upgraded for the Malaysia Factory and the PRC Factory.
— To plan for upgrade of our design software and hardware for our production facilities in the Malaysia Factory and the PRC Factory.	Review of the specifications of the design software and hardware system is being carried out.
— To recruit two design engineers, one sales engineer, three operation engineers and four other technical staff.	Recruitment has been carried out according to the human resources planning.
To strengthen our sales and marketing efforts	
— To visit key customers in New Zealand, the PRC, other part of Asia and Europe.	The Company has visited the key customers in New Zealand, the PRC and other parts of Asia and plans to visit customers in Europe in November 2018.
— To participate in a trade show in the PRC.	In March 2018, the Company has participated in the electronica China in Shanghai, the PRC, which is one of Asia's leading trade fair for the electronic components, systems and applications.

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

EVENTS AFTER THE REPORTING PERIOD

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Man Tak (劉文德), aged 49, is the Chairman and an executive Director of the Company. His role and responsibility in the Group is corporate development and strategic planning. Mr. Lau joined the Group in April 2010.

Mr. Lau graduated from the Hong Kong Polytechnic University with a bachelor's degree of arts in accounting in November 1991. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1997, a fellow member of the Association of Chartered Certified Accountants since July 2002, a fellow member of the Hong Kong Institute of Directors since August 2012 and a member and a fellow member of the Hong Kong Securities Institute (later renamed as the Hong Kong Securities and Investment Institute) since April 2000 and December 2015, respectively. Mr. Lau is currently an independent non-executive director of Kingston Financial Group Limited (stock code: 1031) and Synergis Holdings Limited (stock code: 2340), both listed on the Main Board of the Stock Exchange. He is also a non-executive director and chairman of REF Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1631). Mr. Lau was an independent non-executive director of each of AMCO United Holdings Limited (stock code: 630) from October 2010 to June 2015, KuangChi Science Limited (stock code: 439) from March 2008 to September 2015 and Sincere Watch (Hong Kong) Limited (stock code: 444) from June 2012 to December 2016, which are companies listed on the Main Board of the Stock Exchange.

Mr. Vincent HO Pang Cheng (何鵬程), aged 61, is an executive Director and the chief executive officer of the Company and the general manager of the Group. Mr. Ho joined the Group in December 1998 and is responsible for the Group's overall management, corporate development and strategic planning. Mr. Ho obtained a master's degree in business administration from the University of Strathclyde in the United Kingdom in July 1992 through distance learning.

Mr. Ho has more than 20 years of experience in the manufacturing industry. From March 1993 to December 1998, Mr. Ho worked at Stocko Singapore Pte Ltd in Singapore, a manufacturing company set up by Stocko Metallwarenfabriken Henkels und Sohn GmbH & Co (later renamed as STOCKO CONTACT GmbH & Co KG), and his last position was the group general manager responsible for overseeing the overall operations of the group.

Mr. KAN Wai Kee (簡偉奇), aged 52, is an executive Director of the Company. Mr. Kan joined the Group in November 2010 and is responsible for the Group's overall management, corporate development and strategic planning. Mr. Kan graduated from the City University of Hong Kong with a bachelor's degree in accounting in November 1991.

Mr. Kan has more than 20 years of experience in the manufacturing industry and in auditing and accounting. Prior to joining our Group, Mr. Kan served as the head of financial operation of a Hong Kong listed company, principally engaged in the manufacture of wires and cables, for almost 10 years from 2001 to 2010. Prior to that, Mr. Kan was an auditor with Deloitte Touche Tohmatsu from 1991 to 1993. Subsequently, he was appointed variously as the accounting manager of Wah Hing Group Company Limited from 1993 to 1996 and as the Group Accounting Manager of Pacific Millennium Company Limited from 1996 to 2001.

Ms. KOAY Lee Chern, aged 49, is the financial controller and an executive Director of the Company. Ms. Koay joined the Group in November 2010 and is responsible for overseeing the overall administration, human resources affairs and financial control of the Group. Ms. Koay graduated from the Association of Chartered Certified Accountants in February 1997 through distance learning.

Ms. Koay has been in the manufacturing industry for over 10 years and has over 14 years of experience in auditing and accounting. Ms. Koay has been a member and a fellow member of the Association of Chartered Certified Accountants since September 1997 and September 2002, respectively. From February 1993 to June 1994, Ms. Koay worked at BDO Binder, an audit firm in Malaysia, as an audit assistant responsible for audit assessment and maintenance of accounting records. From January 1995 to October 1999, Ms. Koay worked at PricewaterhouseCoopers in Malaysia, as an assistant manager responsible for providing auditing services and advising on internal control system. From January 2000 to June 2004, Ms. Koay worked at Uptown Alliance (M) Sdn Bhd in Malaysia, a wholly owned subsidiary of Tiffany & Co., a company listed on the New York Stock Exchange (NYSE: TIF) engaging in high-end retailing, as a finance manager responsible for overseeing the daily accounting operations and human resources affairs. From January 2006 to October 2006, Ms. Koay worked at SH Yeoh & Co., an audit firm in Malaysia, as an audit manager responsible for supervising an audit team. From December 2006 to December 2008, Ms. Koay worked at a subsidiary of Pensonic Holdings Berhad in Malaysia, a company listed on the Bursa Malaysia (stock code: 9997) engaging in manufacturing, assembly and distribution of electrical and electronics appliances, as a group financial controller responsible for overseeing the accounts department and financial control.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUM Chor Wah Richard (林楚華), aged 58, was appointed as an independent non-executive Director on 20 April 2016. Mr. Lum is also a director and a responsible officer of United Gain Investment Limited, a licensed corporation carrying on type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong and an independent non-executive director of REF Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1631). Mr. Lum graduated from the University of Hong Kong with a bachelor's degree of science in November 1981, and obtained a master's degree in business administration from the Chinese University of Hong Kong in December 1983. In June 2008, Mr. Lum obtained a master's degree in law majoring in economic law from the Renmin University of China.

Mr. Lum has over 20 years of experience in the finance industry. Mr. Lum has been a member and registered financial planner of Society of Registered Financial Planners, Hong Kong since September 2002, a fellow member of the Hong Kong Institute of Directors since December 2002, an associate and then a fellow member of the Institute of Financial Accountants since November 2003 and April 2011 respectively, a certified risk planner of the Institute of Crisis and Risk Management, Hong Kong since March 2004, a qualified financial planner of the Occupational Skill Testing Authority of the PRC since December 2006 and a member of the Hong Kong Securities and Investments Institute since May 2014. Mr. Lum has also passed the AMAC Fund Participant Examination organised by the China Securities and Investment Fund Association. From 31 July 2014 to 15 May 2015, Mr. Lum was an independent non-executive director of China Solar Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 155) engaging in manufacturing and provision of solar energy. Mr. Lum is currently a director of CCIB Opportunity Income Growth Fund and CCIB SPC, both of which are Cayman Islands registered funds.

Mr. MA Yiu Ho Peter (馬遙豪), aged 53, was appointed as an independent non-executive Director on 20 April 2016. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaging in property development and hospitality. Mr. Ma is currently and has been an independent non-executive director and chairman of audit committee of China Packaging Holdings Development Limited (later renamed as Mobile Internet (China) Holdings Limited) (stock code: 1439) since December 2013, a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Royal Catering Group Holdings Company Limited (stock code: 8300) since July 2016 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 and Convoy Financial Services Holdings Limited (later renamed as Convoy Global Holdings Limited) (stock code: 1019) from March 2010 to July 2018, both 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 (李翰文), aged 51, was appointed as an independent non-executive Director on 20 April 2016. Mr. Lee is currently an independent non-executive director of Synergis Holdings Limited (stock code: 2340), a company listed on the Main Board of the Stock Exchange, and is employed by Orient Finance Holdings (Hong Kong) Limited as managing director of investment banking department. Mr. Lee graduated from the University of Birmingham, the United Kingdom with a bachelor's degree of engineering in electronic and electrical engineering in July 1988, and obtained a master's degree in business administration from the Chinese University of Hong Kong in December 1993.

Mr. Lee has over 20 years of experience in the corporate finance industry. From August 2015 to February 2017, Mr. Lee worked at LY Capital Limited, a company engaging in advising on corporate finance, as a director. From April 2002 to November 2014, Mr. Lee worked at First Shanghai Capital Limited, a company engaging in advising on corporate finance, and his last position was managing director. From July 1997 to March 2002, Mr. Lee worked at DBS Asia Capital Limited, a company engaging in advising on corporate finance, and his last position was vice president.

SENIOR MANAGEMENT

Mr. LEE Ewe Chee, aged 53, is a manager of the Group and the general manager of TEM Electronics (M) Sdn. Bhd. ("**TEM Malaysia**"). Mr. Lee joined the Group in July 2015 and is responsible for the operations and general management of TEM Malaysia. Mr. Lee graduated from Tunku Abdul Rahman College in Malaysia with a diploma in technology in May 1990, 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 25 years of experience in mechanical engineering, and 24 years of experience in the manufacturing industry. From June 1992 to December 2013, Mr. Lee worked at MS Elevators Sdn Bhd in Malaysia, a joint venture company set up by Toshiba Elevator and Building Systems Corporation and associated with Toshiba Corporation, a company listed on the Tokyo Stock Exchange (stock code: 65020) engaging in design, manufacturing, assembly and sales of elevators, and Mr. Lee's last position was an operation general manager responsible for overseeing the daily operation of the company. From December 2013 to July 2015, Mr. Lee worked at EITA Elevator (Malaysia) Sdn Bhd in Malaysia, which was wholly-owned by EITA Resources Berhad, a company listed on the Bursa Malaysia (stock code: 5208) engaging in sales, design, assembly, installation and maintenance of elevator systems, as a chief operating officer responsible for overseeing the entire business operation and strategic planning.

Mr. WONG Kok Ming, aged 46, is a manager of the Group and the general manager of 江門創新科電業有限公司 ("**TEM Jiangmen**"). Mr. 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 (**徐志豪**), aged 41, is the business manager of the Group and a director of Optimum Electronics Sdn. Bhd.. Mr. Chui joined the Group in November 2010 and is responsible for the daily business management and operations of the Group. Mr. Chui graduated from Monash University in Australia in November 2003 with a bachelor's degree in commerce majoring in accounting and finance.

Mr. Chui has over 14 years of experience in auditing and accounting. Mr. Chui has been a member of CPA Australia since June 2011. From July 2003 to February 2005, Mr. Chui worked at an accounting firm in Hong Kong. From March 2005 to January 2014, Mr. Chui worked at a subsidiary of a company listed on the Main Board principally engaging in manufacture of wires and cables and his last position was an accounting manager responsible for overseeing the daily accounting operations.

COMPANY SECRETARY

Mr. WONG Yiu Hung (**黃耀雄**), aged 61, was appointed as the company secretary of the Company in January 2016. Mr. Wong is ordinarily resident in Hong Kong. Mr. Wong graduated from the Chinese University of Hong Kong with a bachelor of social science in December 1984. He has been admitted as a member of the Chartered Institute of Management Accountants of the United Kingdom in January 1990 and a member of the Hong Kong Institute of Certified Public Accountants in April 1990. Mr. Wong has further been admitted as a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since November 2014.

Mr. Wong has over 10 years of working experience in accounting and company secretarial matters as an accountant, financial controller, qualified accountant and/or company secretary of various group companies, including but not limited to, Century City International Holdings Limited (stock code: 355), 3D-Gold Jewellery Holdings Limited (formerly known as Hang Fung Gold Technology Limited) and China Titans Energy Technology Group Co., Limited (stock code: 2188).

COMPLIANCE OFFICER

Mr. KAN Wai Kee (**簡偉奇**) is the compliance officer of the Company. Please refer to the paragraph headed "Executive Directors" above for his biography.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 30 June 2018. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code for the year ended 30 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance during the year ended 30 June 2018.

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 2018.

THE BOARD OF DIRECTORS

Up to the date of this annual report, the Board composed of seven Directors, four being executive Directors and three being independent non-executive Directors as set out below:

Executive Directors

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

Independent Non-Executive Directors

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

FUNCTIONS OF THE BOARD AND MANAGEMENT

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

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

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

The individual attendance record of the Board meetings, committee meetings and annual general meeting for the year ended 30 June 2018 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	8	4	1	1	1
Executive Directors					
Mr. Lau Man Tak	8/8	N/A	1/1	1/1	1/1
Mr. Vincent Ho Pang Cheng	8/8	N/A	1/1	1/1	1/1
Mr. Kan Wai Kee	8/8	N/A	N/A	N/A	1/1
Ms. Koay Lee Chern	7/8	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Lum Chor Wah Richard	8/8	4/4	1/1	1/1	1/1
Mr. Ma Yiu Ho Peter	8/8	4/4	1/1	1/1	1/1
Mr. Lee Hon Man Eric	8/8	4/4	1/1	1/1	1/1

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year, each of the Directors, namely Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Kan Wai Kee, Ms. Koay Lee Chern, Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Ho Man Eric, received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role and responsibilities of the Chairman is separate from that of the Chief Executive Officer. Mr. Lau Man Tak has been the Chairman and an executive Director since 20 April 2016. His role and responsibility in the Group are corporate development and strategic planning.

Mr. Vincent Ho Pang Cheng, is the chief executive officer and an executive Director of the Company and the general manager of the Group. He joined the Group in December 1998 and is responsible for the Group's overall management, corporate development and implementing the corporate strategic.

BOARD COMMITTEE

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

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

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

Audit Committee

The Company has established the audit committee (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 20 April 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with C.3.3 of the CG Code have been adopted. The primary duties of the Audit Committee are mainly to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the Audit Committee of the Company consists of three independent non-executive Directors as members who are Mr. Ma Yiu Ho Peter, Mr. Lum Chor Wah Richard and Mr. Lee Hon Man Eric. Mr. Ma Yiu Ho Peter who has the appropriate accounting and financial related management expertise, is the chairman of the Audit Committee.

The Group's consolidated financial statements for the year ended 30 June 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Company has established the remuneration committee (the "**Remuneration Committee**") on 20 April 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and B.1.2 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensure that none of the Directors determine their own remuneration. The Remuneration Committee consists of five members with three independent non-executive Directors and two executive Directors who are Mr. Lum Chor Wah Richard, Mr. Lee Hon Man Eric, Mr. Ma Yiu Ho Peter, Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng. Mr. Lum Chor Wah Richard is the chairman of the Remuneration Committee. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 30 June 2018.

Remuneration of directors and senior management

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

Nomination Committee

The Company has established the nomination committee (the "**Nomination Committee**") on 20 April 2016 with written terms of reference in compliance with A.5.2 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of five members with three independent non-executive Directors and two executive Directors who are Mr. Lee Hon Man Eric, Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter. Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng, Mr. Lee Hon Man Eric is the chairman of the Nomination Committee.

Board Diversity Policy

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

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

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

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

All Directors acknowledges their responsibility to prepare the Group's consolidated financial statements for the year ended 30 June 2018 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 2018 set out in this annual report.

AUDITOR'S REMUNERATION

For the year ended 30 June 2018, the remuneration paid or payable to Deloitte Touche Tohmatsu and its affiliate companies in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK$'000)
Audit services (including statutory audit services)	1,102
Non-audit services	–
	1,102

RISK ASSESSMENT AND INTERNAL CONTROLS

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

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

1. Each division is responsible for identifying, evaluating and managing risks within its divisions taking into account the objective of such division on an ongoing basis with mitigation plans to manage those risks.

2. The management is responsible for overseeing the risk management and internal control activities of the Group through meetings with each division to ensure principal risks are properly managed and new or changing risks and material internal control defects have been identified and addressed.

3. The Board is responsible for reviewing and approving the effectiveness of the Group's risk management and internal control systems through meetings with the management.

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

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

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 30 June 2018. 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 2018.

COMPANY SECRETARY

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

During the year ended 30 June 2018, the Company Secretary had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

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

Procedures and right for Shareholders to convene EGM

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

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

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

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

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

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

Right to put enquiries to the Board

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

CONSTITUTIONAL DOCUMENTS

For the year ended 30 June 2018, 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 2018.

CORPORATE REORGANISATION

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

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

PRINCIPAL ACTIVITIES

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

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 5 to the consolidated financial statements of the Group.

SEGMENT INFORMATION

During the year under review, manufacturing of wire/cable harnesses, manufacturing of power supply cords assembled products and trading of terminals, connectors and others account for approximately 84.8%, 10.9% and 4.3% of the Group's total sales respectively.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2018 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 79.4% of the total turnover for the year ended 30 June 2018 (2017: approximately 77.5%) and the largest customer accounted for approximately 42.6% of the total turnover for the year ended 30 June 2018 (2017: approximately 43.6%).

The five largest suppliers accounted for approximately 44.8% of the total purchases for the year ended 30 June 2018 (2017: approximately 51.7%) and the largest supplier accounted for approximately 19.8% of the total purchases for the year ended 30 June 2018 (2017: approximately 23.2%).

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 2018.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 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 2018. Other details are set out in note 11 to the consolidated financial statements.

DONATIONS

No donation was made by the Group for charitable and other purposes during the year ended 30 June 2018 (2017: approximately HK$10,000).

RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity in the consolidated financial statements of the Group. Details of the movements in the reserves of the Company's individual components of equity are set out in note 28 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

At as 30 June 2018, the Company's reserves available for distribution to equity holders comprising share premium and retained profits amounted to approximately HK$133,077,000 (2017: approximately HK$138,694,000) 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 2018, 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 2018 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year ended 30 June 2018 in the share capital of the Company are set out in note 19 to the consolidated financial statements of the Group in this annual report.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAW AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

CONTINUING CONNECTED TRANSACTION

On 6 January 2016, the Company entered into a financial printing services agreement (the "**Financial Printing Services Agreement**") with REF Financial Press Limited (the "**REF Financial**"), an indirect wholly-owned subsidiary of REF Holdings Limited, pursuant to which REF Financial will provide the financial printing services (the "**Financial Printing Services**") to the Company for a term of not more than three years commencing from 18 May 2016 to 30 June 2018. On 29 May 2018 , the Company entered into another one-year Financial Printing Services Agreement with REF Financial for financial printing service from 1 July 2018 to 30 June 2019.

Given each of the applicable percentage ratios (other than the profits ratio), as defined under the GEM Listing Rules, in respect of the Financial Printing Services is expected to be less than 5% on an annual basis and the total annual consideration is less than HK$3,000,000, the transaction contemplated under the Financial Printing Services Agreement is exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules.

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

Save as disclosed above, there was no other significant connected transaction and related party transaction entered into by the Group for the year ended 30 June 2018.

DIRECTORS

The Directors of the Company during the year ended 30 June 2018 and up to the date of this annual report were as follows:

Executive Directors

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

Independent non-executive Directors

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

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

Information regarding directors' emoluments is set out in note 10 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 23 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 2018 or at any time during the year ended 30 June 2018.

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 2018 or at any time during the year ended 30 June 2018.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract or an appointment letter (as the case may be) with the Company for an initial fixed term of three years commencing on 20 April 2016 or 18 May 2016 which may only be terminated in accordance with the provision of the service contract or the appointment letter (as the case may be) or by (i) the Company giving to any Director not less than three months' prior notice in writing or (ii) by any Director giving to the Company not less than one month's prior notice in writing.

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

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

Pursuant to article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under Article 112 shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

In accordance with the above provisions of the Articles of Association, each of Mr. Vincent Ho Pang Cheng, Ms. Koay Lee Chern and Mr. Ma Yiu Ho Peter will retire from office and, being eligible, offer themselves for re-election at the AGM.

PERMITTED INDEMNITY PROVISION

At no time during the year ended 30 June 2018 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 2018.

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 2018.

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 10 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

As at 30 June 2018, the Group employed 400 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 22 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 2018, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the Shares

Ordinary Shares of HK$0.01 each of the Company

Name of director	Capacity/ Nature of Interest	Number of ordinary Shares held *(Note 1)*	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Lau Man Tak ("**Mr. Lau**")	Interest in a controlled corporation *(Note 2)*	450,000,000 Shares (L)	75

Notes:

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

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

Save as disclosed above, as at 30 June 2018, 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 2018.

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 2018 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 2018, so far is known to the Directors the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Nature of Interest	Number of ordinary Shares held *(Note 1)*	Approximate shareholding percentage in the issued share capital of the Company (%)
Jumbo Planet	Beneficial owner *(Note 2)*	450,000,000 Shares (L)	75
Ms. Lim Youngsook ("**Ms. Lim**")	Interest of a spouse *(Note 3)*	450,000,000 Shares (L)	75

Notes:

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

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

(3) Ms. Lim is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

Saved as disclosed above, as at 30 June 2018, 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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's issued shares was held by the public as at 12 September 2018, being the latest practicable date prior to the issue of this annual report, in accordance with Rule 11.23 of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by the compliance adviser of the Company, CLC International Limited ("**CLC**"), as at 30 June 2018, except for the compliance adviser agreement dated 16 December 2017 entered into between the Company and CLC, none of CLC, its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

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

AUDITOR

The financial statements for the year ended 30 June 2018 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming AGM.

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

EVENTS AFTER THE REPORTING PERIOD

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

By order of the Board

Lau Man Tak
Chairman
Hong Kong, 12 September 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is pleased to report its achievements in the Environmental, Social and Governance ("ESG") aspects for the year ended 30 June 2018. The scope of the report includes the Group's operations in China, Malaysia, the Hong Kong Special Administrative Region, and Singapore.

Continuing the Group's commitment to adhere to a high standard of ESG responsibility and strict compliance with all the applicable laws and regulations to its operations, for the year ended 30 June 2018 the Group participated in more and more eco-friendly activities and social charities.

In the course of achieving its business objectives and maximising value creation for its stakeholders, the Group also strives to achieve a balance between its operation needs and the environment by using resources wisely and minimize pollutants from its operation.

In the following, the Group would like to share with you its ESG achievements separately under the "Environment" and the "Social" sections.

ENVIRONMENT

Environmental Policy and the Group's Products

At the Group's operating subsidiary in Malaysia, it 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.

At the Group's operating subsidiary in China, its environmental policy requires the subsidiary to regularly update its knowledge about the applicable national and European Union ("EU") environmental laws and regulations towards its product and ensure strict compliance.

Collectively, the Group manufactures its products in compliance with the directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("ROHS") as adopted by the EU. The directive specified limitations on the usage of certain chemicals such as lead, mercury and cadmium.

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

By ensuring its product does not contain any harmful substances to the environment, the Group minimises any possible negative impact of its manufacturing activities to the environment.

Waste Management

The Group's production plant in Malaysia practices management of production wastes, such as paper and plastics, in accordance with the local environmental laws and regulations. To promote environmental protection, most of the production wastes would be recycled for reuse. The subsidiary's management also ensures employees responsible for handling the waste have received relevant training.

The Group's production plant in China also complies with local environmental laws and regulations when disposing wastes. Most of the production wastes would be collected by recycling companies from the plant warehouse. Plant management is required to timely update its knowledge of the local environmental laws and regulations in order to ensure environmental compliance.

Via the above policies and practices, the Group minimizes the impact of its activities on the environment and natural resources.

The following presents the Group's non-hazardous wastes produced for the year ended 30 June 2018. They are mainly comprised of paper and plastics.

Non-hazardous wastes produced:

Aspects 1.4	Unit	
Non-hazardous waste	kg	5,337.50
Non-hazardous waste intensity	kg/office	1,334.38

Greenhouse gas ("GHG") emissions

For the year ended 30 June 2018, the Group did not use any gas and therefore have no relevant GHG emissions to report. The Group neither produce any hazardous wastes from its operations.

The production plants of the Group do not emit any air pollutants or GHG into the environment in their production processes thanks to their light industry nature. Its sources of GHG emissions would be from use of Group vehicles and air travel by management level employees, and indirectly from the generation of purchased electricity from power companies.

The following presents the Group's GHG emissions for the year ended 30 June 2018:

GHG emissions from use of vehicles:

Aspects 1.1	Unit: gram
Nitrogen oxides	7,766.48
Sulphur oxides	585.32
Respiratory suspended particles	160.41

GHG emissions from mobile combustion sources:

Aspects 1.2	Unit: kg
Scope 1	
Carbon dioxide	25,752.72
Methane	57.86
Nitrous oxide	3,739.16

Indirect GHG emission from the generation of purchased electricity from power companies:

Aspects 1.2	Unit	
Scope 2		
Indirect GHG Emissions	CO_2 equivalent (kg)	736,364.04
Indirect GHG Emissions intensity	CO_2 equivalent (kg)/office	184,091.01

GHG emissions from business air travel by employees:

Aspects 1.2	Unit: CO_2 equivalent (kg)
Scope 3	
Carbon dioxide	24,301.80

For emission from mobile combustion sources and business air travel by employees, they are not directly related to production volume or number of offices. Hence, intensity calculations for the 2 aspects are not presented.

During the year ended 30 June 2018, the Group had no non-compliance case in relation to relevant laws and regulations for the above environmental matters.

Use of Resources

To raise the Group's savings in electricity, in its Malaysia production plant and office, its existing lightings are installed with LED fluorescent lights. The production plant had also installed smaller size compressor to save electricity during production. Instead of air conditioning at its plant areas, the Group uses air coolers for cooling. This helps further boost its savings on electricity.

In general, the Group's employees recycle used papers for daily printing and save up used envelope for internal communication or drafting. For using air-conditioning at the Group's office, employees are reminded to set the temperature at an eco-friendly level of 25 degree Celsius.

Water is not needed in the Group's production process and hence is restricted for office use only. Employees are reminded to cherish the use of water by reminder labels put besides water tap within the office area.

Concerning usage of package materials, to promote environmental protection and save costs, only the necessary packaging materials would be applied to finished goods.

The following presents the Group's usage in electricity, water and packaging materials for the year ended 30 June 2018:

Direct energy consumption in total and intensity

Aspects 2.1	Unit	In '000
Electricity usage	kWh	1,120.63
Electricity usage intensity	kWh/office	280.16

Water consumption in total and intensity

Aspects 2.2	Unit	In '000
Water consumption	cu.m	27.43
Water consumption intensity	cu.m/office	6.86

Total packaging material used for finished products

Aspects 2.5	Unit: tonnes
Paper	68.59
Plastic	5.47

Since the sizes and dimensions of the Group's products are not standardized and are manufactured and packaged according to customers' specifications, usage intensity of packaging materials per unit is not applicable and is not presented above.

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

SOCIAL

The Group's People

All levels of employees are required to abide by the Group's human resources policies, especially its expected code of conduct and high business ethics.

The Group offers remuneration packages to employees which are commensurate with their positions, duties, qualifications and experience to reward them for their contributions to its success.

The Group offers competitive remuneration package comprising benefits including medical and dental allowance, paid paternity and marriage leave, retirement benefits, training and education subsidies. Furthermore, bonding events such as team building activities and annual dinner were organised to express the Group's gratitude to its employee every year.

To better monitor employees' career development progress, adequate appraisals are conducted. The Group would offer promotions and salary increment as rewards to outstanding employees, while at the same time employees who require further improvements in their performance would be timely and appropriately counselled. They are also welcomed to communicate their concerns with the Group's management at the appraisals or via the "opinion boxes" which are placed at the production plants.

The Group emphasizes equal opportunities at the workplace. It builds a workplace with equity by a fair and just recruitment policy in which it would assess candidate based solely on their experience, skills and qualifications. An applicant's gender, religion, age or skin colour would not in any degree affect his or her chance of being recruited. The same principle applies to the Group's appraisal and counselling processes.

During the year, the Group had no non-compliance case regarding violation of any laws and regulations on employment.

Employee Composition

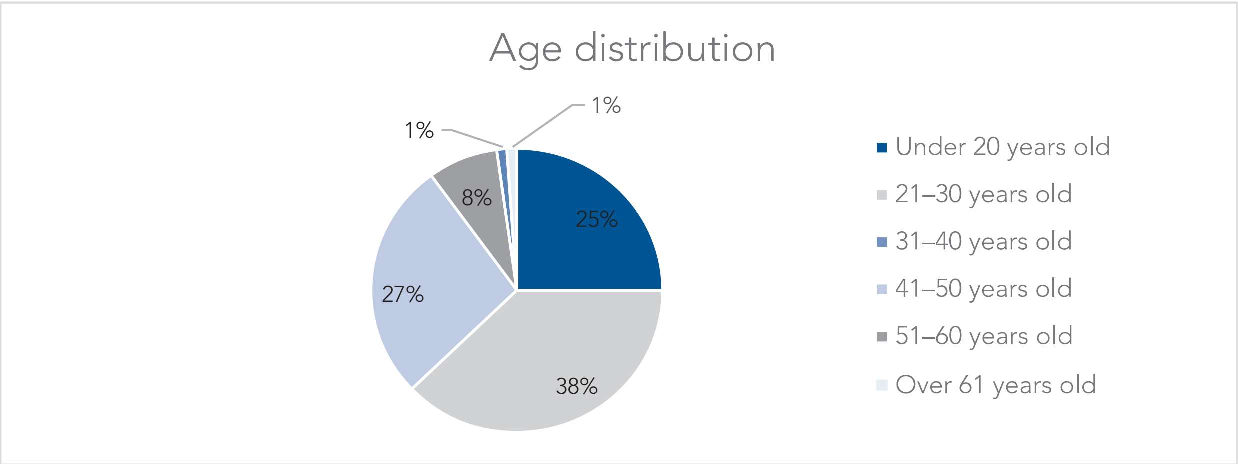

Figure 1 Age distribution (total no. of employees = 400)

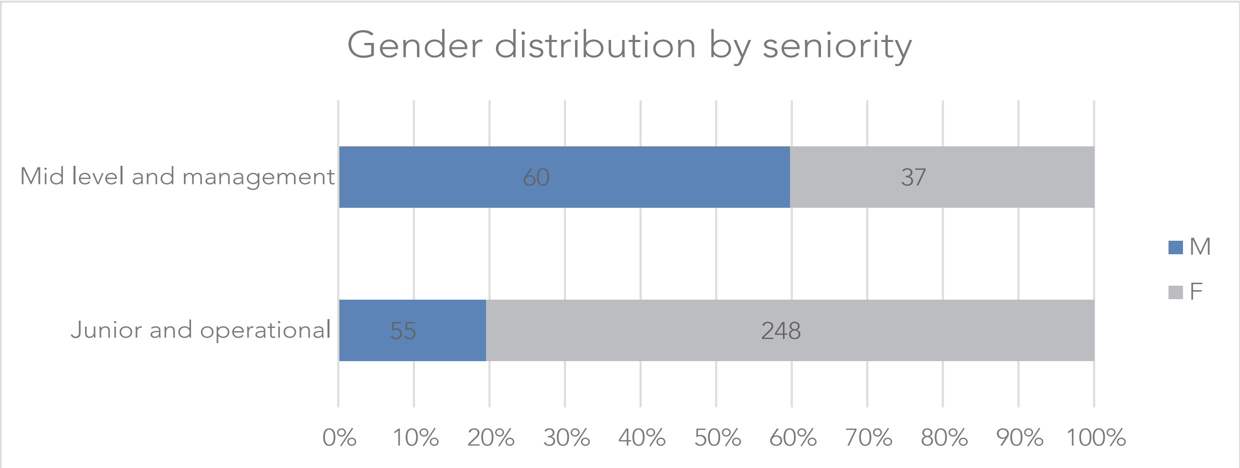

Figure 2 Gender distribution by seniority

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

According to figure 1, the Group's workforce is mainly comprised of age groups of 21–30 years old, 31–40 years old and 41–50 years old. The age group demographics are consistent with the Group's principle of anti-age discrimination at its offices.

Figure 2 shows that ratio of male to female employee in "Mid-level and management" is close to 6:4. This reflects the Group's stance of anti-gender discrimination. As an industry norm, plant operators of the Group are mainly female. Hence, for "junior and operational" employees, the Group hired relatively more female employees.

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

Occupational Health and Safety

All of the Group's operating subsidiaries strictly comply with the relevant local laws and regulations in relation to occupational health and safety. The Group provides sufficient protective gears and equipment to its operators to ensure they can work safely and healthily.

At the Group's production plant in Malaysia, 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. Safety training concerning fire hazard prevention and first aid were provided to employee by relevant professionals.

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

Training and Development

The Group continues to nurture its employees via providing adequate trainings and raising their level of knowledge, skills and capabilities.

For trainings employees attend, effectiveness assessments are conducted to provide feedback to the trainee on their skills learned and proficiency in the relevant areas. Employees' professional development progresses are monitored with sufficient training records kept.

For the year ended 30 June 2018, courses related to product knowledge and safety are offered internally.

Labour Standards

All of our regional offices strictly comply with the local labour laws and regulations and do not hire any child labour or engaged in forced labour practices.

To prevent any hiring of child labour, the Group's human resources management departments are instructed to pay particular attention to such illegal practice and follow the Group's standardized recruitment procedures. The interviewer is responsible to check the personnel identification documents of the job applicant to ensure the applicant is over the legally authorised working age pertained to local labour laws.

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 departments. The Group would not force any employees to work overtime against their will.

The plant production departments are responsible to detect any child labour and unauthorised overtime works at production plants.

During the year ended 30 June 2018, the Group had no non-compliance case regarding violation of relevant child labour and forced labour laws.

Supply Chain Management

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.

When need to engage new suppliers, 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. The departments' participation ensures the suppliers' pricing are fair and just from the Group's perspective.

Before engaging suppliers or subcontractors, the quality assurance department would use a "supplier quality system audit checklist" to check and assure supplier's performances in different aspects, including the supplier's management quality, process control, corrective actions in case of deficiencies, and environmental procedures.

Since the Group aims at full compliance with "REACH", it requires its suppliers to observe the same standard and provide a declaration letter to state their compliance with "REACH".

Product Responsibility

Regarding product responsibility, as mentioned, the Group manufactures its products in compliance with ROHS as adopted by the EU. The directive specified limitations on the usage of certain chemicals such as lead, mercury and cadmium.

On the packaging of the Group's product, sufficient labelling over compliance with ROHS and clearance from Group's quality control standards would be provided to customers.

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

Due to the nature of the Group's business, only limited advertising activities, including participation in trading fairs and visits to potential customers, are conducted. It is the Group's policy that only employees of manager grade or above can represent the Group in participation of trading fairs and customer site visits. They are strictly prohibited to disclose confidential information of existing customers and of the Group in the engagement of any advertising activities.

During the year ended 30 June 2018, no products sold or shipped had been subjected to recalls for safety and health reasons. No products or service related or consumer data protection complaints which attracted legal liabilities to the Group were noted.

Anti-corruption and Best Practices

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

Over the years, the Group constructed a strong sense of anti-corruption and anti-fraudulent behaviour in its corporate governance framework. Its employees are acutely aware of the ever-changing landscape of corruption and fraud and would duly report on any suspected corruption or fraudulent behaviour.

To the best of the Group's knowledge, there had not been any non-compliance cases noted in relation to anti-corruption related laws and regulations as of 30 June 2018.

Community Involvement

The Group pays a lot of attention to those in need of help in the society.

In line with the Group's aim to build a workplace with equity and promote equal employment opportunities, in August 2017, the Group started hiring a mentally handicapped employee to work at its production plant.

Apart from promoting equal opportunities, the Group also offered internship programme to young people and nurture youth for the society.

Deloitte. 德勤

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

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 52 to 97, which comprise the consolidated statement of financial position as at 30 June 2018, 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 2018, 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 MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
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$38,424,000 (net of allowance for inventories of HK$2,040,000), which represents approximately 25.1% of the Group's total assets as at 30 June 2018. Reversal of inventories write-down of approximately HK$186,000 was recognised in profit or loss for the year ended 30 June 2018 as disclosed in note 9 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.

KEY AUDIT MATTERS (continued)

Key audit matters (continued)	How our audit addressed the key audit matters (continued)
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to the significance of trade receivables to the consolidated financial statements and the management judgement involved in identification of long-aged receivables and determination of the impairment of trade receivables. As set out in the consolidated statement of financial position, the carrying amount of trade receivables is HK$32,007,000, which represents approximately 20.9% of the Group's total assets as at 30 June 2018. The directors of the Company consider that no impairment on trade receivables is required as at 30 June 2018 as disclosed in note 4 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, in determining the allowance for doubtful debts of trade receivables, the management has considered the ageing analysis, historical settlement record, subsequent settlement, credit assessment and business relationship with the customers.	Our procedures in relation to assessing the impairment of trade receivables included: • Understanding the Group's policy in identification of long-aged receivables and determination of the impairment of trade receivables; • Testing the accuracy of ageing of trade receivables by tracing to the sales invoices and delivery notes, on a sample basis; • Testing settlements during and subsequent to the end of the reporting period by tracing to the bank receipts, on a sample basis; and • Discussing with the management and evaluating the basis of identification of long-aged receivables and determination of the impairment of trade receivables, with reference to ageing analysis, historical settlement record, subsequent settlement, credit assessment and business relationship with the customers.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
12 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	106,165	105,908
Cost of sales		(90,103)	(83,742)
Gross profit		16,062	22,166
Other income	6	557	577
Selling and distribution costs		(3,154)	(3,216)
Administrative expenses		(22,122)	(21,621)
Other gains and losses	7	(87)	2,242
(Loss) profit before tax		(8,744)	148
Income tax expense	8	(432)	(2,122)
Loss for the year	9	(9,176)	(1,974)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		117	(47)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		3,442	(3,187)
Other comprehensive income (expense) for the year		3,559	(3,234)
Total comprehensive expense for the year		(5,617)	(5,208)
Loss per share — Basic (HK cents)	12	(1.53)	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	16,554	16,226
Deposits paid for acquisition of property, plant and equipment		321	47
Deferred tax assets	14	256	418
		17,131	16,691
CURRENT ASSETS			
Inventories	15	38,424	26,149
Trade and other receivables	16	37,648	32,720
Tax recoverable		1,965	1,617
Pledged bank deposits	17	567	173
Bank balances and cash	17	57,256	79,493
		135,860	140,152
CURRENT LIABILITIES			
Trade and other payables	18	13,841	12,056
Tax payable		73	93
		13,914	12,149
NET CURRENT ASSETS		121,946	128,003
TOTAL ASSETS LESS CURRENT LIABILITIES		139,077	144,694
CAPITAL AND RESERVES			
Share capital	19	6,000	6,000
Reserves		133,077	138,694
TOTAL EQUITY		139,077	144,694

The consolidated financial statements on pages 52 to 97 were approved and authorised for issue by the Board of Directors on 12 September 2018 and are signed on its behalf by:

Lau Man Tak	Kan Wai Kee
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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
At 1 July 2016	6,000	66,340	(2,687)	2,689	77,560	149,902
Loss for the year	–	–	–	–	(1,974)	(1,974)
Exchange differences arising on translation to presentation currency	–	–	(47)	–	–	(47)
Exchange differences arising on translation of foreign operations	–	–	(3,187)	–	–	(3,187)
Total comprehensive expense for the year	–	–	(3,234)	–	(1,974)	(5,208)
Transfer	–	–	–	53	(53)	–
At 30 June 2017	6,000	66,340	(5,921)	2,742	75,533	144,694
Loss for the year	–	–	–	–	(9,176)	(9,176)
Exchange differences arising on translation to presentation currency	–	–	117	–	–	117
Exchange differences arising on translation of foreign operations	–	–	3,442	–	–	3,442
Total comprehensive income (expense) for the year	–	–	3,559	–	(9,176)	(5,617)
At 30 June 2018	6,000	66,340	(2,362)	2,742	66,357	139,077

Note: The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "**PRC**") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of 10% of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries annually. 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 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(8,744)	148
Adjustments for:		
Loss on disposal of property, plant and equipment	5	52
Depreciation of property, plant and equipment	3,887	2,925
(Reversal of write-down) write-down of inventories, net	(186)	105
Unrealised exchange loss (gain)	17	(246)
Bank interest income	(298)	(176)
Operating cash flows before movements in working capital	(5,319)	2,808
(Increase) decrease in inventories	(9,580)	5,351
Increase in trade and other receivables	(4,304)	(9,750)
Increase (decrease) in trade and other payables	1,195	(4,109)
Cash used in operations	(18,008)	(5,700)
Income taxes paid	(612)	(2,991)
NET CASH USED IN OPERATING ACTIVITIES	(18,620)	(8,691)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,747)	(8,868)
Placement of pledged bank deposits	(453)	–
Deposits paid for acquisition of property, plant and equipment	(283)	(47)
Interest received	298	176
Withdrawal of pledged bank deposits	75	–
Proceeds from disposal of property, plant and equipment	12	15
NET CASH USED IN INVESTING ACTIVITIES	(4,098)	(8,724)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,718)	(17,415)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	481	(781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	79,493	97,689
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	57,256	79,493

1. GENERAL

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"). Its immediate and ultimate holding company is Jumbo Planet Group Limited, a limited liability company incorporated in British Virgin Islands. Its ultimate controlling party is Mr. Lau Man Tak, who is also the Chairman and a director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

The functional currency of the Company is United States dollars ("**US$**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 9 "Financial Instruments"

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

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that are subject to the impairment provisions upon the application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, an immaterial amount of impairment loss will be recognised by the Group as at 1 July 2018, mainly attributable to expected credit losses provision on trade and other receivables. Such impairment loss recognised under expected credit loss model would reduce the opening retained profits at 1 July 2018.

Except for the expected credit loss model that may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, the directors of the Company do not expect any other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model and financial instruments.

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

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 July 2018.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$5,548,000 as disclosed in note 20. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$922,000 as rights and obligation under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the rights to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss) profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. For the Group's trading inventories, costs of inventories are determined on a first-in, first-out method. For the Group's manufacturing inventories, costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

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 those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 for which the estimates of future cash flows have not been adjusted.

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

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

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 salability 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 2018, the carrying amount of inventories is HK$38,424,000 (2017: HK$26,149,000), net of allowance for inventories of HK$2,040,000 (2017: HK$2,202,000).

Impairment of trade receivables

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

As at 30 June 2018, the carrying amount of trade receivables is HK$32,007,000 (2017: HK$28,554,000). The directors of the Company consider that no impairment on trade receivables is required as at 30 June 2018 and 2017.

5. REVENUE AND SEGMENT INFORMATION

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

The Group's operating segments are determined based on information reported to the executive directors of the Company who are also directors of all operating subsidiaries, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and performance assessment. The CODM regularly reviews revenue and results analysis by (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Segment revenue and results

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

For the year ended 30 June 2018

	Manufacturing of wire/cable harnesses HK$'000	Manufacturing of power supply cords assembled products HK$'000	Trading of terminals, connectors and others HK$'000	Segment total HK$'000	Total HK$'000
Revenue					
External sales	89,979	11,573	4,613	106,165	106,165
Segment results	12,478	2,305	1,279	16,062	16,062
Other income					557
Selling and distribution costs					(3,154)
Administrative expenses					(22,122)
Other gains and losses					(87)
Loss before tax					(8,744)

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 30 June 2017

	Manufacturing of wire/cable harnesses HK$'000	Manufacturing of power supply cords assembled products HK$'000	Trading of terminals, connectors and others HK$'000	Segment total HK$'000	Total HK$'000
Revenue					
External sales	90,376	10,009	5,523	105,908	105,908
Segment results	18,534	1,818	1,814	22,166	22,166
Other income					577
Selling and distribution costs					(3,216)
Administrative expenses					(21,621)
Other gains and losses					2,242
Profit before tax					148

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned from each segment without allocation of other income, selling and distribution costs, administrative expenses and other gains and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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:

	2018 HK$'000	2017 HK$'000
The PRC	37,016	35,714
Asia Pacific region (excluding the PRC)	54,596	57,237
Western Europe	12,746	10,987
Others	1,807	1,970
	106,165	105,908

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:

	2018 HK$'000	2017 HK$'000
The PRC	11,810	10,805
Malaysia	2,463	2,592
Others	2,602	2,876
	16,875	16,273

Note: Non-current assets excluded deferred tax assets.

Information about major customers

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

	2018 HK$'000	2017 HK$'000
Customer A	45,230	46,148
Customer B	12,291	12,525
Customer C	11,681	11,102

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	298	176
Sales of scrap materials	28	99
Others	231	302
	557	577

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Net exchange (loss) gain	(82)	2,294
Loss on disposal of property, plant and equipment	(5)	(52)
	(87)	2,242

8. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
The income tax expense comprises:		
Current tax:		
Malaysia corporate income tax	–	1,564
Singapore corporate income tax	75	91
Underprovision in prior years	169	210
Deferred tax charge *(note 14)*	188	257
	432	2,122

8. INCOME TAX EXPENSE (continued)

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

The income tax rate applicable in Malaysia is 24% for both years.

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

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

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

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to an overseas company (which is the beneficial owner of the dividends received) for profits generated after 1 January 2008, at the rate of 10%.

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

	2018 HK$'000	2017 HK$'000
(Loss) profit before tax	(8,744)	148
Tax at the average income tax rate of 25% (2017: 25%)	(2,186)	37
Tax effect of expenses not deductible for tax purpose	1,144	951
Tax effect of income not taxable for tax purpose	(176)	(124)
Tax effect of tax losses not recognised	1,786	1,339
Utilisation of deductible temporary differences previously not recognised	–	(37)
Utilisation of tax losses previously not recognised	(98)	–
Effect of tax exemptions granted to a Singapore subsidiary	(144)	(141)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(45)	(119)
Underprovision in prior years	169	210
Others	(18)	6
Income tax expense for the year	432	2,122

9. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration:		
— Fees	580	580
— Salaries and other allowances	2,953	2,796
— Retirement benefit scheme contributions	96	128
	3,629	3,504
Other staff costs	26,471	24,758
Retirement benefit scheme contributions, excluding those of directors	2,960	3,062
Total staff costs (including directors' remuneration)	33,060	31,324
Capitalised in inventories	(20,746)	(13,554)
	12,314	17,770
Auditor's remuneration	1,141	1,069
Cost of inventories recognised as expense	90,103	83,742
Depreciation of property, plant and equipment	3,887	2,925
Minimum lease payments for operating leases in respect of land and buildings	3,644	3,854
(Reversal of write-down) write-down of inventories, net	(186)	105

10. 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 2018

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	952	45	1,007
Mr. Kan Wai Kee	10	480	18	508
Ms. Koay Lee Chern	10	561	15	586
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	2,953	96	3,629

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

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

For the year ended 30 June 2017

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

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

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

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

10. 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 (2017: three directors), details of whose remuneration are set out in note 10(a) above. Details of the remuneration for the year of the remaining two (2017: two) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other allowances	992	973
Retirement benefit scheme contributions	84	85
	1,076	1,058

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:

	Number of employees 2018	2017
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.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders by the Company during the years ended 30 June 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Loss:		
Loss for the year attributable to owners of the Company	(9,176)	(1,974)
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	600,000,000	600,000,000

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

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 July 2016	11,912	5,637	3,547	3,473	1,204	2,478	28,251
Additions	403	456	726	986	3,441	4,673	10,685
Disposals	(164)	(60)	(122)	(97)	–	–	(443)
Reclassification	428	–	610	230	–	(1,268)	–
Exchange alignment	(620)	(272)	(152)	(143)	(11)	–	(1,198)
At 30 June 2017	11,959	5,761	4,609	4,449	4,634	5,883	37,295
Additions	1,289	1,508	197	391	351	17	3,753
Disposals	–	–	–	–	(171)	–	(171)
Reclassification	6,147	–	–	–	–	(6,147)	–
Exchange alignment	607	300	240	196	29	263	1,635
At 30 June 2018	**20,002**	**7,569**	**5,046**	**5,036**	**4,843**	**16**	**42,512**
DEPRECIATION							
At 1 July 2016	8,061	4,515	3,011	3,075	867	–	19,529
Provided for the year	746	477	465	551	686	–	2,925
Eliminated on disposals	(157)	(58)	(64)	(97)	–	–	(376)
Exchange alignment	(445)	(235)	(175)	(149)	(5)	–	(1,009)
At 30 June 2017	8,205	4,699	3,237	3,380	1,548	–	21,069
Provided for the year	1,379	729	530	613	636	–	3,887
Eliminated on disposals	–	–	–	–	(154)	–	(154)
Exchange alignment	518	271	189	163	15	–	1,156
At 30 June 2018	**10,102**	**5,699**	**3,956**	**4,156**	**2,045**	**–**	**25,958**
CARRYING VALUES							
At 30 June 2018	**9,900**	**1,870**	**1,090**	**880**	**2,798**	**16**	**16,554**
At 30 June 2017	3,754	1,062	1,372	1,069	3,086	5,883	16,226

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

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

14. DEFERRED TAXATION

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
At 1 July 2016	(87)	499	–	308	720
(Charge) credit to profit or loss	(477)	23	356	(159)	(257)
Exchange alignment	5	(30)	–	(20)	(45)
At 30 June 2017	(559)	492	356	129	418
(Charge) credit to profit or loss	(99)	(54)	1	(36)	(188)
Exchange alignment	(16)	34	–	8	26
At 30 June 2018	**(674)**	**472**	**357**	**101**	**256**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to HK$4,700,000 (2017: HK$4,400,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$25,879,000 (2017: HK$19,121,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,428,000 (2017: HK$1,422,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$24,451,000 (2017: HK$17,699,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$362,000 (2017: HK$756,000) which will lapse in 2023, the remaining tax losses may be carried forward indefinitely.

15. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	25,608	15,996
Work in progress	2,958	1,855
Finished goods	9,858	8,298
	38,424	26,149

16. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	32,007	28,554
Prepayments, deposits and other receivables	5,641	4,166
	37,648	32,720

The Group allows credit period ranging from 30 days to 150 days to its customers.

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

	2018 HK$'000	2017 HK$'000
0–30 days	10,024	10,213
31–60 days	9,065	8,351
61–90 days	5,711	4,741
91–120 days	5,288	4,104
Over 120 days	1,919	1,145
	32,007	28,554

16. TRADE AND OTHER RECEIVABLES (continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,711,000 (2017: HK$1,393,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

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

	2018 HK$'000	2017 HK$'000
Overdue:		
1 to 30 days	2,562	859
31 to 60 days	1,009	211
61 to 90 days	64	7
91 to 120 days	–	316
Over 120 days	76	–
	3,711	1,393

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

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

	2018 HK$'000	2017 HK$'000
HK$	114	291
US$	15,537	15,147
Euro ("EUR")	1,697	3,481

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates which range from 0.01% to 3.20% (2017: 0.01% to 3.40%) per annum.

Pledged bank deposits carry interest at fixed rate of 3.15% (2017: 3.30%) per annum, are used to secure bank guarantee granted to the Group and are therefore classified as current assets.

Bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are:

	2018 HK$'000	2017 HK$'000
HK$	31,670	56,634
US$	3,693	10,336
EUR	3,895	2,232

18. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	9,228	7,601
Other payables and accrued expenses	4,613	4,455
	13,841	12,056

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

	2018 HK$'000	2017 HK$'000
0–30 days	4,332	3,619
31–60 days	3,129	2,387
61–90 days	1,459	1,512
Over 90 days	308	83
	9,228	7,601

18. TRADE AND OTHER PAYABLES (continued)

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

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

	2018 HK$'000	2017 HK$'000
HK$	–	905
US$	4,180	2,509
EUR	1,918	1,225

19. SHARE CAPITAL

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2016, 30 June 2017 and 30 June 2018	20,000,000,000	200,000,000
Issued and fully paid:		
At 1 July 2016, 30 June 2017 and 30 June 2018	600,000,000	6,000,000

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

20. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Land and buildings		
Within one year	**2,861**	2,610
In the second to fifth years inclusive	**2,687**	4,442
	5,548	7,052

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

21. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**464**	91

22. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme in Hong Kong which is registered under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

For Singapore, the Group participates in a defined contribution plan.

For Malaysia, the employees of the Group are required by law to make contributions to the Employees Provident Fund, a post-employment plan. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

22. RETIREMENT BENEFIT SCHEMES (continued)

Employees located in the PRC are covered by a state-managed retirement benefit scheme operated by the PRC government which is essentially a defined contribution scheme.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. The total amount contributed by the Group to the schemes and the expense charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes. For the year ended 30 June 2018, the retirement benefit scheme contributions made by the Group amounted to HK$3,056,000 (2017: HK$3,190,000).

23. RELATED PARTY DISCLOSURES

(a) Related party transaction

During the year, the Group entered into the following transaction with its related party:

Name of related party	Nature of transaction	2018 HK$'000	2017 HK$'000
Company which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	224	215

(b) Compensation of key management personnel

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

	2018 HK$'000	2017 HK$'000
Fees, salaries and other allowances	4,676	4,772
Retirement benefit scheme contributions	193	231
Total	4,869	5,003

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

24. SHARE OPTION SCHEME

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

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

No share option was granted, exercised, lapsed or cancelled during the current and prior years.

25. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

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

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**90,752**	108,220
Financial liabilities		
Amortised cost	**9,228**	7,601

(b) Financial risk management objectives and policies

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

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also has trade receivables, bank balances and cash and trade payables denominated in foreign currencies.

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

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
HK$	**31,670**	56,634	**–**	–
US$	**18,484**	24,930	**4,089**	2,424
EUR	**5,425**	5,713	**1,907**	1,225

26. 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% (2017: 5%) increase in the relevant foreign currencies against the functional currencies of the relevant group entities. 5% (2017: 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% (2017: 5%) change in foreign currency rates. A positive number below indicates an decrease in loss after tax (2017: a increase in profit 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 results before tax.

	2018 HK$'000	2017 HK$'000
US$	540	844
EUR	132	168

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.

26. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances disclosed in note 17.

Sensitively analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2017: 10 basis point) increase and decrease are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2017: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after tax would decrease/increase by HK$43,000 (2017: profit after tax would increase/decrease by HK$59,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Credit risk

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

As at 30 June 2018, the Group has concentration of credit risk as 51% (2017: 57%) 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 85% (2017: 84%) of the total trade receivables as at 30 June 2018. The management of the Group considered that the credit risk attributable to these customers is insignificant after considering their historical settlement records, credit quality and financial positions.

26. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity tables

As at 30 June 2018

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2018 HK$'000
Non-derivative financial liability					
Trade payables	-	5,458	3,770	9,228	9,228

As at 30 June 2017

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2017 HK$'000
Non-derivative financial liability					
Trade payables	–	5,097	2,504	7,601	7,601

(c) Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

27. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2018 and 2017 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 2018	2017	Principal activities
TEM Group Limited*	British Virgin Islands	Hong Kong	US$1	100%	100%	Investment holding
Glory Sun Developments Limited*	British Virgin Islands	Hong Kong	US$1	100%	100%	Investment holding
SEAP Trading Pte. Ltd.	Singapore	Singapore	SGD100,000	100%	100%	Trading of electronics, electrical, electro-mechanical parts and components and other related products
TEM Electronics (M) Sdn. Bhd.	Malaysia	Malaysia	MYR2,400,000	100%	100%	Manufacturing of connectors, assemblies and wire harness
BAP Trading Company Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Trading business and investment holding
江門創新科電業有限公司	The PRC	The PRC	US$2,100,000	100%	100%	Manufacture and sale of wire/cable harnesses and power supply cords assembled products
Optimum Electronics Sdn. Bhd.	Malaysia	Malaysia	MYR50,000	100%	100%	Assembly of wire/cable harnesses and power supply cords assembled products
SEAP (HK) Limited	Hong Kong	Hong Kong	HK$1	100%	100%	Inactive

* *Directly held by the Company*

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	39,167	39,167
CURRENT ASSETS		
Prepayments, deposits and other receivables	114	156
Amount due from a subsidiary	50,496	5,272
Bank balances and cash	1,488	49,260
	52,098	54,688
CURRENT LIABILITIES		
Other payables and accrued expenses	1,125	905
Amounts due to subsidiaries	1,719	1,720
	2,844	2,625
NET CURRENT ASSETS	49,254	52,063
TOTAL ASSETS LESS CURRENT LIABILITIES	88,421	91,230
CAPITAL AND RESERVES		
Share capital	6,000	6,000
Reserves	82,421	85,230
TOTAL EQUITY	88,421	91,230

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

Movement in the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000 *(note)*	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	66,340	39,167	(17,302)	88,205
Loss and total comprehensive expense for the year	–	–	(2,975)	(2,975)
At 30 June 2017	66,340	39,167	(20,277)	85,230
Loss and total comprehensive expense for the year	–	–	(2,809)	(2,809)
At 30 June 2018	**66,340**	**39,167**	**(23,086)**	**82,421**

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.

FINANCIAL SUMMARY

For the five years ended 30 June 2014, 2015, 2016, 2017 and 2018

RESULTS

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**106,165**	105,908	119,192	131,288	136,563
(Loss) profit before tax	**(8,744)**	148	(5,994)	21,184	19,260
Income tax expense	**(432)**	(2,122)	(3,656)	(4,765)	(4,650)
(Loss) profit for the year	**(9,176)**	(1,974)	(9,650)	16,419	14,610
(Loss) profit for the year attributable to:					
Owners of the Company	**(9,176)**	(1,974)	(9,627)	16,444	14,610
Non-controlling interests	**–**	–	(23)	(25)	–
	(9,176)	(1,974)	(9,650)	16,419	14,610

ASSETS AND LIABILITIES

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**152,991**	156,843	166,542	119,762	107,718
Total liabilities	**(13,914)**	(12,149)	(16,640)	(23,638)	(20,484)
Net assets	**139,077**	144,694	149,902	96,124	87,234
Equity attributable to:					
Owners of the Company	**139,077**	144,694	149,902	96,142	87,234
Non-controlling interests	**–**	–	–	(18)	–
	139,077	144,694	149,902	96,124	87,234

Note:

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

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

Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.