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TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

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

* *For identification purposes only*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company hereby announces the audited consolidated results of the Group for the year ended 30 June 2019 together with the comparative figures for the year ended 30 June 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Notes	**2019** **HK\$'000**	2018 *HK\$'000*
Revenue	*3*	**96,163**	106,165
Cost of sales		**(82,706)**	(90,103)
Gross profit		**13,457**	16,062
Other income	*4*	**815**	557
Selling and distribution costs		**(2,897)**	(3,154)
Administrative expenses		**(23,293)**	(22,122)
Other gains and losses	*5*	**494**	(87)
Reversal of allowance for credit loss, net		**33**	–
Loss before tax		**(11,391)**	(8,744)
Income tax credit (charge)	*6*	**628**	(432)
Loss for the year	*7*	**(10,763)**	(9,176)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**44**	117
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,838)**	3,442
Other comprehensive (expense) income for the year		**(1,794)**	3,559
Total comprehensive expense for the year		**(12,557)**	(5,617)
Loss per share — Basic (HK cents)	*9*	**(1.79)**	(1.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**15,882**	16,554
Deposits paid for acquisition of property, plant and equipment		**41**	321
Deferred tax assets	*10*	**828**	256
		16,751	17,131
CURRENT ASSETS			
Inventories		**44,833**	38,424
Trade receivables, prepayments and deposits	*11*	**32,822**	37,648
Tax recoverable		**1,069**	1,965
Pledged bank deposits		**565**	567
Bank balances and cash		**45,212**	57,256
		124,501	135,860
CURRENT LIABILITIES			
Trade and other payables	*12*	**15,258**	13,841
Tax payable		**–**	73
		15,258	13,914
NET CURRENT ASSETS		**109,243**	121,946
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,994**	139,077
CAPITAL AND RESERVES			
Share capital	*13*	**6,000**	6,000
Reserves		**119,994**	133,077
TOTAL EQUITY		**125,994**	139,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL

TEM Holdings Limited (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of the Stock Exchange. Prior to 18 June 2019, the Company's immediate and ultimate holding company was Jumbo Planet Group Limited, a limited liability company incorporated in British Virgin Islands. After 18 June 2019, the Company's immediate holding company is Jumbo Planet Group Limited and ultimate holding company is Perfect Asset Investments Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lau Man Tak, who is also the Chairman and a director of the Company. The address of the Company's registered office is P. O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and principal place of business in Hong Kong is Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.

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")

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

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018 and has used the practical expedient for all contracts modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Manufacture and sale of wire/cable harnesses
- Manufacture and sale of power cords assembled products
- Trading of terminals, connectors and others

Information about the Group's performance obligations and accounting policies resulting from application of HKFRS 15.

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company, the application of HKFRS 15 has had no significant impact on the timing and amounts of revenue recognised in the current year and retained profits at 1 July 2018.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("**ECL**") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement"

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKFRS 39 at the date of initial application, 1 July 2018.

	Note	**Trade receivables** *HK$'000*	**Retained profits** *HK$'000*
Closing balance at 30 June 2018 — HKAS 39		32,007	66,357
Effect arising from initial application of			
— HKFRS 9: Remeasurement			
Impairment under ECL model	*(b)*	(526)	(526)
Opening balance at 1 July 2018		31,481	65,831

(a) *Classification and measurement*

The directors of the Company review and assess the Group's financial assets and financial liability as at 1 July 2018 based on the facts and circumstances that existed at that date, and consider that there is no change in classification and measurement on the Group's financial assets and financial liability.

(b) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with outstanding significant balances exceeding HK$1,000,000 and the remaining balances are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including pledged bank deposits and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, additional credit loss allowance of HK$526,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for trade receivables as at 30 June 2018 reconciled to the opening loss allowances as at 1 July 2018 are as follows:

	HK$'000
As 30 June 2018 — HKAS 39	–
Amounts remeasured through opening retained profits	526
Balance at 1 July 2018	526

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 30 June 2019, movements in working capital have been computed based on adjusted balances as at 1 July 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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. Upon application of 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 by the Group. Upfront prepaid lease payment will be presented as investing or operating cash flows in accordance to the nature as appropriate.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$2,617,000. 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$1,147,000 paid as rights and obligations 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 right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE AND SEGMENT INFORMATION

Revenue

A. For the year ended 30 June 2019

Disaggregation of revenue from contracts with customers

	For the year ended 30 June 2019			
Segments	**Wire/cable harnesses** *HK$'000*	**Power supply cords assembled products** *HK$'000*	**Terminals, connectors and others** *HK$'000*	**Total** *HK$'000*
Types of goods				
Manufacture and sale of wire/cable harnesses	**82,713**	**–**	**–**	**82,713**
Manufacture and sale of power supply cords assembled products	**–**	**9,506**	**–**	**9,506**
Trading of terminals, connectors and others	**–**	**–**	**3,944**	**3,944**
Revenue from contracts with customers and segments revenue	**82,713**	**9,506**	**3,944**	**96,163**

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

Performance obligations for contracts with customers

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

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

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

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

B. For the year ended 30 June 2018

	HK$'000
Sales of goods	106,165

Segment information

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

Segment revenue and results

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

For the year ended 30 June 2019

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

For the year ended 30 June 2018

	Manufacture and sale of wire/cable harnesses *HK$'000*	Manufacture and sale of power supply cords assembled products *HK$'000*	Trading of terminals, connectors and others *HK$'000*	Total *HK$'000*
Revenue				
External sales	89,979	11,573	4,613	106,165
Segment results	12,478	2,305	1,279	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)

Segment results represent the results of each segment without allocation of other income, selling and distribution costs, administrative expenses, other gains and losses and reversal of allowance for credit loss, net. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The Group's revenue by the geographical location of the customers, determined based on the location to which the Group bills the customers, is detailed below:

	2019 ***HK$'000***	2018 *HK$'000*
The PRC	**27,499**	37,016
Asia Pacific region (excluding the PRC)	**51,595**	54,596
Western Europe	**11,381**	12,746
North and South America	**5,688**	1,807
	96,163	106,165

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:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**10,856**	11,810
Malaysia	**2,031**	2,463
Others	**3,036**	2,602
	15,923	16,875

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**43,449**	45,230
Customer B[2]	**9,833**	12,291
Customer C[2]	**10,592**	11,681

[1] Revenue was related to all operating segments.

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

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**588**	298
Sales of scrap materials	**30**	28
Government grant *(note)*	**115**	–
Others	**82**	231
	815	557

Note: The government grant represents a subsidy received by subsidiary of the Company. In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the grant.

5. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Net exchange gain (loss)	**315**	(82)
Gain (loss) on disposal of property, plant and equipment	**179**	(5)
	494	(87)

6. INCOME TAX (CREDIT) CHARGE

	2019 HK$'000	2018 HK$'000
The income tax (credit) charge comprises:		
Current tax:		
Singapore corporate income tax	–	75
(Over)underprovision in prior years	(28)	169
	(28)	244
Deferred tax (credit) charge *(note 10)*	(600)	188
	(628)	432

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the group entities has no assessable profits for both years.

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

No provision for PRC enterprise income tax ("**EIT**") has been made as the group entity has no assessable profits for the 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 income tax rate applicable in Malaysia is 24% for both years. No provision for Malaysia corporate income tax has been made as the no group entities have assessable profits for the both year.

The income tax rate applicable in Singapore is 17% for both years. No provision for Singapore corporate income tax has been made as the group entity has no assessable profits for the current year. The subsidiary operating in Singapore is entitled to partial income tax exemption (75% exemption on first Singapore dollars ("**SGD**") 10,000 chargeable income and 50% exemption on next SGD290,000 chargeable income) for the year 2018.

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

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(11,391)**	(8,744)
Tax at the average income tax rate of 15.4% (2018: 25%)	**(1,756)**	(2,186)
Tax effect of expenses not deductible for tax purpose	**720**	1,144
Tax effect of income not taxable for tax purpose	**(81)**	(176)
Tax effect of tax losses not recognised	**1,240**	1,786
Utilisation of tax losses previously not recognised	**(734)**	(98)
Effect of tax exemptions granted to a Singapore subsidiary	**–**	(144)
(Over)underprovision in prior years	**(28)**	169
Others	**11**	(63)
Income tax (credit) charge for the year	**(628)**	432

7. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration:		
— Fees	**580**	580
— Salaries and other allowances	**2,941**	2,953
— Retirement benefit scheme contributions	**95**	96
	3,616	3,629
Other staff costs	**26,496**	26,471
Retirement benefit scheme contributions, excluding those of directors	**2,800**	2,960
Total staff costs (including directors' remuneration)	**32,912**	33,060
Capitalised in inventories	**(19,576)**	(20,746)
	13,336	12,314
Auditor's remuneration		
— Audit service	**1,201**	1,141
— Non-audit service	**141**	–
Cost of inventories recognised as an expense	**53,580**	59,617
Depreciation of property, plant and equipment	**4,252**	3,887
Minimum lease payments for operating leases in respect of land and buildings	**3,564**	3,644
Reversal of inventories write-down, net	**(81)**	(186)

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders by the Company during the years ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company	**(10,763)**	(9,176)

	2019	2018
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	**600,000**	600,000

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

10. DEFERRED TAXATION

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

	Accelerated tax depreciation	**Allowance for inventories**	**Tax losses**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 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
Credit (charge) to profit or loss	69	(118)	338	311	600
Exchange alignment	48	(12)	(2)	(62)	(28)
At 30 June 2019	**(557)**	**342**	**693**	**350**	**828**

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$2,888,000 (2018: HK$4,700,000) 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$31,936,000 (2018: HK$25,879,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$2,829,000 (2018: HK$1,428,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$29,107,000 (2018: HK$24,451,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are tax losses of HK$362,000 (2018: HK$362,000) and HK$2,324,000 (2018: nil) which will lapse in 2022 and 2024, respectively, the remaining tax losses may be carried forward indefinitely.

11. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**28,869**	32,007
Less: Allowance for credit loss	**(493)**	–
	28,376	32,007
Prepayments and deposits	**4,446**	5,641
	32,822	37,648

As at 30 June 2019 and 1 July 2018, trade receivables from contracts with customers amounted to HK$28,376,000 and HK$31,481,000 respectively.

Included in trade receivables are amounts due from related parties of HK$610,000 (2018: nil), which are unsecured, interest-free and repayable with credit period of 30 days.

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

The following is an aged analysis of trade receivables net of allowance for credit loss (2018: doubtful debt) presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**9,174**	10,024
31–60 days	**7,249**	9,065
61–90 days	**5,985**	5,711
91–120 days	**5,667**	5,288
Over 120 days	**301**	1,919
	28,376	32,007

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. As at 30 June 2018, the majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

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

As at 30 June 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,711,000 which are past due as at the reporting date 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.

Aging of trade receivables which are past due but not impaired:

	2018
	HK$'000
Overdue:	
1 to 30 days	2,562
31 to 60 days	1,009
61 to 90 days	64
Over 120 days	76
	3,711

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

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

	2019	2018
	HK$'000	*HK$'000*
US$	**21,592**	14,791
Euro ("**EUR**")	**2,014**	1,530

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**9,678**	9,228
Other tax payables and accruals	**5,580**	4,613
	15,258	13,841

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**6,428**	4,332
31–60 days	**1,907**	3,129
61–90 days	**1,198**	1,459
Over 90 days	**145**	308
	9,678	9,228

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

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

	2019	2018
	HK$'000	*HK$'000*
US$	**2,716**	4,089
EUR	**2,720**	1,907

13. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2017, 30 June 2018 and 30 June 2019	**20,000,000**	**200,000**
Issued and fully paid:		
At 1 July 2017, 30 June 2018 and 30 June 2019	**600,000**	**6,000**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

For the year ended 30 June 2019, the Group recorded a revenue of approximately HK$96,163,000, a drop of approximately 9.4% from the last year. Gross profit declined by 16.2% from approximately HK$16,062,000 for the year ended 30 June 2018 to HK$13,457,000. The decline in gross profit was mainly caused by (i) the revenue of the Group declined while the unit of the manufacturing overhead increased that led to a decrease in the gross margin compared with that of last year; and (ii) the provision of write-down of inventories included in the cost of sales. The loss for the year was approximately HK$10,763,000, increased from HK$9,176,000 for the year ended 30 June 2018.

Segment information

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

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

	For the year ended 30 June					
	2019		2018		Decrease	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Manufacture and sale of wire/cable harnesses	**82,713**	**86.0**	89,979	84.8	7,266	8.1
Manufacture and sale of power supply cords assembled products	**9,506**	**9.9**	11,573	10.9	2,067	17.9
Trading of terminals, connectors and others	**3,944**	**4.1**	4,613	4.3	669	14.5
	96,163	**100.0**	106,165	100.0	10,022	9.4

The revenue of manufacture and sale of wire/cable harnesses decreased to approximately HK$82,713,000 for the year ended 30 June 2019 from approximately HK$89,979,000 for the year ended 30 June 2018. The gross profit of this segment was approximately HK$11,234,000 for the year ended 30 June 2019. The revenue of manufacture and sale of power supply cords assembled products was approximately HK$9,506,000 for the year ended 30 June 2019, representing a fall of 17.9% as compared to approximately HK$11,573,000 for the year ended 30 June 2018. The gross profit of this segment was approximately HK$1,458,000 for the year ended 30 June 2019. The revenue of trading of terminals, connectors and others was approximately HK$3,944,000 for the year ended 30 June 2019, representing a fall of 14.5% as compared to approximately HK$4,613,000 for the year ended 30 June 2018. The gross profit of this segment was approximately HK$765,000 for the year ended 30 June 2019.

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					
	2019		2018		Increase/(Decrease)	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
The PRC	**27,499**	**28.6**	37,016	34.9	(9,517)	(25.7)
Asia Pacific region (excluding the PRC)	**51,595**	**53.7**	54,596	51.4	(3,001)	(5.5)
Western Europe	**11,381**	**11.8**	12,746	12.0	(1,365)	(10.7)
North & South America	**5,688**	**5.9**	1,807	1.7	3,881	214.8
	96,163	**100.0**	106,165	100.0	(10,002)	(9.4)

The revenue from the PRC recorded HK$27,499,000 for the year ended 30 June 2019, accounted for 28.6% of the Group's total revenue which represented a decline of 25.7% as compared to approximately HK$37,016,000 for the year ended 30 June 2018. The revenue from Asia Pacific region (excluding the PRC) was approximately HK$51,595,000 for the year ended 30 June 2019 and accounted for 53.7% of the Group's total revenue, representing a decrease of 5.5% as compared to approximately HK$54,596,000 for the year ended 30 June 2018. The revenue from Western Europe was approximately HK$11,381,000 for the year ended 30 June 2019 and accounted for 11.8% of the Group's revenue, representing a decrease of 10.7% as compared to approximately HK$12,746,000 for the year ended 30 June 2018. The revenue from North & South America was approximately HK$5,638,000 for the year ended 30 June 2019 and accounted for 5.9% of the Group's total revenue, representing a substantial increase of 214.8% as compared to approximately HK$1,807,000 for the year ended 30 June 2018.

Generally speaking, the weak performance trend of the global home/consumer appliances industry as a result of the US-China trade war coupled with the gloomy economic outlook within the European Union had caused adverse impacts on the purchases from certain customers. Their purchase momentum particularly for customers in the PRC and the Western Europe had been affected. The revenue generated from the PRC was significantly affected despite of new business crystalised after the Group's continuous efforts in developing new customers during the financial year of 2019.

Moreover, the drop in the revenue was attributable to (i) reduction of sales orders owing to fierce price competition in the PRC & Asia Pacific market and US-China trade war and (ii) decrease in the completed orders resulted from the continuous shortage of supply and tight delivery of raw materials from a major supplier.

During the year, the Group continued to strive for business opportunities in the market and had participated the electronica 2018 in Munich, Germany between November 13 and 16, 2018 and customers' visits in Western Europe have been carried out thereafter. The Group also attended the Appliance & Electronics World Expo 2019 (http://en.awe.com.cn/) and electronica China 2019 (https://electronica-china.com/) in Shanghai PRC in March 2019. Other than taking part in these trade shows, regular visits and meetings with existing and potential customers and suppliers were conducted throughout the year with a view to further strengthen the relationships with customers so as to maintain a consistent growth of a sizable customer base.

In order to further develop the market in the Americas, the Group started to manufacture and sell cable/wire and harnesses to the Brascabos Group from July 2018. Since then, the revenue from the Americas had been constantly increased. And in April 2019, the Group decided to enter into the Master Sales Agreement with the Brascabos Group. For details of the aforesaid Agreement with the Brascabos Group, please refer to Company's announcement dated 18 April 2019. As a result, the revenue of North & South America region increased by approximately 214.8% to approximately HK$5,688,000 when compared to that of last year.

Furthermore, during the year, the management has put effort on cost control by lean manufacturing and several streamlining measures with an aim to further enhance operation efficiency and lower business administration cost.

Our PRC factory was qualified as a 高新技術企業 (High-New Technology Enterprise) in the PRC in November 2018. The Group's commitment in R&D investment improved both the human capital and technological knowhow. The Group's technology focused strategy should steer the operations towards the goal of industry 4.0. At the same time, we continued to invest in automations to accelerate the Group's goal of more lean manufacturing process implementation to offset the increase in labour costs and minimise the reliance on manual labour processing during production. Our PRC factory had also implemented the Manufacturing Execution System (MES) in March 2019 which will equip us with more accurate capture of cost-information, manufacturing operations traceability and incorporate paperless workflow activities.

OUTLOOK AND PROSPECTS

As mentioned previously, the escalation of the trade war between the PRC and United States together with both the exchange and interest rates movements are becoming increasingly challenging, The Group will closely monitor how such developments will affect our operations and will utilise our utmost efforts to work around these issues and mitigate those impacts.

In view of the uncertainties and poor market sentiment in the worldwide economy, the Group will strive to provide value-added service and products with high quality to our customers. The Group will, as always, keep on looking for opportunities and actively seeking viable business expansion opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK$106,165,000 for the year ended 30 June 2018 to approximately HK$96,163,000 for the year ended 30 June 2019. Such drop is attributable to (i) decrease in the completed orders resulted from the continuous shortage of supply and tight delivery of raw material from a major supplier; (ii) reduction of sales orders owing to fierce price competitions in the PRC & Asia Pacific market and US-China trade war; (iii) the fluctuation in the exchange rate of Renminbi and EUR against HK$.

Cost of sales and gross profit

The Group's cost of sales decreased by 8.2% from approximately HK$90,103,000 for the year ended 30 June 2018 to approximately HK$82,706,000 for the year ended 30 June 2019. Due to the increase in the cost of direct materials and manufacturing overheads arising from the continuous shortage supply and tight delivery of raw materials from a major supplier in Western Europe, the gross profit margin decreased from 15.1% for the year ended 30 June 2018 to 14.0% for the year ended 30 June 2019. As a result of the drop in gross profit margin, the gross profit of the Group fell by 16.2% from approximately HK$16,062,000 for the year ended 30 June 2018 to approximately HK$13,457,000 for the year ended 30 June 2019.

Other income

Other income increased by 46.3% from approximately HK$557,000 for the year ended 30 June 2018 to approximately HK$815,000 for the year ended 30 June 2019. Reason for the increase mainly included (i) a government grant of approximately HK$115,000 from 江門市科學技術局 [Jiangmen Science and Technology Bureau], following the government's strategy to promote innovative technology at Enterprises and when our factory in the PRC was certified as one of 高新技術企業 (High-New Technology Enterprise); and (ii) the increase in bank interest income.

Selling and distribution costs

The Group's selling and distribution costs mainly consisted of freight outwards, travelling expenses and storage costs, amounted to approximately HK$2,897,000 for the year ended 30 June 2019 and slightly decreased from approximately HK$3,154,000 for the year ended 30 June 2018. The decrease was a result of the decrease in freight outwards which was in line with the drop of revenue during the year.

Administrative expenses

The Group's administrative expenses, mainly comprised of staff costs, rental expenses and professional and compliance fees, increased by HK$1,171,000 from approximately HK$22,122,000 for the year ended 30 June 2018.

Other gains and losses

Other gains and losses mainly comprised of (i) net exchange gains and (ii) gain on disposal of property, plant and equipment, which amounted to net other gains of approximately HK$494,000 for the year ended 30 June 2019. This mainly represented a net exchange gains of approximately HK$315,000 and a gain on disposal of motor vehicle of approximately HK$179,000.

Income tax credit (charge)

The Group recorded approximately HK$628,000 income tax credit for the year ended 30 June 2019 which is a reversal from approximately HK$432,000 income tax charge for the year ended 30 June 2018. The change was mainly because tax loss incurred in previous year, but recognised in this year.

Loss for the year

The Group recorded a loss for the year ended 30 June 2019 was approximately HK$10,763,000. For the year ended 30 June 2018, the Group also recorded a loss in the amount of approximately HK$9,176,000.

Dividends

The Board does not recommend the payment of any final dividend for the year ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had a financial position with net assets amounted to approximately HK$125,994,000 (2018: approximately HK$139,077,000) and net current assets stood at approximately HK$109,243,000 (2018: approximately HK$121,946,000).

As at 30 June 2019, shareholders' fund amounted to approximately HK$125,994,000 (2018: approximately HK$139,077,000) and current assets amounted to approximately HK$124,501,000 (2018: approximately HK$135,860,000), mainly comprising of bank balances and cash, trade receivables, prepayments and deposits, inventories and tax recoverable. Current liabilities amounted to approximately HK$15,258,000 (2018: approximately HK$13,914,000) mainly comprising of trade and other payables and tax payable. The Group's bank balances and cash amounted to approximately HK$45,212,000 (2018: approximately HK$57,256,000). Net asset value per share was HK$0.21 (2018: HK$0.23).

Gearing Ratio

The Group's gearing ratio as at 30 June 2019 and 2018, 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 was no change in the Company's capital structure during the year.

As at 30 June 2019, 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 Malaysian Ringgit, EUR and Renminbi, which exposes the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. The management will from time to time review and adjust the Group's hedging and financial strategies based on exchange rate movement.

Significant Investment Held

As at 30 June 2019 and 2018, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 June 2019 and 2018, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2019, the Group had approximately HK$637,000 (2018: approximately HK$464,000) capital commitments mainly related to acquisition of machines.

Employee and Remuneration Policies

As at 30 June 2019, the Group had a total workforce of 437 (2018: 400) employees. Total staff costs for the year ended 30 June 2019 amounted to approximately HK$32,912,000 (2018: approximately HK$33,060,000). 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 2019, the bank deposits of approximately HK$565,000 (2018: approximately HK$567,000) were pledged to a bank to secure bank guarantee to a subsidiary of the Group.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Future Plans for Material Investments and Capital Assets

As at 30 June 2019, the Group did not have other plans for material investments and capital assets.

Use of Proceeds

The net proceeds from the listing of the shares of the Company on GEM of the Stock Exchange on 18 May 2016 (the "**Listing**"), after deducting listing related expenses, were approximately HK$56,600,000. These proceeds are intended to be applied as described in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 29 April 2016 (the "**Prospectus**"). As at 30 June 2019, the unutilised proceeds from the Listing in the amount of approximately HK$39,513,000 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 2019 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus)	**Actual use of net proceeds up to 30 June 2019**	**Unutilised balance as at 30 June 2019**
	HK$'000	*HK$'000*	*HK$'000*
Upgrade and increase our production capacity	40,978	**11,731**	**29,247**
Enhance our manufacturing, information technology and human resources management capabilities	4,528	**2,949**	**1,579**
Strengthen our sales and marketing efforts	6,226	**2,407**	**3,819**

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

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE PRACTICE

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

The Company has applied the principles and code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "**CG Code**"). In the opinion of the Board, the Company has complied with the CG Code for the year ended 30 June 2019.

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 2019.

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 2019.

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

During the year ended 30 June 2019, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's Shares.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "**Audit Committee**") with the written terms of reference in compliance with the CG Code. The Group's consolidated financial statements for the year ended 30 June 2019 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 2019 comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 19 September 2019

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

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