

Unless otherwise defined, terms and expressions used in this announcement shall have the same meanings as those defined in the prospectus dated 29 April 2016 (the “Prospectus”) issued by TEM Holdings Limited (the “Company”).

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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares or other securities of the Company. Potential investors should read the Prospectus for detailed information about the Placing described below before deciding whether or not to invest in the Placing Shares thereby being offered.

TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING**

Number of Placing Shares : 150,000,000 Shares
Placing Price : HK\$0.53 per Placing Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application)
Nominal value : HK\$0.01 per Share
Board lot : 10,000 Shares
Stock code : 8346

Sole Sponsor



RHB Capital Hong Kong Limited

Sole Lead Manager



RHB Securities Hong Kong Limited

Joint Bookrunners



RHB Securities Hong Kong Limited

Opus Capital Limited
創富融資有限公司

平安證券有限公司
Ping An Securities Limited

* For identification purpose only

SUMMARY

- The Placing Price has been agreed at HK\$0.53 per Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).
- The net proceeds to be received by the Company from the Placing, after deducting the underwriting fees and commission, SFC transaction levy, Stock Exchange trading fee and estimated fees and expenses paid/payable by the Company in connection with the Placing, are estimated to be approximately HK\$56.4 million. The Directors intend to apply the net proceeds from the Placing in accordance with the purposes set forth in the paragraph headed “Determination of the Placing Price” below.
- The 150,000,000 Placing Shares offered by the Company under the Placing have been moderately over-subscribed.
- 150,000,000 Placing Shares have been conditionally allocated to a total of 113 selected professional, institutional and other investors.
- A total of 77 placees have been allotted four board lots of Shares or less, representing approximately 68.1% of the total number of placees under the Placing.
- The Directors confirm that, to the best of their knowledge and belief, all placees under the Placing are independent of and not connected with the Company and any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries, and their respective close associates (as defined in the GEM Listing Rules), and are not any person or group of persons as stated in Rule 10.12(4) of the GEM Listing Rules or any nominees of the foregoing, and none of the Placing Shares subscribed by the placees has been financed directly or indirectly by any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders of the Company or any of its subsidiaries or their respective close associates, and none of the placees is accustomed to taking instructions from any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders of the Company or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of Shares registered in his/her/its name or otherwise held by him/her/it. No placee, individually, has been or will be placed more than 10.0% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Placing. The Directors confirm that there will not be any new substantial shareholder of the Company within the meaning of the GEM Listing Rules immediately after completion of the Capitalisation Issue and the Placing.

- Pursuant to Rule 11.23(7) of the GEM Listing Rules, the Company is required to maintain a public float of not less than 25.0% of its total number of issued shares at the time of Listing and at all times thereafter. Pursuant to Rule 11.23(8) of the GEM Listing Rules, not more than 50.0% of the Shares in public hands at the time of Listing shall be owned by the three largest public Shareholders. The Directors confirm that, immediately after completion of the Capitalisation Issue and the Placing, the public float of the Company will be 25.0% of the enlarged issued share capital of the Company, and not more than 50.0% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.
- Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 18 May 2016. The Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8346.
- **Investors should be aware that the concentration of Shareholders may affect the liquidity of the Shares. Consequently, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

DETERMINATION OF THE PLACING PRICE

Pursuant to the Price Determination Agreement entered into between the Company and the Sole Lead Manager (for itself and on behalf of the Underwriters) dated 4 May 2016, the Placing Price has been agreed at HK\$0.53 per Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

The net proceeds to be received by the Company from the Placing, after deducting the underwriting fees and commission, SFC transaction levy, Stock Exchange trading fee and estimated fees and expenses paid/payable by the Company in connection with the Placing, are estimated to be approximately HK\$56.4 million. The Directors intend to apply the net proceeds from the Placing (as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus) as follows:

- approximately HK\$40.8 million or 72.4% of the net proceeds for upgrading and increasing the production capacity;
- approximately HK\$4.5 million or 8.0% of the net proceeds for enhancing the manufacturing, information technology and human resources management capabilities to improve the overall operational efficiency;
- approximately HK\$6.2 million or 11.0% of the net proceeds for strengthening the sales and marketing efforts; and
- approximately HK\$4.9 million, or 8.6% of the net proceeds for the Group’s general working capital.

LEVELS OF INDICATIONS OF INTERESTS UNDER THE PLACING

The 150,000,000 Placing Shares offered by the Company under the Placing have been moderately over-subscribed.

RESULTS OF ALLOCATION

Pursuant to the Placing, 150,000,000 Placing Shares have been conditionally allocated to a total of 113 selected professional, institutional and other investors.

A total of 77 placees have been allotted four board lots of Shares or less, representing approximately 68.1% of the total number of placees under the Placing. The distribution of the Placing Shares is set out as below:

	Aggregate number of Placing Shares allocated	Aggregate percentage of the total number of Placing Shares allocated	Approximate percentage of the enlarged issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (taking no account of options that may be granted under the Share Option Scheme)
Top placee	19,200,000	12.80%	3.20%
Top 5 placees	70,600,000	47.07%	11.77%
Top 10 placees	122,000,000	81.33%	20.33%
Top 25 placees	148,020,000	98.68%	24.67%

Number of Placing Shares allocated	Number of placees
10,000 to 150,000	87
150,001 to 1,000,000	10
1,000,001 to 2,000,000	3
2,000,001 to 10,000,000	6
10,000,001 to 15,000,000	6
15,000,001 to 20,000,000	1
Total	<u>113</u>

The Directors confirm that, to the best of their knowledge and belief, all placees under the Placing are independent of and not connected with the Company and any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders (as defined under the GEM Listing Rules) of the Company or any of its subsidiaries, and their respective close associates (as defined in the GEM Listing Rules), and are not any person or group of persons as stated in Rule 10.12(4) of the GEM Listing Rules or any nominees of the foregoing, and none of the Placing Shares subscribed by the placees has been financed directly or indirectly by any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders of the Company or any of its subsidiaries or their respective close associates, and none of the placees is accustomed to taking instructions from any of the Directors, chief executive, Controlling Shareholders, substantial shareholders or significant shareholders of the Company or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of Shares registered in his/her/its name or otherwise held by him/her/it. No

placee, individually, has been or will be placed more than 10.0% of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Placing. The Directors confirm that there will not be any new substantial shareholder of the Company within the meaning of the GEM Listing Rules immediately after completion of the Capitalisation Issue and the Placing.

Investor should be aware that the concentration of Shareholders may affect the liquidity of the Shares. Consequently, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

MINIMUM PUBLIC FLOAT REQUIREMENT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, the Company is required to maintain a public float of not less than 25.0% of its total number of issued shares at the time of Listing and at all times thereafter. Pursuant to Rule 11.23(8) of the GEM Listing Rules, not more than 50.0% of the Shares in public hands at the time of Listing shall be owned by the three largest public Shareholders. The Directors confirm that, immediately after completion of the Capitalisation Issue and the Placing, the public float of the Company will be 25.0% of the enlarged issued share capital of the Company, and not more than 50.0% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

DEPOSIT OF SHARE CERTIFICATES INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in the Prospectus on GEM and compliance by the Company with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date (i.e. Wednesday, 18 May 2016) or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

The share certificates issued in respect of the Placing Shares allotted and issued to the placees are expected to be either despatched to the placees or deposit into CCASS on or about Tuesday, 17 May 2016 for credit to the respective CCASS Participants' or CCASS Investor Participants' stock accounts designated by the Sole Lead Manager (for itself and on behalf of the Underwriters), the placees or their respective agents (as the case may be) based on their respective instructions.

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing given by the Sole Lead Manager (for itself and on behalf of the Underwriters) to the Company upon the occurrence of any of the events set out in the sub-section headed "Underwriting —

Grounds for Termination” in the Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (i.e. Wednesday, 18 May 2016). In the event that the Underwriting Agreement does not become unconditional or is terminated in accordance with its terms and conditions, the Placing will lapse, all monies received will be refunded to applicants of the Placing without interest, and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at ir.tem-group.com on the next business day following such lapse.

All share certificates in respect of the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. (Hong Kong time) on the Listing Date (i.e. Wednesday, 18 May 2016).

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 18 May 2016. If there is any change to the expected timetable, the Company will make an appropriate announcement on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at ir.tem-group.com accordingly. The Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for the Shares is 8346.

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

Hong Kong, 17 May 2016

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement and a copy of the Prospectus will remain on the GEM’s website at www.hkgem.com and the Stock Exchange’s website at www.hkexnews.hk, and in the case of this announcement, on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement and a copy of the Prospectus will also be published on the Company’s website at ir.tem-group.com.