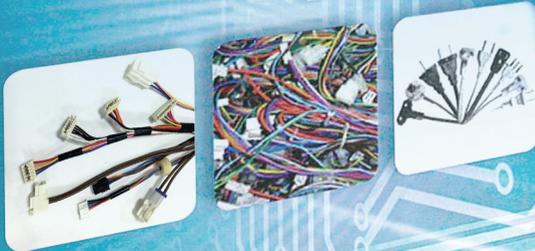


TEM

TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8346



2016/2017
First Quarterly Report

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market (the “GEM”) has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (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. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 the 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.

FINANCIAL HIGHLIGHT

- Revenue decreased by approximately 16.5% from approximately HK\$35.8 million for the three months ended 30 September 2015 to approximately HK\$29.9 million for the three months ended 30 September 2016.
- Gross profit decreased by approximately 41.4% from approximately HK\$11.1 million for the three months ended 30 September 2015 to approximately HK\$6.5 million for the three months ended 30 September 2016.
- Profit attributable to owners of the Company decreased by approximately 92.1% from approximately HK\$6.3 million for the three months ended 30 September 2015 to approximately HK\$0.5 million for the three months ended 30 September 2016.
- The Board does not recommend the payment of any dividend for the three months ended 30 September 2016.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated financial results of the Group for the three months ended 30 September 2016 together with the unaudited comparative figures for the corresponding period in 2015, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Three months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	29,867	35,825
Cost of Sales		(23,380)	(24,716)
Gross profit		6,487	11,109
Other Income	4	151	31
Selling and distribution costs		(755)	(848)
Administrative expenses		(5,235)	(4,016)
Other gains and losses	5	500	2,527
Finance costs	6	–	(6)
Profit before taxation		1,148	8,797
Income tax expense	7	(644)	(2,531)
Profit for the period	8	504	6,266
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(58)	(463)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,495)	(9,073)
Other comprehensive expense for the period		(1,553)	(9,536)
Total comprehensive expense for the period		(1,049)	(3,270)
Profit for the period attributable to:			
Owners of the Company		504	6,265
Non-controlling interests		–	1
		504	6,266
Total comprehensive (expense) income attributable to:			
Owners of the Company		(1,049)	(3,271)
Non-controlling interests		–	1
		(1,049)	(3,270)
Earnings per share — Basic (HK cents)	10	0.08	1.39

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

	Share capital	Share premium	Exchange reserve	PRC statutory reserve	Retained profits	Total equity attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	–	–	1,173	4,531	90,438	96,142	(18)	96,124
Profit for the period	–	–	–	–	6,265	6,265	1	6,266
Exchange differences arising on transaction to presentation currency	–	–	(463)	–	–	(463)	–	(463)
Exchange difference arising on translation of foreign operations	–	–	(9,073)	–	–	(9,073)	–	(9,073)
Total comprehensive (expense) income for the period	–	–	(9,536)	–	6,265	(3,271)	1	(3,270)
Reclassification adjustment upon deregistration of a subsidiary (note)	–	–	–	(2,143)	2,143	–	–	–
Dividend paid (note 9)	–	–	–	–	(5,038)	(5,038)	–	(5,038)
At 30 September 2015	–	–	(8,363)	2,388	93,808	87,833	(17)	87,816
At 1 July 2016	6,000	66,340	(2,687)	2,689	77,560	149,902	–	149,902
Profit for the period	–	–	–	–	504	504	–	504
Exchange differences arising on transaction to presentation currency	–	–	(58)	–	–	(58)	–	(58)
Exchange difference arising on translation of foreign operations	–	–	(1,495)	–	–	(1,495)	–	(1,495)
Total comprehensive (expense) income for the period	–	–	(1,553)	–	504	(1,049)	–	(1,049)
At 30 September 2016	6,000	66,340	(4,240)	2,689	78,064	148,853	–	148,853

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. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

A PRC subsidiary of the Company, 青島創新科電業有限公司 ("TEM-Qingdao") has been dissolved during the period. The accumulated statutory reserve of TEM-Qingdao amounting to HK\$2,143,000 was reclassified to retained profits upon deregistration TEM-Qingdao.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 22 October 2015. The Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) on 28 January 2016. The shares of the Company have been listed (the "**Listing**") on the GEM of the Stock Exchange with effect from 18 May 2016 (the "**Listing Date**"). Its registered office address is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the address of its headquarters, head office 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. Its immediate and ultimate holding company is Jumbo Planet Group Limited ("**Jumbo Planet**"), a limited liability company incorporated in the British Virgin Islands.

The Company is an investment holding company. The Group is principally engaged in manufacturing and sale of wire/cable harnesses and power supply cords assembled products; and trading of terminals, connectors and others.

The functional currency of the Company is United States dollars ("**US\$**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**") as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on HK\$.

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the reorganisation, which was completed by the Company acquiring TEM Group Limited and Glory Sun Developments Limited from New Universe Industries Limited (controlled by Mr. Lau Man Tak ("**Mr. Lau**")), the Company became the holding company of the companies now comprising the Group on 8 January 2016 (the "**Consolidated Entities**") (the "**Reorganisation**"). The Consolidated Entities and the Company are under common control of Mr. Lau before and after the Reorganisation. Therefore, the acquisition of the Consolidated Entities are accounted for as business combination under common control by applying the principles of merger accounting.

The unaudited consolidated financial results of the Group for the three months ended 30 September 2015 have been prepared to present the results of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the period under review.

The unaudited consolidated financial statements of the Group for the three months ended 30 September 2016 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 30 June 2016.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In current period, HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the period presented as a result of these developments.

The unaudited consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

3. REVENUE AND SEGMENTAL INFORMATION

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

Segment revenue

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

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	25,986	30,365
Manufacturing of power supply cords assembled products	2,734	3,803
Trading of terminals, connectors and others	1,147	1,657
	29,867	35,825

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

3. REVENUE AND SEGMENTAL 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:

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PRC	10,539	10,630
Asia Pacific region (excluding the PRC)	16,142	22,776
Western Europe	2,367	1,992
Others	819	427
	29,867	35,825

Information about major customers

Revenue from customers for the three months ended 30 September 2016 and for the corresponding period in 2015 contributing over 10% of the Group's revenue are as follows:

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Customer A	12,747	17,304
Customer B	4,268	4,728

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

4. OTHER INCOME (EXPENSE)

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank Interest Income	22	60
Others	129	(29)
	151	31

5. OTHER GAINS AND LOSSES

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net exchange gain	500	2,527

6. FINANCE COSTS

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on secured bank borrowing	–	6

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

7. INCOME TAX EXPENSE

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax:		
Malaysia corporate income tax	574	1,844
PRC Enterprise Income Tax ("EIT")	29	433
Singapore corporate income tax	41	84
Withholding tax on distributed earnings from a PRC subsidiary	–	170
	644	2,531

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period under review.

The income tax rate applicable in Malaysia is 24% (2015: 24%) for the period under review.

The income tax rate applicable in Singapore is 17% (2015: 17%) for the period under review.

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 the three months ended 30 September 2015 and the period under review.

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 the three months ended 30 September 2015 and the period under review.

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%.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

8. PROFIT FOR THE PERIOD

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff Costs	6,983	7,552
Cost of inventories recognised as expense	23,380	24,716
Depreciation of property, plant and equipment	728	674
Minimum lease payments for operating leases in respect of land and buildings	851	697

9. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 September 2016. During the three months ended 30 September 2015, a subsidiary of the Company, TEM Group Limited declared and paid a dividend of US\$650,000 (equivalent to approximately HK\$5,038,000), to New Universe Industries Limited prior to the Reorganisation. The rate of dividend and the number of shares, ranking the dividend are not presented as such information is not meaningful having regard to the purpose of these unaudited consolidated financial statements.

10. EARNINGS PER SHARE

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

	Three months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	504	6,265
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,000,000	450,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for both periods has taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue.

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

11. EVENTS AFTER PERIOD UNDER REVIEW

The Group had no significant event after the end of the reporting period of this quarterly report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and sale of wire/cable harnesses and power supply cords assembled products with our manufacturing operations in Malaysia and the PRC and has more than 20 years' 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 appliances, consumer appliances and industrial products industries, that are mainly based in the Asia Pacific region.

As stated in the Company's announcement dated 19 August 2016 and 26 October 2016, the business of the Group was affected by the realignment of the product mix by a major customer and henceforth resulted in a lower than expected revenue and profitability in the first quarter ended 30 September 2016.

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

	Three months ended 30 September		
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	Increase/ (Decrease) %
Manufacturing of wire/cable harnesses	25,986	30,365	(14.4)
Manufacturing of power supply cords assembled products	2,734	3,803	(28.1)
Trading of terminals, connectors and others	1,147	1,657	(30.8)
	29,867	35,825	(16.5)

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical information

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

	Three months ended 30 September		
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	Increase/ (Decrease) %
PRC	10,539	10,630	(0.9)
Asia Pacific Region (excluding the PRC)	16,142	22,776	(29.1)
Western Europe	2,367	1,992	18.8
Others	819	427	91.8
	29,867	35,825	(16.5)

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 16.5% from approximately HK\$35.8 million for the three months ended 30 September 2015 to approximately HK\$29.9 million for the three months ended 30 September 2016. The decrease was mainly due to the realignment of product mix of a major customer during the three months ended 30 September 2016.

Cost of sales and Gross Profit

Cost of sales decreased by approximately 5.3% from approximately HK\$24.7 million for the three months ended 30 September 2015 to approximately HK\$23.4 million for the three months ended 30 September 2016. Gross profit of the Group decreased by approximately 41.4% from approximately HK\$11.1 million for the three months ended 30 September 2015 to approximately HK\$6.5 million for the three months ended 30 September 2016. The decrease of cost of sales and gross profit was mainly the result of the drop in the revenue caused by the realignment of product mix of a major customer that led to (i) a decrease of order volume placed to the Company and (ii) lower margin per unit of products for the three months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs. Selling and distribution costs decreased by approximately 12.5% from approximately HK\$0.8 million for the three months ended 30 September 2015 to approximately HK\$0.7 million for the three months ended 30 September 2016. In view of the drop in sales revenue and volume for the three months ended 30 September 2016, the transportation expense incurred for the three months ended 30 September 2016, amounting to approximately HK\$0.4 million was in line with that incurred for the three months ended 30 September 2015, amounting to approximately HK\$0.6 million.

Administrative Expenses

Administrative expenses of the Group increased by approximately 30.0% from approximately HK\$4.0 million for the three months ended 30 September 2015 to approximately HK\$5.2 million for the three months ended 30 September 2016. Administrative expenses primarily consist of staff costs, rental expenses and other professional fee for compliance to the GEM Listing Rules. The increase was attributable to the increase in professional fees and expenses following the Listing; and the additional staff cost relating to sales and marketing and operation so as to achieve the business strategies as stated in the prospectus of the Company dated 29 April 2016 (the "Prospectus").

Other gains and losses

Other gains and losses decreased by approximately 80.0% from approximately HK\$2.5 million for the three months ended 30 September 2015 to approximately HK\$0.5 million for the three months ended 30 September 2016. Such decrease was due to the drop of significant net exchange gain related to the translation and realization of the Group's monetary assets denominated in USD against Malaysia Ringgit in the first quarter of the three months ended 30 September 2016.

Finance costs

The finance costs decreased from HK\$6,000 for the three months ended 30 September 2015 to approximately HK\$Nil for the three months ended 30 September 2016 as there was no borrowing by the Group during the period under review.

Income tax expense

Income tax expense decreased by approximately 76.0% from approximately HK\$2.5 million for the three months ended 30 September 2015 to approximately HK\$0.6 million for the three months ended 30 September 2016. Such decrease was due to decrease in Malaysia corporate income tax and PRC EIT as a result of decrease in the taxable profit of subsidiaries in Malaysia and the PRC for the three months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period decreased by approximately 92.1% from approximately HK\$6.3 million for the three months ended 30 September 2015 to approximately HK\$0.5 million for the three months ended 30 September 2016. Such decrease is primarily attributable to (i) the decrease in revenue, (ii) the increase in administrative expenses; and (iii) decrease in other gains.

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 September 2016.

Share Capital

As at 1 July 2016 and 30 September 2016, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 ordinary shares of par value of HK\$0.01 each (the "Shares") and the issued share capital of the Company was HK\$6,000,000 divided into 600,000,000 Shares. The share capital of the Company only comprises Shares. There has been no change in the share capital of the Company during the period under review.

Significant Investment Held

As at 30 September 2016 and 2015, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 September 2016 and 2015, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group's Assets

The following assets of the Group were pledged at the end of the period under review for securing bank guarantee and certain banking facilities granted to the Group:

	As at 30 September 2016 HK\$'000	As at 30 September 2015 HK\$'000
Pledged bank deposits	178	2,254

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The actual net proceeds from the placing of 150,000,000 Shares at HK\$0.53 per share received by the Company were approximately HK\$56.6 million. These proceeds are intended to be applied in the manner as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

From the Listing Date to 30 September 2016, the net proceeds had been utilized as follows:

	Amount utilized up to 30 September 2016 HK\$'000
Upgrade and increase our production capacity	2,000
Enhance our manufacturing, information technology and human resources management capabilities	700
Strengthen our sales and marketing efforts	200

As at 30 September 2016, the unused proceeds have been placed as interest bearing deposit into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

OUTLOOK

During the period under review, we have strengthened our sales and marketing, engineering and operations teams by recruiting competent managers at our PRC operation. More aggressive marketing efforts and prospecting of new projects will be carried out. Whilst the visits to current and new customers in the PRC had yielded some potential projects, our relationship with those customers are further strengthened.

From 8 November 2016 to 11 November 2016, our sales and marketing teams participated at the electronica 2016 in Munich, Germany (<http://electronica.de/>), which is the world's leading trade fair for electronic components, systems and applications. Immediately after this trade fair, we will visit our key customers and suppliers in Western Europe where we anticipate new business opportunities will be available.

The Group will continue to invest in production facilities and equipments. When the expanded production floors together with the newly purchased automated machineries at our PRC operation are ready in or about February 2017, we consider that we will be equipped to meet the future needs of our customers.

Our business and manufacturing processes are under review and we shall allocate more resources on our enterprise resource planning system (the "ERP system"). The new ERP system of PRC operation and the upgrading of the ERP system at Malaysia operation will help us to improve our operational efficiency.

Looking forward to 31 December 2016 and beyond, the Group expects the markets of our customers remain challenging, which in turn may affect our revenue and profitability. Nonetheless, the Group will continue to strengthen our competitiveness in the market.

OTHER INFORMATION

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 September 2016, 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	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	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 which is wholly owned by Mr. Lau.

Save as disclosed above, as at 30 September 2016, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings set out in the GEM Listing Rules.

OTHER INFORMATION

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

As at 30 September 2016, the following persons (not being the directors 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 Group Limited	Beneficial owner (Note 2)	450,000,000 Shares (L)	75
Ms. Lim Youngsook	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 Youngsook is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim Youngsook 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 September 2016, the Directors were not aware of any persons who had or deemed or taken to have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

DEED OF NON-COMPETITION

A deed of non-competition (the “**Deed of Non-competition**”) dated 20 April 2016 was entered into by Jumbo Planet and Mr. Lau in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders” and the non-competition undertaking has become effective from the Listing Date.

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 period under review.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, RHB Capital Hong Kong Limited, as at 30 September 2016, except for the compliance adviser agreement dated 12 January 2016 entered into between the Company and RHB Capital Hong Kong Limited, none of RHB Capital Hong Kong Limited, its directors, employees or close associates 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.

PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period under review. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE CODE

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 period.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also 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 throughout the three months ended 30 September 2016.

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 period under review.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) pursuant to a resolution of our Directors passed on 20 April 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules 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 unaudited consolidated financial statements for the three months ended 30 September 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited consolidated financial statements of the Group for the three months ended 30 September 2016 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

APPRECIATION

On behalf of the Board, I would like to thank our customers for their support during the period under review. I would also like to express our sincere appreciation to our suppliers, bankers and staff for their efforts and commitments.

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

Hong Kong, 10 November 2016

As at the date of this report, 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.