

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 MARCH 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of TEM Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries for the nine months ended 31 March 2017. This announcement, containing the full text of the 2016/2017 third quarterly report of the Company, complies with the relevant requirements of The Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany the preliminary announcement of third quarterly results. Printed version of the Company’s 2016/2017 third quarterly report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at <http://ir.tem-group.com> on or before 15 May 2017.

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

Hong Kong, 10 May 2017

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.

* For identification purpose only

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 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.

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>.

CONTENTS

	Pages
Corporate Information	2
Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Unaudited Consolidated Statement of Changes in Equity	6
Notes to the Unaudited Consolidated Financial Statements	7
Management Discussion and Analysis	14
Disclosure of Interests	19
Other Information	21

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Man Tak (*Chairman*)

Mr. Vincent Ho Pang Cheng
(*Chief Executive Officer*)

Mr. Kan Wai Kee

Ms. Koay Lee Chern

Independent Non-Executive Directors

Mr. Lum Chor Wah Richard

Mr. Ma Yiu Ho Peter

Mr. Lee Hon Man Eric

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter (*Chairman*)

Mr. Lum Chor Wah Richard

Mr. Lee Hon Man Eric

NOMINATION COMMITTEE

Mr. Lee Hon Man Eric (*Chairman*)

Mr. Lau Man Tak

Mr. Vincent Ho Pang Cheng

Mr. Lum Chor Wah Richard

Mr. Ma Yiu Ho Peter

REMUNERATION COMMITTEE

Mr. Lum Chor Wah Richard (*Chairman*)

Mr. Lau Man Tak

Mr. Vincent Ho Pang Cheng

Mr. Ma Yiu Ho Peter

Mr. Lee Hon Man Eric

COMPANY SECRETARY

Mr. Wong Yiu Hung (*CPA*)

AUTHORISED REPRESENTATIVES

Mr. Lau Man Tak

Mr. Kan Wai Kee

COMPLIANCE OFFICER

Mr. Kan Wai Kee

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman, KY1-1108

Cayman Islands

REGISTERED OFFICE

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman, KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1706, Tower 1

China Hong Kong City

33 Canton Road

Tsim Sha Tsui

Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

31/F, 148 Electric Road

North Point

Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISER

RHB Capital Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

<http://ir.tem-group.com>

STOCK CODE

8346

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated financial results of the Group for the three months and nine months ended 31 March 2017 together with the comparative unaudited figures for the corresponding periods in 2016, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2017

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	24,559	28,302	81,094	93,571
Cost of Sales		(19,515)	(21,382)	(63,771)	(66,714)
Gross profit		5,044	6,920	17,323	26,857
Other Income	4	102	88	325	225
Selling and distribution costs		(734)	(720)	(2,466)	(2,396)
Administrative expenses		(4,675)	(4,495)	(15,402)	(13,147)
Other gains and losses	5	513	(1,371)	3,347	1,634
Listing expenses		–	(5,260)	–	(12,119)
Finance costs	6	–	–	–	(6)
Profit (loss) before taxation		250	(4,838)	3,127	1,048
Income tax expense	7	(510)	(421)	(2,045)	(3,818)
(Loss) profit for the period	8	(260)	(5,259)	1,082	(2,770)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Other comprehensive income (expense)					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences arising on translation to presentation currency		154	379	(155)	10
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		867	5,348	(5,116)	(2,279)
Other comprehensive income (expense) for the period		1,021	5,727	(5,271)	(2,269)
Total comprehensive income (expense) for the period		761	468	(4,189)	(5,039)
(Loss) profit for the period attributable to:					
Owners of the Company		(260)	(5,250)	1,082	(2,755)
Non-controlling interests		–	(9)	–	(15)
		(260)	(5,259)	1,082	(2,770)
Total comprehensive income (expense) attributable to:					
Owners of the Company		761	479	(4,189)	(5,024)
Non-controlling interests		–	(11)	–	(15)
		761	468	(4,189)	(5,039)
(Loss) earnings per share					
— Basic (HK cents)	10	(0.04)	(1.17)	0.18	(0.61)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MARCH 2017

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC Statutory reserve HK\$'000 (note)	Retained profits HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2015	-	-	1,173	4,531	90,438	96,142	(18)	96,124
Loss for the period	-	-	-	-	(2,755)	(2,755)	(15)	(2,770)
Exchange differences arising on translation to presentation currency	-	-	10	-	-	10	-	10
Exchange differences arising on translation of foreign operations	-	-	(2,279)	-	-	(2,279)	-	(2,279)
Total comprehensive expense for the period	-	-	(2,269)	-	(2,755)	(5,024)	(15)	(5,039)
Reclassification adjustment upon deregistration of a subsidiary (note)	-	-	-	(2,143)	2,143	-	-	-
Dividends paid (note 9)	-	-	-	-	(5,038)	(5,038)	-	(5,038)
At 31 March 2016	-	-	(1,096)	2,388	84,788	86,080	(33)	86,047
At 1 July 2016	6,000	66,340	(2,687)	2,689	77,560	149,902	-	149,902
Profit for the period	-	-	-	-	1,082	1,082	-	1,082
Exchange differences arising on translation to presentation currency	-	-	(155)	-	-	(155)	-	(155)
Exchange differences arising on translation of foreign operations	-	-	(5,116)	-	-	(5,116)	-	(5,116)
Total comprehensive (expense) income for the period	-	-	(5,271)	-	1,082	(4,189)	-	(4,189)
At 31 March 2017	6,000	66,340	(7,958)	2,689	78,642	145,713	-	145,713

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 (SIC Electronics Co Ltd*) ("TEM-Qingdao") has been dissolved during the nine months ended 31 March 2016. The accumulated statutory reserve of TEM-Qingdao amounting to HK\$2,143,000 was reclassified to retained profits upon deregistration of TEM-Qingdao.

* for identification purposes only

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 on 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 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.

The Company is an investment holding company. The Group is a 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 nine months ended 31 March 2016 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 nine months ended 31 March 2017 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

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 SEGMENT INFORMATION

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

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

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	21,260	23,761	69,977	77,993
Manufacturing of power supply cords assembled products	1,797	2,822	7,003	10,270
Trading of terminals, connectors and others	1,502	1,719	4,114	5,308
	24,559	28,302	81,094	93,571

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PRC	7,624	7,020	27,388	26,876
Asia Pacific region (excluding the PRC)	13,813	17,719	44,135	57,316
Western Europe	2,658	3,464	8,170	8,172
Others	464	99	1,401	1,207
	24,559	28,302	81,094	93,571

Information about major customers

Revenue from customers for the three months and nine months ended 31 March 2017 and for the corresponding period in 2016 contributing over 10% of the Group's revenue are as follows:

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	11,665	12,326	35,891	43,509
Customer B	2,510	3,663	10,168	11,122

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	66	23	113	98
Others	36	65	212	127
	102	88	325	225

5. OTHER GAINS AND LOSSES

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net exchange gain (loss)	513	(1,373)	3,347	1,640
Gain (loss) on disposal of property, plant and equipment	–	2	–	(6)
	513	(1,371)	3,347	1,634

6. FINANCE COSTS

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on secured bank borrowing	–	–	–	6

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	For the three months ended 31 March		For the nine month ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	484	227	1,967	2,869
PRC Enterprise Income Tax ("EIT")	(1)	103	78	645
Singapore corporate income tax	27	91	–	127
Withholding tax on distributed earnings from a PRC subsidiary	–	–	–	177
	510	421	2,045	3,818

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of 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% (2016: 24%) for the period under review.

The income tax rate applicable in Singapore is 17% (2016: 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 nine months ended 31 March 2016 and 2017.

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 nine months ended 31 March 2016 and 2017.

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

8. (LOSS) PROFIT FOR THE PERIOD

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging:				
Staff Costs	7,338	9,150	22,797	22,863
Cost of inventories recognised as expense	19,515	21,382	63,771	66,714
Depreciation of property, plant and equipment	678	431	2,059	1,767
Minimum lease payments for operating leases in respect of land and buildings	806	898	2,482	2,363

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2017. During the nine months ended 31 March 2016, 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

10. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 March		For the nine months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss) earnings:				
(Loss) profit for the period attributable to owners of the Company	(260)	(5,250)	1,082	(2,755)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	600,000,000	450,000,000	600,000,000	450,000,000

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

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

11. EVENTS AFTER REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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.

The Group's revenue decreased by 13.4% from approximately HK\$93.6 million for the nine months ended 31 March 2016 to approximately HK\$81.1 million for the nine months ended 31 March 2017. The decrease was mainly due to the continuous realignment of the product mix of a major customer and henceforth resulted in a lower level of revenue and profitability.

By business segments, the revenue of manufacturing of wire/cable harnesses was approximately HK\$70.0 million and accounted for 86.3% of the Group's total revenue, representing a decrease of 10.3% as compared to approximately HK\$78.0 million for the same period of last year. The revenue of manufacturing of power supply cords assembled products was approximately HK\$7.0 million and accounted for 8.6% of the Group's total revenue, representing a decrease 32.0% as compared to approximately HK\$10.3 million for the same period of last year. The revenue of trading of terminals, connectors and others was approximately HK\$4.1 million and accounted for 5.1% of the Group's total revenue, representing a decrease 22.6% as compared to approximately HK\$5.3 million for the same period of last year. The decrease was due to the decline in demand from the customers.

By geographical market segments, the revenue of the Group from the PRC experienced a slightly increase, though keen competition and recorded HK\$27.4 million and accounted for 33.8% of the Group's total revenue. The revenue from Asia Pacific region was approximately HK\$44.1 million and accounted for 54.4% of the Group's total revenue, representing a decrease 23.0% as compared to approximately HK\$57.3 million for the same period of last year. Such decrease was mainly due to the continuous realignment of the product mix of a major customer. The revenue from Western Europe remains stable and recorded approximately HK\$8.2 million and accounted for 10.1% of the Group's revenue.

During the period under review, the Group has acquired a fully automated machinery and would be ready for production in the PRC factory in June 2017. It shall help to increase production capacity as well as enhance product quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the Malaysia factory has already attained the TS16949 certification in December 2016 and has started to receive customers' product enquiries and orders to produce the automotive harnesses for front lights and rear lights of car.

The Group has strengthened its effort on sales, marketing and engineering teams by expanding its workforce and adopting more aggressive marketing strategies. Other than making regular visits to key customers, the Group had participated in the electronica China 2017 in Shanghai, the PRC (<http://electronica-china.com/>) in March 2017, which is one of Asia's leading trade fair for electronic components, systems and applications. The Group had not only further promoted its products, enhanced its image and exchanged market information, but also met existing and potential customers and suppliers during and after the electronica China 2017. Relationship with current customers continue to be reinforced and new relationship was developed with potential customers during the trade fair.

Going forward, the Group's operating environment is still challenging and henceforth, we will keep on intensifying our competitiveness in the market.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 13.4% from approximately HK\$93.6 million for the nine months ended 31 March 2016 to approximately HK\$81.1 million for the nine months ended 31 March 2017. The decrease was mainly due to the continuous realignment of the product mix of a major customer during the period under review.

Cost of sales and gross profit

Cost of sales decreased by 4.3% from approximately HK\$66.7 million for the nine months ended 31 March 2016 to approximately HK\$63.8 million for the nine months ended 31 March 2017. Gross profit of the Group decreased by 35.7% from approximately HK\$26.9 million for the nine months ended 31 March 2016 to approximately HK\$17.3 million for the nine months ended 31 March 2017. The decrease of cost of sales and gross profit was mainly the result of the drop in the revenue caused by the continuous realignment of product mix of a major customer that led to decrease of order volume placed to the Company and lower margin per unit of products for the nine months ended 31 March 2017.

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 amounted to approximately HK\$2.4 million for the nine months ended 31 March 2016 which was approximately the same as HK\$2.5 million for the nine months ended 31 March 2017.

Administrative Expenses

Administrative expenses of the Group increased by 17.6% from approximately HK\$13.1 million for the nine months ended 31 March 2016 to approximately HK\$15.4 million for the nine months ended 31 March 2017. Administrative expenses primarily consist of staff costs, rental expenses and other professional fee. The increase was attributable to the increase in expenses for professional fees, compliance fees and director fees, following the Listing.

Other gains and losses

Other gains and losses increased by 106.3% from approximately HK\$1.6 million for the nine months ended 31 March 2016 to approximately HK\$3.3 million for the nine months ended 31 March 2017. Other gains and losses primarily consist of net exchange gains. Such significant net exchange gain was mainly related to the translation and realization of the Group's monetary assets denominated in USD against Malaysia Ringgit in the nine months ended 31 March 2017.

Income tax expense

Income tax expense decreased by 47.4% from approximately HK\$3.8 million for the nine months ended 31 March 2016 to approximately HK\$2.0 million for the nine months ended 31 March 2017. Such decrease was mainly due to the reduction in the taxable profit of subsidiaries in Malaysia and the PRC for the nine months ended 31 March 2017.

(Loss) profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the company of approximately HK\$1.1 million for the nine months ended 31 March 2017. As a result of the listing expenses incurred for the nine months ended 31 March 2016 of approximately HK\$12.1 million, the Group recorded a loss attributable to owners of the Company of approximately HK\$2.8 million for the nine months ended 31 March 2016. After taking out the effect of the one-off listing expenses, the Group would have recorded a profit attributable to owners of the Company of approximately HK\$9.3 million for the nine months ended 31 March 2016.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 18 May 2016. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 31 March 2017, 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 USD, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Ringgit, Euro and Renminbi, which exposes the Group to foreign currency risk. The Group did not use derivative financial instrument to hedge currency risk.

On 2 December 2016, the Financial Markets Committee of Bank Negara Malaysia announced several measures intended to enhance the liquidity of the foreign exchange market in Malaysia, which have come into effect since 5 December 2016. Details are set out in the announcement of the Company dated 16 December 2016.

The Group managed the foreign exchange risk by closely monitoring the movement of foreign currency rate. Nevertheless, the Group will take appropriate activities to reduce the foreign exchange risk.

Significant Investment Held

As at 31 March 2017 and 2016, the Group did not hold any significant investments.

Contingent Liabilities

As at 31 March 2017 and 2016, the Group did not have any material contingent liabilities.

Pledge of the Group's Assets

As at 31 March 2017, the bank deposits of approximately HK\$0.5 million (30 June 2016: approximately HK\$0.2 million) were pledged to a bank to secure bank guarantee to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$56.6 million. 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 31 March 2017, the unused proceeds from the Listing in the amount of approximately HK\$51.4 million 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 above.

An analysis of the utilisation of the net proceeds from the Listing up to 31 March 2017 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK\$'000	Actual use of net proceeds up to 31 March 2017 HK\$'000	Unused balance as at 31 March 2017 HK\$'000
Upgrade and increase our production capacity	40,978	3,251	37,727
Enhance our manufacturing, information technology and human resources management capabilities	4,528	1,246	3,282
Strengthen our sales and marketing efforts	6,226	730	5,496

DISCLOSURE OF INTERESTS

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 31 March 2017, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

Long positions in the Shares

Ordinary Shares of HK\$0.01 each of the Company

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

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) 450,000,000 Shares were held by Jumbo Planet Group Limited ("Jumbo Planet") which is wholly owned by Mr. Lau.

Save as disclosed above, as at 31 March 2017, 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.

DISCLOSURE OF INTERESTS

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

As at 31 March 2017, so far is known to the Directors the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Ordinary Shares of HK\$0.01 each of the Company

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

Notes:

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

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

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

Saved as disclosed above, as at 31 March 2017, 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

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 20 April 2016 which became unconditional upon Listing for a period of 10 years from 18 May 2016.

The Share Option Scheme is valid and effective for a period of 10 years from 18 May 2016 and its purpose is to reward eligible participants who have contributed or will contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants of the Share Option Scheme include (collectively “**Eligible participants**”):

- (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group, whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

The total number of Shares of the Company available for issue under the scheme is 60,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report. The total number of Shares of the Company to be issued upon exercise of the share options granted to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the total Shares of the Company then in issue, unless approved by Shareholders of the Company in general meeting in the manner prescribed under the GEM Listing Rules. The number of Shares to be issued in respect of which options may be granted to a substantial shareholder or an independent non-executive Director of any of their respective close associates (within the meaning of the GEM Listing Rules) representing in aggregate over 0.1% of the total number of the Company's Issued Shares on the date of such grant or with an aggregate value in excess of HK\$5,000,000 must be approved by Shareholders in general meeting.

OTHER INFORMATION

An offer of a grant of share options shall be deemed to have been accepted when the duplicate letter comprising acceptance of the share option (the “Share Option”) duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the Share Option. Once the acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date. The period for the exercise of a share option is determined by the Board in its sole discretion, but such period shall not be more than 10 years from the date of grant of the option.

Under the Share Option Scheme, the subscription price payable upon exercise of any options granted is determined by the Board but in any event it shall be at least the highest of: (i) the nominal value of the Company’s Shares; (ii) the closing price of the Company’s Shares as stated in the Stock Exchange’s daily quotation sheets on the date on which the option is offered to a participant; and (iii) the average of the closing prices of the Company’s Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer of the option.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2017.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme set out in this report, at no time during the nine months ended 31 March 2017 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the nine months ended 31 March 2017, 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.

OTHER INFORMATION

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 nine months ended 31 March 2017.

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 nine months ended 31 March 2017.

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 nine months ended 31 March 2017.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, RHB Capital Hong Kong Limited ("RHB"), as at 31 March 2017, except for the compliance adviser agreement dated 12 January 2016 entered into between the Company and RHB, none of RHB, its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “CG Code”). In the opinion of the Board, the Company has complied with the CG Code for the period under review.

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 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 nine months ended 31 March 2017 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 nine months ended 31 March 2017 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 10 May 2017

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.