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**TEM Holdings Limited**

**創新電子控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8346)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of TEM Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries for the three months ended 30 September 2017. This announcement, containing the full text of the 2017/2018 first 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 (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany the preliminary announcement of first quarterly results. Printed version of the Company’s 2017/2018 first 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](http://www.hkexnews.hk) and of the Company at <http://ir.tem-group.com> on or before 14 November 2017.

By order of the Board  
**TEM Holdings Limited**  
**Lau Man Tak**

*Chairman and Executive Director*

Hong Kong, 6 November 2017

\* for identification purpose only

*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 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>.*

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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. 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 GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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# 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

(As from 20 November 2017:

Room 2103B, 21/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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the "Board") of the Company hereby announces the unaudited condensed consolidated financial results of the Group for the three months ended 30 September 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

		For the three months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
	Notes		
Revenue	3	27,469	29,867
Cost of Sales		(22,338)	(23,380)
Gross profit		5,131	6,487
Other Income	4	136	151
Selling and distribution costs		(773)	(755)
Administrative expenses		(5,319)	(5,235)
Other gains and losses	5	129	500
(Loss) profit before taxation		(696)	1,148
Income tax expense	6	(154)	(644)
(Loss) profit for the period	7	(850)	504

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 30 September	
		2017	2016
		HK\$'000	HK\$'000
Notes		(Unaudited)	(Unaudited)
<b>Other comprehensive income (expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
	Exchange differences arising on translation to presentation currency	73	(58)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	Exchange differences arising on translation of foreign operations	1,170	(1,495)
	Other comprehensive income (expense) for the period	1,243	(1,553)
	Total comprehensive income (expense) for the period	393	(1,049)
	(Loss) profit for the period attributable to owners of the Company	(850)	504
	Total comprehensive income (expense) attributable to owners of the Company	393	(1,049)
	(Loss) earnings per share		
	— Basic (HK cents)	9	(0.14)



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC Statutory reserve HK\$'000 (note)	Retained profits HK\$'000	Total HK\$'000
At 1 July 2016 (audited)	6,000	66,340	(2,687)	2,689	77,560	149,902
Profit for the period	-	-	-	-	504	504
Exchange differences arising on translation to presentation currency	-	-	(58)	-	-	(58)
Exchange differences arising on translation of foreign operations	-	-	(1,495)	-	-	(1,495)
Total comprehensive (expense) income for the period	-	-	(1,553)	-	504	(1,049)
At 30 September 2016 (unaudited)	6,000	66,340	(4,240)	2,689	78,064	148,853
At 1 July 2017 (audited)	6,000	66,340	(5,921)	2,742	75,533	144,694
Loss for the period	-	-	-	-	(850)	(850)
Exchange differences arising on translation to presentation currency	-	-	73	-	-	73
Exchange differences arising on translation of foreign operations	-	-	1,170	-	-	1,170
Total comprehensive income (expense) for the period	-	-	1,243	-	(850)	393
Transfer	-	-	-	55	(55)	-
At 30 September 2017 (unaudited)	6,000	66,340	(4,678)	2,797	74,628	145,087

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.

# NOTES TO THE UNAUDITED CONDENSED 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 GEM of the Stock Exchange on 18 May 2016 (the "Listing Date"). The address of the registered office address and principal place of business of the Company are disclosed in the corporate information section to this report.

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

The functional currency of the Company is United States dollars ("US\$"). The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") as in the opinion of the Directors, 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 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 condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 30 June 2017.

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 condensed consolidated financial statements for the period presented as a result of these developments.

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

### Segment revenue

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

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	23,202	25,986
Manufacturing of power supply cords assembled products	3,051	2,734
Trading of terminals, connectors and others	1,216	1,147
	27,469	29,867

# NOTES TO THE UNAUDITED CONDENSED 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 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PRC	10,302	10,539
Asia Pacific region (excluding the PRC)	14,800	16,142
Western Europe	2,093	2,367
Others	274	819
	<b>27,469</b>	<b>29,867</b>

### Information about major customers

Revenue from customers for the three months ended 30 September 2017 and for the corresponding period in 2016 contributing over 10% of the Group's revenue are as follows:

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	11,632	12,747
Customer B	3,351	4,268
Customer C	3,148	*

\* The corresponding revenue did not contribute over 10% of the Group's revenue.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. OTHER INCOME

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	43	22
Others	93	129
	136	151

## 5. OTHER GAINS AND LOSSES

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net exchange gain	129	500

## 6. INCOME TAX EXPENSE

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:		
Malaysia corporate income tax	128	574
PRC Enterprise Income Tax ("EIT")	14	29
Singapore corporate income tax	12	41
	154	644

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. INCOME TAX EXPENSE (continued)

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 three months ended 30 September 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 three months ended 30 September 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%.

## 7. (LOSS) PROFIT FOR THE PERIOD

	For the three months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Staff Costs	6,179	6,983
Cost of inventories recognised as expense	22,338	23,380
Depreciation of property, plant and equipment	2,198	728
Minimum lease payments for operating leases in respect of land and buildings	894	851

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 September 2017 (2016: nil).

## 9. (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 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>(Loss) earnings:</b>		
(Loss) profit for the period attributable to owners of the Company	(850)	504
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	600,000,000	600,000,000

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

## 10. EVENTS AFTER REPORTING PERIOD

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

## 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 dropped by 8.0% from approximately HK\$29,867,000 for the three months ended 30 September 2016 to approximately HK\$27,469,000 for the three months ended 30 September 2017. The decrease was mainly attributable to the decreased revenue from manufacturing of wire/cable harnesses segment, primarily due to one of our major customers still undergoing the realignment of its product mix.

The Group is currently organised into three operating segments which are (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others. The revenue from these segments accounted for 84.5%, 11.1% and 4.4% of the Group's total revenue, for the three months ended 30 September 2017, respectively. The revenue mix was stable when compared with that of the same period last year 87.0%, 9.2% and 3.8% respectively.

By operating segments, the revenue of manufacturing of wire/cable harnesses was approximately HK\$23,202,000 for the three months ended 30 September 2017, representing a decrease of 10.7% as compared to approximately HK\$25,986,000 for the three months ended 30 September 2016. Such decline was the result of the continuous realignment of the product mix of a major customer. The revenue of manufacturing of power supply cords assembled products was approximately HK\$3,051,000 for the three months ended 30 September 2017, representing an increase of 11.6% as compared to approximately HK\$2,734,000 for the three months ended 30 September 2016. The revenue of trading of terminals, connectors and others was approximately HK\$1,216,000 for the three months ended 30 September 2017, representing a growth of 6.0% as compared to approximately HK\$1,147,000 for the three months ended 30 September 2016. The increase of these segments was the result of the increase in sales generated from the customers.



## MANAGEMENT DISCUSSION AND ANALYSIS

By geographical market segments, the revenue from the PRC recorded HK\$10,302,000 for the three months ended 30 September 2017 and accounted for 37.5% of the Group's total revenue, representing a decrease of 2.2% as compared to approximately HK\$10,539,000 for the three months ended 30 September 2016. The revenue from Asia Pacific region (excluding the PRC) was approximately HK\$14,800,000 for the three months ended 30 September 2017 and accounted for 53.9% of the Group's total revenue, representing a drop 8.3% as compared to approximately HK\$16,142,000 for the three months ended 30 September 2016. The revenue from Western Europe was approximately HK\$2,093,000 for the three months ended 30 September 2017 and accounted for 7.6% of the Group's revenue, representing a reduction of 11.6% as compared to approximately HK\$2,367,000 for the three months ended 30 September 2016.

Though the sales mix remained stable, the Group was still affected by the continuing realignment of product mix of a major customer. The continual increase in the price of our major raw materials (driven by the rise in the copper price) and the persistent request for price reduction from various customers did exert pressure on the Group's product selling price. Moreover, the increase in level of labour wages drove up the labour cost. To cope with these challenges, the Group regularly reviewed its labour productivity and the cost effectiveness of automated manufacturing process in our Malaysia and the PRC factory. In addition, the Group has an industrial engineer based in its PRC factory focusing on streamlining production process and arrangement.

Going forward, the Group's operating environment is challenging. We shall use our best endeavours to enhance our competitiveness in the market consistently.

## FINANCIAL REVIEW

The Group's revenue decreased by 8.0% from approximately HK\$29,867,000 for the three months ended 30 September 2016 to approximately HK\$27,469,000 for the three months ended 30 September 2017. Cost of sales reduced by 4.5% from approximately HK\$23,380,000 for the three months ended 30 September 2016 to approximately HK\$22,338,000 for the three months ended 30 September 2017. Meanwhile, the gross profit margin declined from 21.7% for the three months ended 30 September 2016 to 18.7% for the three months ended 30 September 2017. Such decrease was mainly attributable to the increase in the prices of major raw materials for manufacturing of the Group's products, increase in direct labor costs, repairs and maintenance expenses. As a result of the drop in revenue and gross profit margin, the gross profit of the Group dropped by 20.9% from approximately HK\$6,487,000 for the three months ended 30 September 2016 to approximately HK\$5,131,000 for the three months ended 30 September 2017.

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK\$773,000 for the three months ended 30 September 2017 which was approximately the same as HK\$755,000 for the three months ended 30 September 2016.

Administrative expenses of the Group slightly increased by 1.6% from approximately HK\$5,235,000 for the three months ended 30 September 2016 to approximately HK\$5,319,000 for the three months ended 30 September 2017. Administrative expenses primarily consist of staff costs, rental expenses and other professional fee. We had utilised our best efforts to curb the increase in the overall administrative expenses.

Other gains and losses declined by 74.2% from approximately HK\$500,000 for the three months ended 30 September 2016 to approximately HK\$129,000 for the three months ended 30 September 2017. These primarily consist of net exchange gain that related to the translation and realisation of the Group's monetary assets denominated in US\$ against Malaysia Ringgit before the new Malaysian Government foreign exchange policy that came into effect on 5 December 2016. Thereafter, the Malaysia Ringgit has become more stable.

Income tax expense lessened by 76.1% from approximately HK\$644,000 for the three months ended 30 September 2016 to approximately HK\$154,000 for the three months ended 30 September 2017. Such drop was simply because of the reduction in the taxable profit of the Group's operations in Malaysia and the PRC for the three months ended 30 September 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above, loss attributable to owners of the Company for the three ended 30 September 2017 was approximately HK\$850,000. For the three months ended 30 September 2016, the Group recorded a profit attributable to owners of the Company in the amount of approximately HK\$504,000.

## Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 September 2017 (2016: nil).

## Pledge of the Group's assets

As at 30 September 2017, the bank deposits of approximately HK\$175,000 (30 June 2017: approximately HK\$173,000) were pledged to a bank to secure bank guarantee to the Group.

## Share Capital

There has been no change in the share capital of the Company for the three months ended 30 September 2017.

## Significant Investment Held

As at 30 September 2017 and 2016, the Group did not hold any significant investment.

## Contingent Liabilities

As at 30 September 2017 and 2016, the Group did not have any material contingent liabilities or guarantees.

## Foreign Exchange Exposure

The revenue of the Group is mainly denominated in US\$, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Malaysia Ringgit, Euro and Renminbi, which exposes the Group to foreign currency risk. The Group did not use derivative financial instrument to hedge currency risk.

The management considered that the foreign exchange risk with respect to US\$ is not significant as HK\$ is pegged to US\$. The exchange rate of Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$56,600,000. These proceeds are intended to be applied as described in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 29 April 2016 (the "Prospectus"). As at 30 September 2017, the unused proceeds from the Listing in the amount of approximately HK\$47,016,000 has been placed as interest bearing deposits with licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

An analysis of the utilisation of the net proceeds from the Listing up to 30 September 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 30 September 2017 HK\$'000	Unutilised balance as at 30 September 2017 HK\$'000
Upgrade and increase our production capacity	40,978	6,939	34,039
Enhance our manufacturing, information technology and human resources management capabilities	4,528	1,688	2,840
Strengthen our sales and marketing efforts	6,226	957	5,269

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

### Long positions in the shares

#### Ordinary shares of HK\$0.01 each of the Company

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

Notes:

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

Save as disclosed above, as at 30 September 2017, none of the Directors or the chief executive of the Company or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or 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 30 September 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 30 September 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 (the “Share Option Scheme”) 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.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 30 September 2017.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the three months ended 30 September 2017 was the Company, any of its holding companies, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the three months ended 30 September 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.

### 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 three months ended 30 September 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 three months ended 30 September 2017.

## 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 three months ended 30 September 2017.

### INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, RHB Capital Hong Kong Limited (“**RHB**”), as at 30 September 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.

### 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 under review.



## OTHER INFORMATION

### AUDIT COMMITTEE

The Company has established an Audit Committee pursuant to a resolution of the Directors passed on 20 April 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with 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 the 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 condensed consolidated financial statements for the three months ended 30 September 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 30 September 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, 6 November 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.*