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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 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 six months ended 31 December 2017. This announcement, containing the full text of the 2017/2018 interim 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 interim results. Printed version of the Company’s 2017/2018 interim 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 14 February 2018.

By order of the Board
TEM Holdings Limited
Lau Man Tak

Chairman and Executive Director

Hong Kong, 7 February 2018

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>.

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

Room 2103B, 21/F., 148 Electric Road

North Point

Hong Kong

COMPLIANCE ADVISER

CLC International Limited

13/F, Nan Fung Tower

88 Connaught Road Central

Central

Hong Kong

CORPORATE INFORMATION

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

INTERIM RESULTS

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

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	24,948	26,668	52,417	56,535
Cost of Sales		(21,595)	(20,876)	(43,933)	(44,256)
Gross profit		3,353	5,792	8,484	12,279
Other Income	4	159	72	295	223
Selling and distribution costs		(829)	(977)	(1,602)	(1,732)
Administrative expenses		(5,864)	(5,492)	(11,183)	(10,727)
Other gains and losses	5	(562)	2,334	(433)	2,834
(Loss) profit before taxation		(3,743)	1,729	(4,439)	2,877
Income tax expense	6	125	(891)	(29)	(1,535)
(Loss) profit for the period	7	(3,618)	838	(4,468)	1,342

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		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		79	(251)	152	(309)
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		2,088	(4,488)	3,258	(5,983)
Other comprehensive income (expense) for the period		2,167	(4,739)	3,410	(6,292)
Total comprehensive expense for the period		(1,451)	(3,901)	(1,058)	(4,950)
(Loss) profit for the period attributable to Owners of the Company		(3,618)	838	(4,468)	1,342
Total comprehensive expense attributable to Owners of the Company		(1,451)	(3,901)	(1,058)	(4,950)
(Loss) earnings per share					
— Basic (HK cents)	9	(0.60)	0.14	(0.74)	0.22

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	17,330	16,226
Deposits paid for acquisition of property, plant and equipment		43	47
Deferred tax assets		443	418
		17,816	16,691
CURRENT ASSETS			
Inventories		34,149	26,149
Trade and other receivables	11	41,569	32,720
Tax recoverable		2,434	1,617
Pledged bank deposits		175	173
Bank balances and cash		63,857	79,493
		142,184	140,152
CURRENT LIABILITIES			
Trade and other payables	12	16,247	12,056
Tax payable		117	93
		16,364	12,149
NET CURRENT ASSETS		125,820	128,003
TOTAL ASSETS LESS CURRENT LIABILITIES		143,636	144,694
CAPITAL AND RESERVES			
Share capital	13	6,000	6,000
Reserves		137,636	138,694
TOTAL EQUITY		143,636	144,694

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 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	-	-	-	-	1,342	1,342
Exchange differences arising on translation to presentation currency	-	-	(309)	-	-	(309)
Exchange differences arising on translation of foreign operations	-	-	(5,983)	-	-	(5,983)
Total comprehensive (expense) income for the period	-	-	(6,292)	-	1,342	(4,950)
At 31 December 2016 (unaudited)	6,000	66,340	(8,979)	2,689	78,902	144,952
At 1 July 2017 (audited)	6,000	66,340	(5,921)	2,742	75,533	144,694
Loss for the period	-	-	-	-	(4,468)	(4,468)
Exchange differences arising on translation to presentation currency	-	-	152	-	-	152
Exchange differences arising on translation of foreign operations	-	-	3,258	-	-	3,258
Total comprehensive income (expense) for the period	-	-	3,410	-	(4,468)	(1,058)
At 31 December 2017 (unaudited)	6,000	66,340	(2,511)	2,742	71,065	143,636

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash used in operating activities	(12,497)	(3,073)
Net cash used in investing activities	(2,190)	(5,625)
Net decrease in cash and cash equivalents	(14,687)	(8,698)
Effect of foreign exchange rate changes	(949)	(2,426)
Cash and cash equivalents at beginning of the period	79,493	97,689
Cash and cash equivalents at the end of the period	63,857	86,565

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 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 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 six months ended 31 December 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 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	20,171	22,731	43,373	48,717
Manufacturing of power supply cords assembled products	3,011	2,472	6,062	5,206
Trading of terminals, connectors and others	1,766	1,465	2,982	2,612
	24,948	26,668	52,417	56,535

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 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PRC	9,161	9,225	19,463	19,764
Asia Pacific region (excluding the PRC)	12,772	14,180	27,572	30,322
Western Europe	2,536	3,145	4,629	5,512
Others	479	118	753	937
	24,948	26,668	52,417	56,535

Information about major customers

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

	For the three months ended 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	10,061	12,479	21,693	24,226
Customer B	2,141	3,390	5,492	7,658
Customer C	2,811	*	5,959	*

* 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 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	36	25	79	47
Others	123	47	216	176
	159	72	295	223

5. OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net exchange (loss) gain	(562)	2,334	(433)	2,834

6. INCOME TAX EXPENSE

	For the three months ended 31 December		For the six months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	(228)	909	(100)	1,483
PRC Enterprise Income Tax ("EIT")	–	50	14	79
Singapore corporate income tax	103	(68)	115	(27)
	(125)	891	29	1,535

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. Tax losses was incurred 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 six months ended 31 December 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 six months ended 31 December 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 31 December		For the six months ended 31 December	
	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	9,521	8,476	15,700	15,459
Cost of inventories recognised as expense	21,595	20,876	43,933	44,256
Depreciation of property, plant and equipment	1,004	653	1,795	1,381
Minimum lease payments for operating leases in respect of land and buildings	786	825	1,680	1,676

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 31 December 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 31 December		For the six months ended 31 December	
	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	(3,618)	838	(4,468)	1,342
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	600,000,000	600,000,000	600,000,000	600,000,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, additions in property, plant and equipment amounted to HK\$2,282,154 (2016: HK\$5,865,164) and depreciation of HK\$1,794,509 (2016: HK\$1,381,413) were made by the Group respectively.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
Trade receivables	35,136	28,554
Prepayments, deposits and other receivables	6,433	4,166
	41,569	32,720

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (continued)

The Group allows credit period ranging from 30 days to 120 days to its customers.

The following is an aged analysis of trade receivables presented based on the invoice date/date of delivery of goods at the end of the reporting period.

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
0–30 days	11,218	10,213
31–60 days	8,095	8,351
61–90 days	6,137	4,741
91–120 days	5,909	4,104
Over 120 days	3,777	1,145
	35,136	28,554

12. TRADE AND OTHER PAYABLES

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
Trade payables	12,390	7,601
Other payables and accrued expenses	3,857	4,455
	16,247	12,056

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES (continued)

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

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
0–30 days	6,005	3,619
31–60 days	3,315	2,387
61–90 days	3,026	1,512
Over 90 days	44	83
	12,390	7,601

13. SHARE CAPITAL

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 30 June 2017 HK\$'000 (Audited)
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
600,000,000 ordinary shares of HK\$0.01 each	6,000	6,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed in the unaudited consolidated financial statements, during the period, the Group entered into the following transactions with its related parties:

		For the six months ended 31 December	
		2017	2016
		HK\$'000	HK\$'000
Name of related parties	Nature of transaction	(Unaudited)	(Unaudited)
Companies which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	170	156
Brascabos Componentes Elétricos e Eletrônicos Ltda.	Purchase of tooling	117	–

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

		For the six months ended 31 December	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Fees, salaries and other allowances		2,192	2,448
Discretionary bonuses		–	23
Retirement benefits scheme contributions		63	137
Total		2,255	2,608

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals.

15. 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.

During the period under review, the Group's revenue was approximately HK\$52,417,000 while it was approximately HK\$56,535,000 for the six months ended 31 December 2016, representing a drop of 7.3%. The drop in the revenue was attributable to a decrease in completed customer orders in the manufacturing of wire/cable harnesses segment resulted from shortage of supply and tight delivery of raw material from a major supplier.

Segment Information

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

	For the six months ended 31 December		
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	Increase/ (Decrease) %
Manufacturing of wire/cable harnesses	43,373	48,717	(11.0)
Manufacturing of power supply cords assembled products	6,062	5,206	16.4
Trading of terminals, connectors and others	2,982	2,612	14.2
	52,417	56,535	(7.3)

By operating segments, the revenue of manufacturing of wire/cable harnesses was approximately HK\$43,373,000 for the six months ended 31 December 2017, representing a decrease of 11.0% as compared to approximately HK\$48,717,000 for the six months ended 31 December 2016. The revenue of manufacturing of power supply cords assembled products was approximately HK\$6,062,000 for the six months ended 31 December 2017, representing an increase of 16.4% as compared to approximately HK\$5,206,000 for the six months ended 31 December 2016. The revenue of trading of terminals, connectors and others was approximately HK\$2,982,000 for the six months ended 31 December 2017, representing a growth of 14.2% as compared to approximately HK\$2,612,000 for the six months ended 31 December 2016.

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:

	For the six months ended 31 December		
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	Decrease %
PRC	19,463	19,764	1.5
Asia Pacific Region (excluding the PRC)	27,572	30,322	9.1
Western Europe	4,629	5,512	16.0
Others	753	937	19.6
	52,417	56,535	7.3

By geographical market segments, the revenue from the PRC remained stable and recorded approximately HK\$19,463,000 for the six months ended 31 December 2017 and accounted for 37.1% of the Group's total revenue, while it was approximately HK\$19,764,000 for the six months ended 31 December 2016. The revenue from Asia Pacific region (excluding the PRC) was approximately HK\$27,572,000 for the six months ended 31 December 2017 and accounted for 52.6% of the Group's total revenue, representing a drop of 9.1% as compared to approximately HK\$30,322,000 for the six months ended 31 December 2016. The revenue from Western Europe was approximately HK\$4,629,000 for the six months ended 31 December 2017 and accounted for 8.8% of the Group's total revenue, representing a decrease of 16.0% as compared to approximately HK\$5,512,000 for the six months ended 31 December 2016.

The increase in the revenue of manufacturing of power supply cords assembled products and trading of terminals, connectors and others segments was owing to the Group's ongoing marketing efforts. We plan to attend the electronica China 2018 to be held in Shanghai, the PRC in March 2018 (<http://electronicachina.com.cn>), which is one of the world's leading trade fair for the electronic components, systems and applications. Besides trade shows, regular visits and meetings with existing key customers were and will be conducted with a view to strengthen the relationship with customers (both existing and potential) so as to maintain a consistent growth of a sizable and loyal customer base. As mentioned, the results of the Group for the period under review was affected by the shortage of supply and tight delivery of raw material from a major supplier which in turn led to an increase in the cost of direct materials and manufacturing and related expenses which may last until the end of March 2018. We have taken remedial actions, such as finding alternative suppliers, to mitigate the aforesaid factor. The Group will continue to put effort in these measures as the Group's operating environment remains challenging.

MANAGEMENT DISCUSSION AND ANALYSIS

In the forthcoming periods, the Group will take all appropriate measures to maximise the efficiency and effectiveness in production process and to minimise the costs of production. In addition, the Group will continue to develop and increase its products portfolio and customer base which are expected to contribute positively to the performance of the Group by promoting its existing products, exploiting overseas markets, solidifying relationship with existing customers and widen customer base with an aim to improve our profitability.

FINANCIAL REVIEW

The Group's revenue decreased by 7.3% from approximately HK\$56,535,000 for the six months ended 31 December 2016 to approximately HK\$52,417,000 for the six months ended 31 December 2017. Cost of sales reduced by 0.7% from approximately HK\$44,256,000 for the six months ended 31 December 2016 to approximately HK\$43,933,000 for the six months ended 31 December 2017. Meanwhile, the gross profit margin declined from 21.7% for the six months ended 31 December 2016 to 16.2% for the six months ended 31 December 2017. Such decrease was mainly attributable to the shortage of supply and tight delivery of raw material from a major supplier which led to an increase in the cost of direct materials. As a result of the drop in revenue and gross profit margin, the gross profit of the Group dropped by 30.9% from approximately HK\$12,279,000 for the six months ended 31 December 2016 to approximately HK\$8,484,000 for the six months ended 31 December 2017.

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, and amounted to approximately HK\$1,602,000 for the six months ended 31 December 2017, decreased by 7.5% from approximately HK\$1,732,000 for the six months ended 31 December 2016. The decrease was mainly due to drop in travelling expenses for the period under review.

Administrative expenses of the Group slightly increased by 4.3% from approximately HK\$10,727,000 for the six months ended 31 December 2016 to approximately HK\$11,183,000 for the six months ended 31 December 2017. This was mainly attributable to the increase in license fee, testing charges regarding sourcing alternative suppliers and professional service fee during the period under review.

Other gains and losses mainly comprised of net exchange differences loss of approximately HK\$433,000 for the six months ended 31 December 2017 as compared to other gains of approximately HK\$2,834,000 for the six months ended 31 December 2016. The depreciation of US\$ against Malaysian Ringgit ("MYR") for the period under review was about 6%. Coupled with the measures announced by the Financial Markets Committee of Bank Negara Malaysia announced in December 2016, the Group is mandatory required to convert 75% of foreign currency proceeds from its export of goods into MYR from 5 December 2016 onwards.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense significantly dropped by 98.1% from approximately HK\$1,535,000 for the six months ended 31 December 2016 to approximately HK\$29,000 for the six months ended 31 December 2017. Such drop was mainly due to decrease in provision of Malaysia Income Tax and PRC Enterprise Income Tax as a result of decrease in assessable profits for the year ended 31 December 2017 as compared with the corresponding period last year.

Loss attributable to owners for the six months ended 31 December 2017 was approximately HK\$4,468,000 as compared to profit attributable to owners of approximately HK\$1,342,000 for the six months ended 31 December 2016. The turnaround from profit to loss for 2017 was mainly due to the decrease in gross profit and increase in net exchange loss for the six months ended 31 December 2017 as discussed above.

Interim Dividend

The Board does not recommend the payment of any dividend for the six months ended 31 December 2017 (2016: nil).

Liquidity and Financial Resources

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. As at 31 December 2017, the Group had a financial position with net assets amounted to approximately HK\$143,636,000 (30 June 2017: approximately HK\$144,694,000) and net current assets stood at approximately HK\$125,820,000 (30 June 2017: approximately HK\$128,003,000).

As at 31 December 2017, shareholders' fund amounted to approximately HK\$143,636,000 (30 June 2017: approximately HK\$144,694,000) and current assets amounted to approximately HK\$142,184,000 (30 June 2017: approximately HK\$140,152,000), mainly comprising of bank balances and cash, trade and other receivables, inventories and tax recoverable. Current liabilities amounted to approximately HK\$16,364,000 (30 June 2017: approximately HK\$12,149,000) mainly comprising of trade and other payables and tax payable. The Group's bank balances and cash amounted to approximately HK\$63,857,000 (30 June 2017: approximately HK\$79,493,000). Net asset value per share was approximately HK\$0.24 (30 June 2017: approximately HK\$0.24).

Gearing Ratio

As at 31 December 2017, the Group did not have any interest-bearing bank loans and was in a net cash position, no gearing ratio (total debts as percentage of equity attributable to owners of the Company) information was presented (30 June 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The shares of the Company were successfully listed on 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.

Significant Investment Held

As at 31 December 2017, the Group did not hold any significant investments (30 June 2017: nil).

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (30 June 2017: nil).

Capital Commitments

As at 31 December 2017, the Group had approximately HK\$493,000 capital commitments mainly related to acquisition of machines (30 June 2017: approximately HK\$3,100,000).

Employee and Remuneration Policies

As at 31 December 2017, the Group had a total workforce of 427 employees (31 December 2016: 453). Total staff costs for the six months ended 31 December 2017 amounted to approximately HK\$15,700,000 (six months ended 31 December 2016: approximately HK\$15,459,000). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis with reference to their performance, qualifications, experience, positions and the performance of the Group.

Staff benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong, Singapore, Malaysia and the PRC.

Pledge of the Group's Assets

As at 31 December 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.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 31 December 2017, the Group did not have any material acquisition nor disposal of subsidiaries or affiliated companies..

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus dated 29 April 2016 (the "Prospectus"), the Group did not have other plans for material investments and capital assets as of 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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 MYR, Euro and Renminbi, which exposes the Group to foreign currency risk.

During the period under review, the Group has made net foreign exchange losses of HK\$433,000 mainly due to the unrealised and realised foreign exchange loss.

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. Management will from time to time review and adjust the Group's hedging and financial strategies based on exchange rate movement.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group believes that risk management practices are important and uses its best effort to ensure it is sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

Reliance on a number of major customers

The Group derives a substantial portion of the revenues from a number of major customers. The concentration of the sales among a number of major customers exposes us to a variety of risks that could have a material adverse impact on the revenues and profitability, including the reduced demand from a single major customer for the products or loss of a single major customer's business could result in a significant decrease in the revenues.

Fluctuations in the prices of the major raw materials

Some of the raw materials are subject to price volatility as a result of changes in levels of global demand, supply disruptions and other factors. In particular, connectors and terminals, which constitute a large portion of the raw materials requirements and are made of metal and plastic that are considered as commodities. If there is an increase in the prices, and if the Group is not able to shift such corresponding price increase to the customers in a timely manner, this may have a material and adverse effect on the business, financial conditions and results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

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. As at 31 December 2017, the unutilised proceeds from the Listing in the amount of approximately HK\$45,438,000 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 31 December 2017 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK\$'000	Planned use of net proceeds up to 31 December 2017 HK\$'000	Actual use of net proceeds up to 31 December 2017 HK\$'000	Unutilised balance as at 31 December 2017 HK\$'000
Upgrade and increase our production capacity	40,978	22,908	8,101	32,877
Enhance our manufacturing, information technology and human resources management capabilities	4,528	3,543	1,799	2,729
Strengthen our sales and marketing efforts	6,226	4,397	1,262	4,964

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual progress up to 31 December 2017.

Business objective set out in Prospectus	Actual progress up to 31 December 2017
To upgrade and increase our production capacity	
<ul style="list-style-type: none">To take delivery and install two sets and three sets of tooling/equipment for our production facilities in the Malaysia Factory and the PRC factory, respectively.	Two sets and three sets of tooling/equipment have been installed in each of the Malaysia factory and the PRC factory, respectively.
<ul style="list-style-type: none">To place orders for two units and four units of fully-automated machines for our production facilities in the Malaysia factory and the PRC Factory, respectively, in anticipation of an increase in the capacity requirement arises from anticipated additional orders and to replace our semi-automated machines.	Quotation for two units and one unit of fully-automated machine has been obtained and was under review in each of the Malaysia factory and the PRC factory, respectively. Three units of fully-automated machines have been purchased and installed at the PRC factory.
To enhance our manufacturing, information technology and human resources management capabilities	
<ul style="list-style-type: none">To implement our design software and hardware system upgrade in the Malaysia Factory and the PRC Factory.	Review of the specifications of the design software and hardware system is being carried out.
<ul style="list-style-type: none">To recruit two design engineers, three operations engineers, two sales engineers and two technical staff to strengthen our human resources.	Recruitment has been carried out according to the human resources planning.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objective set out in Prospectus	Actual progress up to 31 December 2017
<ul style="list-style-type: none">To obtain ISO/TS16949 technical certification in respect of the development of a quality management system that provides for continual improvement and additional Verband Deutscher Elektrotechniker standard (VDE)/Underwriter Laboratories Certification (UL)/Standards Association of Australian (SAA) certification to further enhance our production capability level.	The PRC factory has obtained IATF16949 technical certification which was the updated version of ISO/TS16949. The approval of UL3266 certification was achieved for the PRC factory.

To strengthen our sales and marketing efforts

<ul style="list-style-type: none">To visit key customers in the Asia Pacific Region and Europe as part of our marketing effort to achieve our sales objectives.	The Company has visited the major customers to introduce our products and exchange market information. Relationship with current customers is further strengthened.
<ul style="list-style-type: none">To participate in trade shows in Germany and the PRC with a view to enhancing our reputation and soliciting new customers.	We plan to attend the electronica China 2018 to be held in Shanghai, the PRC in March 2018.

The Directors will continuously evaluate the Group's business objectives and will consider to change or modify plans against the changing market condition to ensure the business growth of the Group.

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 December 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 31 December 2017, none of the Directors or the chief executive of the Company or any 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 31 December 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 December 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.

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 December 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the six months ended 31 December 2017 was the Company, any of its holding company, 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 six months ended 31 December 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 six months ended 31 December 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 the code of conduct regarding securities transactions by the Directors during the six months ended 31 December 2017.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The change in information on Directors subsequent to the date of the 2017 annual report of the Company, which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, is set out below:

Name of Director	Details of changes
Mr. Lau Man Tak	appointed as an independent non-executive director of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2340) with effect from 28 September 2017.
Mr. Ma Yiu Ho Peter	appointed as an independent non-executive director of Indigo Star Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8373) with effect from 24 October 2017.
Mr. Lee Hon Man Eric	appointed as an independent non-executive director of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2340) with effect from 28 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 six months ended 31 December 2017.

CHANGE OF COMPLIANCE ADVISER

The Company and RHB Capital Hong Kong Limited (“**RHBC**”) have mutually agreed to terminate the compliance adviser agreement with effective from 16 December 2017 due to the recent change in personnel of RHBC.

CLC International Limited (“**CLC**”) has been appointed as the new compliance adviser to the Company as required under Rule 6A.27 of the GEM Listing Rules with effect from 16 December 2017 until the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the Company’s financial results for the second full financial year commencing after Listing Date of the Company (being the financial year ending 30 June 2018), or until the compliance adviser agreement entered into between the Company and CLC is terminated in accordance with its terms and conditions, whichever is earlier.

OTHER INFORMATION

INTERESTS OF COMPLIANCE ADVISER

As notified by RHBC and CLC, the compliance advisers of the Company, as at 31 December 2017, except for their respective compliance adviser agreement entered into with the Company, neither RHBC nor CLC nor any of their 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.

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

OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this report.

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

Hong Kong, 7 February 2018

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.