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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)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2018**

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 nine months ended 31 March 2018. This announcement, containing the full text of the 2017/2018 third quarterly report of the Company, complies with the relevant requirements of The Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany the preliminary announcement of third quarterly results. Printed version of the Company’s 2017/2018 third quarterly report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at <http://ir.tem-group.com> on or before 15 May 2018.

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

*Chairman and Executive Director*

Hong Kong, 9 May 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>.*

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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

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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

# CORPORATE INFORMATION

## COMPLIANCE ADVISER

CLC International Limited  
13/F, Nan Fung Tower  
88 Connaught Road Central  
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 and nine months ended 31 March 2018 together with the comparative unaudited figures for the corresponding periods in 2017, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2018

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	26,237	24,559	78,654	81,094
Cost of Sales		(23,414)	(19,515)	(67,347)	(63,771)
Gross profit		2,823	5,044	11,307	17,323
Other Income	4	148	102	443	325
Selling and distribution costs		(818)	(734)	(2,420)	(2,466)
Administrative expenses		(5,230)	(4,675)	(16,413)	(15,402)
Other gains and losses	5	169	513	(264)	3,347
(Loss) profit before taxation		(2,908)	250	(7,347)	3,127
Income tax expense	6	(216)	(510)	(245)	(2,045)
(Loss) profit for the period	7	(3,124)	(260)	(7,592)	1,082

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

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (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		118	154	270	(155)
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		2,557	867	5,815	(5,116)
Other comprehensive income (expense) for the period		2,675	1,021	6,085	(5,271)
Total comprehensive (expense) income for the period		(449)	761	(1,507)	(4,189)
(Loss) profit for the period attributable to owners of the Company		(3,124)	(260)	(7,592)	1,082
Total comprehensive (expense) income attributable to owners of the Company		(449)	761	(1,507)	(4,189)
(Loss) earnings per share — Basic (HK cents)	9	(0.52)	(0.04)	(1.27)	0.18



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MARCH 2018

	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	-	-	-	-	1,082	1,082
Exchange differences arising on translation to presentation currency	-	-	(155)	-	-	(155)
Exchange differences arising on translation of foreign operations	-	-	(5,116)	-	-	(5,116)
Total comprehensive (expense) income for the period	-	-	(5,271)	-	1,082	(4,189)
At 31 March 2017 (unaudited)	6,000	66,340	(7,958)	2,689	78,642	145,713
At 1 July 2017 (audited)	6,000	66,340	(5,921)	2,742	75,533	144,694
Loss for the period	-	-	-	-	(7,592)	(7,592)
Exchange differences arising on translation to presentation currency	-	-	270	-	-	270
Exchange differences arising on translation of foreign operations	-	-	5,815	-	-	5,815
Total comprehensive income (expense) for the period	-	-	6,085	-	(7,592)	(1,507)
At 31 March 2018 (unaudited)	6,000	66,340	164	2,742	67,941	143,187

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 principally 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 nine months ended 31 March 2018 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 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	22,672	21,260	66,045	69,977
Manufacturing of power supply cords assembled products	2,639	1,797	8,701	7,003
Trading of terminals, connectors and others	926	1,502	3,908	4,114
	26,237	24,559	78,654	81,094

# 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 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
PRC	8,785	7,624	28,248	27,388
Asia Pacific region (excluding the PRC)	12,706	13,813	40,278	44,135
Western Europe	4,173	2,658	8,802	8,170
Others	573	464	1,326	1,401
	<b>26,237</b>	<b>24,559</b>	<b>78,654</b>	<b>81,094</b>

### Information about major customers

Revenue from customers for the three months and nine months ended 31 March 2018 and for the corresponding period in 2017 contributing over 10% of the Group's revenue are as follows:

	For the three months ended 31 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	10,851	11,665	32,544	35,891
Customer B	2,945	2,510	8,437	10,168
Customer C	2,165	*	8,124	*
Customer D	3,979	*	8,654	*

\* 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 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	135	66	214	113
Others	13	36	229	212
	148	102	443	325

## 5. OTHER GAINS AND LOSSES

	For the three months ended 31 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net exchange (loss) gain	169	513	(264)	3,347

## 6. INCOME TAX EXPENSE

	For the three months ended 31 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	203	484	103	1,967
PRC Enterprise Income Tax ("EIT")	–	(1)	14	78
Singapore corporate income tax	13	27	128	–
	216	510	245	2,045

Hong Kong Profits Tax is calculated at 16.5% (2017: 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. INCOME TAX EXPENSE (continued)

The income tax rate applicable in Malaysia is 24% (2017: 24%) for the period under review.

The income tax rate applicable in Singapore is 17% (2017: 17%) for the period under review.

A subsidiary operating in Singapore is entitled to partial income tax exemption (75% exemption on first Singapore dollars ("SGD") 10,000 chargeable income and 50% exemption on next SGD290,000 chargeable income) for the nine months ended 31 March 2017 and 2018.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the nine months ended 31 March 2017 and 2018.

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 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging:				
Staff Costs	8,110	7,338	23,810	22,797
Cost of inventories recognised as expense	23,414	19,515	67,347	63,771
Depreciation of property, plant and equipment	1,027	678	2,822	2,059
Minimum lease payments for operating leases in respect of land and buildings	878	806	2,558	2,482

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2018 (2017: 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 March		For the nine months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(Loss) earnings:</b>				
(Loss) profit for the period attributable to owners of the Company	(3,124)	(260)	(7,592)	1,082
<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	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. 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/consumer appliances and industrial products industries, that mainly based in the Asia Pacific region.

The Group's revenue slightly decreased from approximately HK\$81,094,000 for the nine months ended 31 March 2017 to approximately HK\$78,654,000 for the nine months ended 31 March 2018, representing a fall of 3.0%. Such decrease is mainly attributable to (i) the decrease in revenue of manufacturing of wire/cable harnesses which has been negatively affected by the continuous realignment of product mix of a major customer located in Asia Pacific region; and (ii) a decrease in completed customer orders resulted from shortage of supply and tight delivery of raw materials from a major supplier. While throughout the second half of 2017 and till now, regular meetings with such major customer has been conducted to monitor the business case and during the period under review, orders of several new products have been awarded, and such orders were with lower than expected profit margin. Furthermore, due to the shortage of supply and tight delivery of raw material from a major supplier based in Western Europe, our cost of direct materials and the cost of manufacturing overheads also increased. As a result, the gross profit of the Group inevitably dropped by 34.7% from approximately HK\$17,323,000 for nine months ended 31 March 2017 to approximately HK\$11,307,000 for the nine months ended 31 March 2018 and the gross profit margin dropped from 21.4% to 14.4%.

By operating segments, the revenue of manufacturing of wire/cable harnesses decreased by 5.6% from approximately HK\$69,977,000 for the nine months ended 31 March 2017 to approximately HK\$66,045,000 for the nine months ended 31 March 2018. The revenue of manufacturing of power supply cords assembled products increased by 24.2% from approximately HK\$7,003,000 for the nine months ended 31 March 2017 to approximately HK\$8,701,000 for the nine months ended 31 March 2018. The revenue of trading of terminals, connectors and others decreased by 5.0% from approximately HK\$4,114,000 for the nine months ended 31 March 2017 to approximately HK\$3,908,000 for the nine months ended 31 March 2018.



## MANAGEMENT DISCUSSION AND ANALYSIS

By geographical market segments, the revenue from the Asia Pacific region (excluding the PRC) for the nine months ended 31 March 2018 was approximately HK\$40,278,000, which accounted for 51.2% of the Group's total revenue and represented a drop of 8.7% as compared to approximately HK\$44,135,000 for the same period last year. Such decrease was owing to the continuous realignment of the product mix of a major customer. The revenue from the PRC for the nine months ended 31 March 2018 remained stable and was approximately HK\$28,248,000, which accounted for 35.9% of the Group's total revenue and represented an increase of 3.1% as compared to approximately HK\$27,388,000 for the same period last year. The revenue from Western Europe was approximately HK\$8,802,000 for the nine months ended 31 March 2018, which accounted for 11.2% of the Group's revenue and represented an increase of 7.7% as compared to approximately HK\$8,170,000 for the same period last year.

The encouraging increases in the revenue of manufacturing of power supply cords assembled products and the revenue from Western Europe proved that our ongoing marketing efforts had attained success. In March 2018, the Group attended the electronica China 2018 in Shanghai, the PRC (<http://electronica-china.com/>), which was one of Asia's most influential international trade platforms for electronic components, systems and applications. Moreover, we intend to participate in electronica 2018 (<https://electronica.de/>) which is one of the world's leading trade fair for the electronics and is scheduled to be held in Munich, Germany in November 2018. In addition, during the period under review, the Group was invited to join a key supplier conference of one of our major multinational customers and its transformation strategies, leading goals, supplier strategies and sourcing plans were presented during the conference. We also attended the networking sessions with its group members and subsidiaries to explore business opportunities. Through these trade shows, supplier conference and regular visits and meetings with existing key customers and suppliers, we aim to strengthen the relationship with our customers (both existing and potential) and suppliers.

Furthermore, our PRC factory has successfully obtained the global industry management quality standard IATF 16949 certification in February 2018. With this certification, we believe that our customers (both existing and potential) shall have enhanced confidence in our quality standard which should in turn help promoting our business developments in the long run.

Given the very challenging operating environment for the nine months ended 31 March 2018, we remain cautious about the expectation for the rest of the financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group's revenue fell by 3.0% from approximately HK\$81,094,000 for the nine months ended 31 March 2017 to approximately HK\$78,654,000 for the nine months ended 31 March 2018. Cost of sales increased by 5.6% from approximately HK\$63,771,000 for the nine months ended 31 March 2017 to approximately HK\$67,347,000 for the nine months ended 31 March 2018. The gross profit margin therefore declined from 21.4% for the nine months ended 31 March 2017 to 14.4% for the nine months ended 31 March 2018. Such decline was mainly attributable to (i) the continuous realignment of product mix of a major customer, and (ii) 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 and cost of manufacturing overheads. As a result of the decrease in both revenue and gross profit margin, the gross profit of the Group dropped from approximately HK\$17,323,000 for the nine months ended 31 March 2017 to approximately HK\$11,307,000 for the nine months ended 31 March 2018.

Selling and distribution costs, that remained stable so far, mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK\$2,466,000 for the nine months ended 31 March 2017 which was approximately the same as HK\$2,420,000 for the nine months ended 31 March 2018. Though marketing and promotion activities had been continuously carried out, we strived our best to minimise the expenses incurred.

Administrative expenses of the Group increased by 6.6% from approximately HK\$15,402,000 for the nine months ended 31 March 2017 to approximately HK\$16,413,000 for the nine months ended 31 March 2018. Administrative expenses primarily consist of staff costs, rental expenses, licence fees and professional fees. Both licence fees and professional fees had been surged up during the period under review as additional works have to be carried out in sourcing alternative raw materials.

Other gains and losses mainly comprised of net exchange loss of approximately HK\$264,000 for the nine months ended 31 March 2018 as compared to other gains of approximately HK\$3,347,000 for the nine months ended 31 March 2017. Further, in light of 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 Malaysian Ringgit ("MYR") from 5 December 2016 onwards. The MYR has thereafter become more stable and the gain on the exchange differences has therefore diminished. Meantime the depreciation of US\$ against MYR during the period under review has led to an exchange loss as compared to an exchange gain for the same period of 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense significantly dropped by 88.0% from approximately HK\$2,045,000 for the nine months ended 31 March 2017 to approximately HK\$245,000 for the nine months ended 31 March 2018. Such drop was mainly due to the decrease in provision of Malaysia Corporate Income Tax and PRC EIT as a result of the decrease in assessable profits for the period ended 31 March 2018 as compared with the corresponding period last year.

Loss for the nine months ended 31 March 2018 was approximately HK\$7,592,000 as compared to profit of approximately HK\$1,082,000 for the nine months ended 31 March 2017. The turnaround from profit to loss for the period was mainly due to the decrease in gross profit and increase in net exchange loss for the nine months ended 31 March 2018 as discussed above.

## Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2018 (2017: nil).

## 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.

## 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 exchange loss of approximately HK\$264,000 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.

## Significant Investment Held

As at 31 March 2018 and 2017, the Group did not hold any significant investments.

## Contingent Liabilities

As at 31 March 2018 and 2017, the Group did not have any material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Pledge of the Group's Assets

As at 31 March 2018, the bank deposits of approximately HK\$185,000 (30 June 2017: approximately HK\$173,000) were pledged to a bank to secure bank guarantee to the Group.

## 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 31 March 2018, the unused proceeds from the Listing in the amount of approximately HK\$44,850,000 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 March 2018 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK\$'000	Actual use of net proceeds up to 31 March 2018 HK\$'000	Unutilised balance as at 31 March 2018 HK\$'000
Upgrade and increase our production capacity	40,978	8,523	32,455
Enhance our manufacturing, information technology and human resources management capabilities	4,528	1,886	2,642
Strengthen our sales and marketing efforts	6,226	1,341	4,885

# DISCLOSURE OF INTERESTS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, 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 March 2018, 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 31 March 2018, so far is known to the Directors the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions in the shares

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

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

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) 450,000,000 shares were held by Jumbo Planet which is wholly owned by Mr. Lau.
- (3) Ms. Lim is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim is deemed to be interested in the same number of shares in which Mr. Lau is deemed to be interested.

Saved as disclosed above, as at 31 March 2018, 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 31 March 2018.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the nine months ended 31 March 2018 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 nine months ended 31 March 2018, 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 nine months ended 31 March 2018.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the nine months ended 31 March 2018.

## 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 nine months ended 31 March 2018.

### INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, CLC International Limited (“**CLC**”), as at 31 March 2018, except for the compliance adviser agreement dated 16 December 2017 entered into between the Company and CLC, none of CLC, 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 nine months ended 31 March 2018 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 nine months ended 31 March 2018 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

### 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, 9 May 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.*