



**TEM Holdings Limited**  
**創新電子控股有限公司\***

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8346

**2018/2019**  
Interim Report

\* For identification purpose only

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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

Ms. Ng Ka Wai

## 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

# 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 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 SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	20,882	24,948	47,427	52,417
Cost of sales		(18,129)	(21,595)	(40,054)	(43,933)
Gross profit		2,753	3,353	7,373	8,484
Other income	4	199	159	544	295
Selling and distribution costs		(573)	(829)	(1,326)	(1,602)
Administrative expenses		(5,408)	(5,864)	(11,328)	(11,183)
Other gains and losses	5	53	(562)	(13)	(433)
Loss before taxation		(2,976)	(3,743)	(4,750)	(4,439)
Income tax (expense) credit	6	(56)	125	(179)	(29)
Loss for the period	7	(3,032)	(3,618)	(4,929)	(4,468)

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2018

	For the three months ended 31 December		For the six months ended 31 December	
	2018 HK\$'000 Notes (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 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	20	79	20	152
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	86	2,088	(1,727)	3,258
Other comprehensive income (expense) for the period	106	2,167	(1,707)	3,410
Total comprehensive expense for the period	(2,926)	(1,451)	(6,636)	(1,058)
Loss per share				
— Basic (HK cents)	9	(0.60)	(0.82)	(0.74)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	16,303	16,554
Deposits paid for acquisition of property, plant and equipment		72	321
Deferred tax assets		231	256
		<b>16,606</b>	<b>17,131</b>
<b>CURRENT ASSETS</b>			
Inventories		41,052	38,424
Trade and other receivables	11	30,601	37,648
Tax recoverable		865	1,965
Pledged bank deposits		553	567
Bank balances and cash		53,131	57,256
		<b>126,202</b>	<b>135,860</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	10,893	13,841
Tax payable		–	73
		<b>10,893</b>	<b>13,914</b>
<b>NET CURRENT ASSETS</b>		<b>115,309</b>	<b>121,946</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>131,915</b>	<b>139,077</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	6,000	6,000
Reserves		125,915	133,077
<b>TOTAL EQUITY</b>		<b>131,915</b>	<b>139,077</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC		Total HK\$'000
				Statutory reserve HK\$'000 (note)	Retained profits HK\$'000	
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
At 1 July 2018 (audited)	6,000	66,340	(2,362)	2,742	66,357	139,077
Adjustment on adoption of HKFRS 9	-	-	-	-	(526)	(526)
At 1 July 2018 (after adjustment)	6,000	66,340	(2,362)	2,742	65,831	138,551
Loss for the period	-	-	-	-	(4,929)	(4,929)
Exchange differences arising on translation to presentation currency	-	-	20	-	-	20
Exchange differences arising on translation of foreign operations	-	-	(1,727)	-	-	(1,727)
Total comprehensive (expense) income for the period	-	-	(1,707)	-	(4,929)	(6,636)
At 31 December 2018 (unaudited)	6,000	66,340	(4,069)	2,742	(60,902)	131,915

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 2018

	For the six months ended 31 December 2018	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash used in operating activities	(2,725)	(12,497)
Net cash used in investing activities	(1,475)	(2,190)
Net decrease in cash and cash equivalents	(4,200)	(14,687)
Effect of foreign exchange rate changes	75	(949)
Cash and cash equivalents at beginning of the period	57,256	79,493
Cash and cash equivalents at the end of the period	53,131	63,857

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM of the Stock Exchange. 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). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to this report.

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

The functional currency of the Company is United States dollars (“US\$”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”). The directors of the Company have selected HK\$ as the presentation currency because the shares of the Company are listed on the Stock Exchange.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 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 2018, except the new revised HKFRSs as described below.

### HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 “Revenue from Contracts with Customers” as issued by the HKICPA is effective for the accounting period beginning or after 1 January 2018. The Group has adopted HKFRS 15 on 1 July 2018 and also elected to apply the modified transition. The effects of the adoption of HKFRS 15 are set out below.

HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue when control of a good or service transfers to a customer.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued) HKFRS 15 “Revenue from Contracts with Customers” (continued)

From 1 July 2018 onwards, the Group has adopted the following accounting policies on revenues.

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The Group manufactures and sells a range of wire/cable harnesses, power supply cords assembled products and trading of terminals, connectors and other related products. Revenue is recognized when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers with specified shipping terms, the customers have full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customers’ acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group have objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The adoption of HKFRS 15 did not have significant impact on revenue recognition of the Group.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued) HKFRS 9 “Financial instruments”

### Key changes in accounting policies resulting from application of HKFRS 9

#### Classification and measurement of financial assets

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group’s financial assets are subsequently measured at amortized cost.

#### Impairment under expected credit losses (“ECL”) model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with internal credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued) HKFRS 9 “Financial instruments” (continued)

### Key changes in accounting policies resulting from application of HKFRS 9 (continued)

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued) HKFRS 9 “Financial instruments” (continued)

### Key changes in accounting policies resulting from application of HKFRS 9 (continued)

#### Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of ‘investment grade’ as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued) HKFRS 9 “Financial instruments” (continued)

### Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Significant increase in credit risk (continued)

#### Measurement and recognition of ECL (continued)

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.

### 2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of trade receivables at the date of initial application, 1 July 2018.

	Note	Trade receivables HK\$'000	Retained profits HK\$'000
Closing balance at 30 June 2018			
— HKAS 39		32,007	66,357
Effect arising from initial application of HKFRS 9: Remeasurement			
Impairment under ECL model	(a)	(526)	(526)
Opening balance at 1 July 2018		31,481	65,831

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.1 Summary of effects arising from initial application of HKFRS 9 (continued)

#### (a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables.

Loss allowances for other financial assets at amortized cost mainly comprise of other receivables, deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, the additional credit loss allowance of HK\$526,000 has been recognized against retained profits. The additional loss allowance are charged against the respective assets.

All loss allowances for trade receivables as at 30 June 2018 reconcile to the opening loss allowance as at 1 July 2018 is as follows:

	Trade receivables HK\$'000
As 30 June 2018 — HKAS 39	–
Amounts remeasured adjusted to opening retained profits	526
At 1 July 2018	526

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

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").

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	17,816	20,171	39,767	43,373
Manufacturing of power supply cords assembled products	2,066	3,011	5,650	6,062
Trading of terminals, connectors and others	1,000	1,766	2,010	2,982
	20,882	24,948	47,427	52,417

### 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	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
PRC	5,707	9,161	13,271	19,463
Asia Pacific region (excluding the PRC)	11,674	12,772	26,997	27,572
Western Europe	2,370	2,536	4,672	4,629
Others	1,131	479	2,487	753
	20,882	24,948	47,427	52,417

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION (continued)

### Information about major customers

Revenue from customers for the three months and six months ended 31 December 2018 and for the corresponding periods in 2017 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	10,227	10,061	23,337	21,693
Customer B	1,954	2,141	4,836	5,492
Customer C	*	2,811	*	5,959

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

## 4. OTHER INCOME

	For the three months ended 31 December		For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	169	36	383	79
Others	30	123	161	216
	199	159	544	295

## 5. OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net exchange gain (loss)	53	(562)	(213)	(433)
Gain on disposal of property, plant and equipment	-	-	200	-
	53	(562)	(13)	(433)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. INCOME TAX (EXPENSE) CREDIT

	For the three months ended 31 December		For the six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	(116)	-	(233)	-
PRC Enterprise Income Tax ("EIT")	-	-	-	(14)
Singapore corporate income tax	-	(103)	-	(115)
Overprovision in prior years	29	-	29	-
Deferred tax credit	31	228	25	100
	(56)	125	(179)	(29)

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.

The income tax rate applicable in Malaysia is 24% (2017: 24%) for the period. Tax losses was incurred 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 six months ended 31 December 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 subsidiary is 25%. Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiary is granted tax incentives as a High and New Technology Enterprise (高新技術企業) and is entitled to a concessional tax rate of 15% for 3 years from 2018 to 2020.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to an overseas company (which is the beneficial owner of the dividends received) for profits generated after 1 January 2008, at the rate of 10%.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. LOSS FOR THE PERIOD

	For the three months ended 31 December		For the six months ended 31 December	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:				
Staff Costs	7,787	9,521	14,622	15,700
Cost of inventories recognized as expense	18,129	21,595	40,054	43,933
Depreciation of property, plant and equipment	992	1,004	2,049	1,795
Minimum lease payments for operating leases in respect of land and buildings	880	786	1,773	1,680

## 8. DIVIDENDS

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

## 9. LOSS PER SHARE

The calculation of the basic loss 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	
	2018	2017	2018	2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss:				
Loss for the period attributable to owners of the Company	(3,032)	(3,618)	(4,929)	(4,468)
Number of shares:				
Number of ordinary shares for the purpose of basic loss per share	600,000,000	600,000,000	600,000,000	600,000,000

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, additions in property, plant and equipment amounted to HK\$2,308,000 (2017: HK\$2,282,154), disposal of HK\$713,000 (2017: HK\$0) and depreciation of HK\$2,049,000 (2017: HK\$1,794,509) were made by the Group respectively.

## 11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Trade receivables	26,278	32,007
Prepayments, deposits and other receivables	4,323	5,641
	<b>30,601</b>	<b>37,648</b>

The Group allows credit period ranging from 30 days to 150 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 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
0-30 days	8,111	10,024
31-60 days	5,283	9,065
61-90 days	6,079	5,711
91-120 days	5,823	5,288
Over 120 days	982	1,919
	<b>26,278</b>	<b>32,007</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. TRADE AND OTHER PAYABLES

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Trade payables	7,295	9,228
Other payables and accrued expenses	3,598	4,613
	<b>10,893</b>	<b>13,841</b>

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 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
0–30 days	3,854	4,332
31–60 days	1,779	3,129
61–90 days	1,189	1,459
Over 90 days	473	308
	<b>7,295</b>	<b>9,228</b>

## 13. SHARE CAPITAL

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 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	
		2018	2017
		HK\$'000	HK\$'000
Name of related parties	Nature of transaction	(Unaudited)	(Unaudited)
Company which Mr. Lak Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	29	170
Brascabos Componentes Elétricos e Eletrônicos Ltda.	Purchase of tooling	–	117
Brascabos Componentes Elétricos e Eletrônicos Ltda.	Sales of products	1,436	–

### (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	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Fees, salaries and other allowances		2,580	2,509
Retirement benefits scheme contributions		120	104
Total		2,700	2,613

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 the manufacturing and supply 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 of 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.

As mentioned before in our last annual report, the global economy become increasingly challenging and the trading relationship between the PRC and the United States are getting more dynamic with high uncertainty.

The Group's revenue decreased from approximately HK\$52,417,000 for the six months ended 31 December 2017 to approximately HK\$47,427,000 for the six months ended 31 December 2018, representing a decrease of approximately 9.5%. Such decrease is primarily attributable to decrease in the completed orders resulted from the continuous shortage of supply and tight delivery of raw material from a major supplier which also led to an increase in the cost of direct materials and the cost of manufacturing overheads. As a result, the gross profit of the Group dropped by 13.1% from approximately HK\$8,484,000 for the six months ended 31 December 2017 to HK\$7,373,000 for the six months ended 31 December 2018 and gross profit margin dropped from 16.2% to 15.5% for the corresponding period. The loss for the six months ended 31 December 2018 was approximately HK\$4,929,000, increased from a loss of HK\$4,468,000 for the six months ended 31 December 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Segment Information

The Group manages its business by three operating segments which are (i) manufacturing of wire/cable harnesses, (ii) manufacturing of power supply cords assembled products and (iii) trading of terminals, connectors and others.

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

	For the six months ended 31 December					
	2018		2017		Decrease	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Manufacturing of wire/cable harnesses	39,767	83.8	43,373	82.7	3,606	8.3
Manufacturing of power supply cords assembled products	5,650	11.9	6,062	11.6	412	6.8
Trading of terminals, connectors and others	2,010	4.3	2,982	5.7	972	32.6
	47,427	100.0	52,417	100.0	4,990	9.5

The revenue of manufacturing of wire/cable harnesses decreased to approximately HK\$39,767,000 for the six months ended 31 December 2018 from approximately HK\$43,373,000 for the six months ended 31 December 2017. The revenue of manufacturing of power supply cords assembled products was approximately HK\$5,650,000 for the six months ended 31 December 2018, representing a decrease of 6.8% as compared to approximately HK\$6,062,000 for the six months ended 31 December 2017. The revenue of trading of terminals, connectors and others was approximately HK\$2,010,000 for the six months ended 31 December 2018, representing a decline of 32.6% as compared to approximately HK\$2,982,000 for the six months ended 31 December 2017.

# 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					
	2018		2017		Increase/ (Decrease)	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%	HK\$'000	%
The PRC	13,271	28.0	19,463	37.1	(6,192)	(31.8)
Asia Pacific region (excluding the PRC)	26,997	56.9	27,572	52.6	(575)	(2.1)
Western Europe	4,672	9.9	4,629	8.8	43	0.9
Others	2,487	5.2	753	1.5	1,734	230.3
	47,427	100.0	52,417	100.0	(4,990)	(9.5)

The revenue from the PRC recorded HK\$13,271,000 for the six months ended 31 December 2018 and accounted for 28.0% of the Group's total revenue and represented a decrease of 31.8% as compared to approximately HK\$19,463,000 for the six months ended 31 December 2017. The revenue from Asia Pacific region (excluding the PRC) was approximately HK\$26,997,000 for the six months ended 31 December 2018 and accounted for 56.9% of the Group's total revenue, representing a drop of 2.1% as compared to approximately HK\$27,572,000 for the six months ended 31 December 2017. The revenue from Western Europe was approximately HK\$4,672,000 for the six months ended 31 December 2018 and accounted for 9.9% of the Group's revenue, representing an increase of 0.9% as compared to approximately HK\$4,629,000 for the six months ended 31 December 2017.

As revealed from the above, the Group experienced a significant drop in the revenue generated in the PRC. Due to the ongoing trade war which creates further uncertainty in the business environment, several customers adopted a more cautious approach. Nevertheless, the management will not only take precautionary measures to minimise any consequential impact to the Group, but also continue to promote our business to the potential customers so as to widen our customer base and to solidify our relationships with existing customers. The Group, as scheduled, had participated the electronica 2018 in Munich, Germany between November 13 and 16, 2018 and customers' visits in Western Europe have been carried out thereafter.

# MANAGEMENT DISCUSSION AND ANALYSIS

The escalation of the trade war between the PRC and the United States and both exchange and interest rates movements are becoming increasingly likely in the coming months. The Group will closely monitor how such developments will affect our operations and will try its best to work around these issues and mitigate those impacts.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by 9.5% from approximately HK\$52,417,000 for the six months ended 31 December 2017 to approximately HK\$47,427,000 for the six months ended 31 December 2018.

### Cost of sales and gross profit

The Group's cost of sales decreased by 8.8% from approximately HK\$43,933,000 for the six months ended 31 December 2017 to approximately HK\$40,054,000 for the six months ended 31 December 2018. The gross profit margin therefore declined from 16.2% for the six months ended 31 December 2017 to 15.5% for the six months ended 31 December 2018. Such decline was mainly caused by the continuous 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 the 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\$8,484,000 for the six months ended 31 December 2017 to approximately HK\$7,373,000 for the six months ended 31 December 2018.

### Other income

The Group's other income increased by 84.4% from approximately HK\$295,000 for the six months ended 31 December 2017 to approximately HK\$544,000 for the six months ended 31 December 2018. Such increase was mainly due to the increase in bank interest income and the one-off government grant of approximately HK\$115,000 received from the Jiangmen Science and Technology Bureau (江門市科學技術局) for promoting the development of innovative technology by enterprises in the PRC.

### Selling and distribution costs

The Group's selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK\$1,602,000 for the six months ended 31 December 2017 and decreased to approximately HK\$1,326,000 for the six months ended 31 December 2018. Such decrease was mainly due to the stringent control measures imposed by the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative expenses

The Group's administrative expenses, consisting primarily of staff costs, rental expenses, general office expenses, depreciation, licence fees, professional fees and travelling expenses slightly increased by 1.3% from approximately HK\$11,183,000 for the six months ended 31 December 2017 to approximately HK\$11,328,000 for the six months ended 31 December 2018. The staff costs and licence fees increased during the period under review as additional works have to be conducted in sourcing and testing alternative raw materials.

## Other gains and losses

The Group's other gains and losses mainly comprised of net exchange loss and gain on disposal of property, plant and equipment, amounted to net other losses of approximately HK\$13,000 for the six months ended 31 December 2018 as compared to net other losses of approximately HK\$433,000 for the six months ended 31 December 2017. For the six months ended 31 December 2018, the Group recognized net exchange losses of approximately HK\$213,000 as a result of depreciation of Renminbi against HK\$ and gain on disposal of motor vehicle of approximately HK\$200,000 whilst we only recognized an exchange loss of approximately HK\$433,000 for the six months ended 31 December 2017.

## Income tax (expense) credit

The Group's income tax expense increased from approximately HK\$29,000 for the six months ended 31 December 2017 to approximately HK\$179,000 for the six months ended 31 December 2018. Such increase was mainly due to the increase in provision of Malaysia Corporate Income Tax as a result of the increase in assessable profits for the six months ended 31 December 2018 as compared with the corresponding period last year.

## Loss for the period

As a result of the above, the Group recorded a loss of approximately HK\$4,929,000 for the six months ended 31 December 2018 while the loss for the six months ended 31 December 2017 was approximately HK\$4,468,000.

## Interim Dividend

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

## Liquidity and Financial Resources

As at 31 December 2018, the Group had a financial position with net assets amounted to approximately HK\$131,915,000 (30 June 2018: approximately HK \$139,077,000) and net current assets stood at approximately HK\$115,309,000 (30 June 2018: approximately HK\$121,946,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, shareholders' fund amounted to approximately HK\$131,915,000 (30 June 2018: approximately HK\$139,077,000) and current assets amounted to approximately HK\$126,202,000 (30 June 2018: approximately HK\$135,860,000), mainly comprising of bank balances and cash, trade and other receivables, inventories and tax recoverable. Current liabilities amounted to approximately HK\$10,893,000 (30 June 2018: approximately HK\$13,914,000) mainly comprising of trade and other payables and tax payable. The Group's bank balances and cash amounted to approximately HK\$53,131,000 (30 June 2018: approximately HK\$57,256,000). Net asset value per share was approximately HK\$0.22 (30 June 2018: approximately HK\$0.23).

## Gearing Ratio

As at 31 December 2018, 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 2018: nil).

## Capital Structure

The share capital of the Company only comprises of ordinary shares. There has been no change in the capital structure of the Group since the listing of the shares of the Company (the "Listing") on GEM of the Stock Exchange on 18 May 2016 (the "Listing Date").

As at 31 December 2018, the Company's issued share capital was HK\$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK\$0.01 each (the "Share(s)").

## Significant Investment Held

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

## Contingent Liabilities

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

## Capital Commitments

As at 31 December 2018, the Group had approximately HK\$16,000 capital commitments mainly related to acquisition of machines (30 June 2018: approximately HK\$464,000).

## Employee and Remuneration Policies

As at 31 December 2018, the Group had a total workforce of 431 employees (31 December 2017: 427). Total staff costs for the six months ended 31 December 2018 amounted to approximately HK\$14,622,000 (six months ended 31 December 2017: approximately HK\$15,700,000). 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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. In addition to on-the-job training, the Group adopts policies of continuous professional training programs.

## Pledge of the Group's Assets

As at 31 December 2018, the bank deposits of approximately HK\$553,000 (30 June 2018: approximately HK\$567,000) were pledged to a bank to secure bank guarantee to a subsidiary of the Group.

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 31 December 2018, the Group did not have any material acquisition nor disposal of subsidiaries or affiliated companies.

## Future Plans for Material Investments and Capital Assets

As at 31 December 2018, the Group did not have other plans for material investments and capital assets.

## 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. 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 the risk management practices are important and use 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, the Group is not able to shift such corresponding price increase to the customers in a timely manner, and this many have a material and adverse effect on the business, financial conditions and results of operations.

## Foreign Exchange Risk Management

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. Management will from time to time review and adjust the Group's hedging and financial strategies based on exchange rate movement.

## 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 December 2018, the unused proceeds from the Listing in the amount of approximately HK\$41,420,000 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 below.

An analysis of the utilization of the net proceeds from the Listing up to 31 December 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 December 2018 HK\$'000	Unutilized balance as at 31 December 2018 HK\$'000
Upgrade and increase our production capacity	40,978	10,524	30,454
Enhance our manufacturing, information technology and human resources management capabilities	4,528	2,565	1,963
Strengthen our sales and marketing efforts	6,226	2,091	4,135

# 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 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 December 2018, 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 2018, so far as 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 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 of the Company 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 of the Company 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 2018.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

## 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 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 the code of conduct regarding securities transactions by the Directors during the six months ended 31 December 2018.

### 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 2018.

### 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 six months ended 31 December 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 six months ended 31 December 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, 31 January 2019

*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.*