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 2019

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 2019. This announcement, containing the full text of the 2018/2019 third quarterly report of the Company, complies with the relevant requirements of The Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on 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 2018/2019 third quarterly report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at http://ir.tem-group.com on or before 15 May 2019.

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

Hong Kong, 7 May 2019

As at the date of this announcement, the executive Directors are Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Kan Wai Kee and Ms. Koay Lee Chern; and the independent non-executive Directors are Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information

* *for identification purpose only*

contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website http://www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at http://ir.tem-group.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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

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P.O. Box 1350, Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

THIRD QUARTERLY 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 nine months ended 31 March 2019 together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2019

		For the three months ended 31 March		For the nine months ended 31 March	
		2019	2018	**2019**	2018
		HK$'000	HK$'000	**HK$'000**	HK$'000
	Notes	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	3	**23,726**	26,237	**71,153**	78,654
Cost of sales		**(20,713)**	(23,414)	**(60,767)**	(67,347)
Gross profit		**3,013**	2,823	**10,386**	11,307
Other income	4	**143**	148	**687**	443
Selling and distribution costs		**(573)**	(818)	**(1,899)**	(2,420)
Administrative expenses		**(5,625)**	(5,230)	**(16,953)**	(16,413)
Other gains and losses	5	**677**	169	**664**	(264)
Loss before taxation		**(2,365)**	(2,908)	**(7,115)**	(7,347)
Income tax expense	6	**(26)**	(216)	**(205)**	(245)
Loss for the period	7	**(2,391)**	(3,124)	**(7,320)**	(7,592)

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

	Notes	For the three months ended 31 March 2019 HK$'000 (Unaudited)	For the three months ended 31 March 2018 HK$'000 (Unaudited)	For the nine months ended 31 March 2019 HK$'000 (Unaudited)	For the nine months ended 31 March 2018 HK$'000 (Unaudited)
Other comprehensive income (expense)					
Item that will not be reclassified to profit or loss:					
Exchange differences arising on translation to presentation currency		**44**	118	**64**	270
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**1,063**	2,557	**(664)**	5,815
Other comprehensive income (expense) for the period		**1,107**	2,675	**(600)**	6,085
Total comprehensive expense for the period		**(1,284)**	(449)	**(7,920)**	(1,507)
Loss per share — Basic (HK cents)	9	**(0.40)**	(0.52)	**(1.22)**	(1.27)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MARCH 2019

	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 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
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	**–**	**–**	**–**	**–**	**(7,320)**	**(7,320)**
Exchange differences arising on translation to presentation currency	**–**	**–**	**64**	**–**	**–**	**64**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(664)**	**–**	**–**	**(664)**
Total comprehensive income (expense) for the period	**–**	**–**	**(600)**	**–**	**(7,320)**	**(7,920)**
At 31 March 2019 (unaudited)	**6,000**	**66,340**	**(2,962)**	**2,742**	**58,511**	**130,631**

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 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 nine months ended 31 March 2019 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.

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.

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.

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.

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 aforegoing, 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.

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

(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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Manufacturing of wire/cable harnesses	**21,293**	22,672	**61,060**	66,045
Manufacturing of power supply cords assembled products	**1,645**	2,639	**7,295**	8,701
Trading of terminals, connectors and others	**788**	926	**2,798**	3,908
	23,726	26,237	**71,153**	78,654

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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC	**7,729**	8,785	**21,000**	28,248
Asia Pacific region (excluding the PRC)	**11,175**	12,706	**38,172**	40,278
Western Europe	**3,522**	4,173	**8,194**	8,802
Others	**1,300**	573	**3,787**	1,326
	23,726	26,237	**71,153**	78,654

Information about major customers

Revenue from customers for the three months and nine months ended 31 March 2019 and for the corresponding periods in 2018 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Customer A	**9,487**	10,851	**32,824**	32,544
Customer B	**3,841**	2,945	**8,677**	8,437
Customer C	*	2,165	*	8,124
Customer D	**3,412**	3,979	**7,553**	8,654

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

4. OTHER INCOME

	For the three months ended 31 March		For the nine months ended 31 March	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Bank interest income	**110**	135	**493**	214
Others	**33**	13	**194**	229
	143	148	**687**	443

5. OTHER GAINS AND LOSSES

	For the three months ended 31 March		For the nine months ended 31 March	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net exchange gain (loss)	**677**	169	**464**	(264)
Gain on disposal of property, plant and equipment	**–**	–	**200**	–
	677	169	**664**	(264)

6. INCOME TAX EXPENSE

	For the three months ended 31 March		For the nine months ended 31 March	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	**1**	203	**234**	103
PRC Enterprise Income Tax ("EIT")	**–**	–	**–**	14
Singapore corporate income tax	**–**	13	**–**	128
Overprovision in prior years	**–**	–	**(29)**	–
Deferred tax:				
Write-downs of deferred tax assets	**25**	–	**–**	–
	26	216	**205**	245

Hong Kong Profits Tax is calculated at 16.5% (2018: 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% (2018: 24%) for the period. Tax losses was incurred for the period under review.

The income tax rate applicable in Singapore is 17% (2018: 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 2018 and 2019.

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 concessionary 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%.

7. LOSS FOR THE PERIOD

	For the three months ended 31 March		For the nine months ended 31 March	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period has been arrived at after charging:				
Staff Costs	**8,501**	8,110	**23,123**	23,810
Cost of inventories recognized as expense	**20,713**	23,414	**60,767**	67,347
Depreciation of property, plant and equipment	**1,124**	1,027	**3,173**	2,822
Minimum lease payments for operating leases in respect of land and buildings	**897**	878	**2,670**	2,558

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2019 (2018: 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 March		For the nine months ended 31 March	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss:				
Loss for the period attributable to owners of the Company	**(2,391)**	(3,124)	**(7,320)**	(7,592)
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.

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 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.

The Group's revenue reduced from approximately HK$78,654,000 for the nine months ended 31 March 2018 to approximately HK$71,153,000 for the nine months ended 31 March 2019, representing a drop of approximately 9.5%. Such drop is attributable to (i) decrease in the completed orders resulted from the continuous shortage of supply and tight delivery of raw material from a major supplier; (ii) reduction of sales orders owing to fierce price competitions in the PRC market. The gross profit of the Group declined by 8.1% from approximately HK$11,307,000 for the nine months ended 31 March 2018 to HK$10,386,000 for the nine months ended 31 March 2019 with gross profit margin slightly increased from 14.4% to 14.6% for the corresponding period. The loss for the nine months ended 31 March 2019 was approximately HK$7,320,000, slightly reduced from a loss of HK$7,592,000 for the nine months ended 31 March 2018.

By operating segments, the revenue of manufacturing of wire/cable harnesses was approximately HK$61,060,000 for the nine months ended 31 March 2019 and accounted for 85.8% of the Group's total revenue, representing a decrease of 7.5% as compared to approximately HK$66,045,000 for the nine months ended 31 March 2018. The revenue of manufacturing of power supply cords assembled products was approximately HK$7,295,000 for the nine months ended 31 March 2019 and accounted for 10.3% of the Group's total revenue, representing a drop of 16.2% as compared to approximately HK$8,701,000 for the nine months ended 31 March 2018. The revenue of trading of terminals, connectors and others was approximately HK$2,798,000 for the nine months ended 31 March 2019 and accounted for 3.9% of the Group's total revenue, representing a fall of 28.4% as compared to approximately HK$3,908,000 for the nine months ended 31 March 2018.

By geographical market segments, the revenue from the PRC recorded HK$21,000,000 for the nine months ended 31 March 2019 and accounted for 29.5% of the Group's total revenue and represented a fall of 25.7% as compared to approximately HK$28,248,000 for the nine months ended 31 March 2018. The revenue from Asia Pacific region (excluding the PRC) was approximately HK$38,172,000 for the nine months ended 31 March 2019 and accounted for 53.7% of the Group's total revenue, representing a drop of 5.2% as compared to approximately HK$40,278,000 for the nine months ended 31 March 2018. The revenue from Western Europe was approximately HK$8,194,000 for the nine months ended 31 March 2019 and accounted for 11.5% of the Group's revenue, representing a decrease of 6.9% as compared to approximately HK$8,802,000 for the nine months ended 31 March 2018. The revenue from Others was approximately HK$3,787,000 for the nine months ended 31 March 2019 and accounted for 5.3% of the Group's revenue, representing an increase of 185.6% as compared to approximately HK$1,326,000 for the nine months ended 31 March 2018. These increased revenue mainly arose from Brascabos International Group Limited and its subsidiaries (together referred as "Brascabos Group" and is wholly owned by the Company's executive director and controlling shareholder, Mr. Lau Man Tak) with its operation in Brazil, South America. Besides, a master sales agreement dated 18 April 2019 (the "Master Sales Agreement') had just been entered into between the Company and Brascabos International Group Limited in respect of the sale of power cords, cable/wire and harnesses to the Brascabos Group. For details of the Master Sales Agreement, please refer to Company's announcement dated 18 April 2019.

The PRC's business environment remain challenging. The fierce price competition for the PRC market coupled with the fluctuation in the exchange rate of Renminbi against HK$ and US$ resulted in a significant drop of our revenue sourced in the PRC. 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. The Group also attended (i) the Appliance & Electronics World Expo 2019 (http://en.awe.com.cn/); (ii) electronica China 2019 (https://electronica-china.com/) in Shanghai PRC; and (iii) one of our key customers' conference for main suppliers on 15 March 2019 in Shanghai PRC.

The Company started to sell power cords, cable/wire and harnesses to the Brascabos Group since the second half of 2018 and that help accelerate the Group's business development in cable/wire business by acquiring and accumulating industry knowledge and experience. Moreover, the Master Sales Agreement widens the customer base and enhances the geographical diversification of the Group.

Nevertheless, the Directors will at all times keep close monitoring on the unstable markets demand with contingent measures to cope with the price competition, increase in operating costs and fluctuation in the exchange rate of Renminbi against HK$ and US$.

FINANCIAL REVIEW

The Group's revenue decreased by 9.5% from approximately HK$78,654,000 for the nine months ended 31 March 2018 to approximately HK$71,153,000 for the nine months ended 31 March 2019. Such decrease is attributable to (i) decrease in the completed orders resulted from the continuous shortage of supply and tight delivery of raw material from a major supplier; (ii) reduction of sales orders owing to fierce price competitions in the PRC market. Cost of sales decreased by 9.8% from approximately HK$67,347,000 for the nine months ended 31 March 2018 to approximately HK$60,767,000 for the nine months ended 31 March 2019. The gross profit margin was maintained from 14.4% for the nine months ended 31 March 2018 to 14.6% for the nine months ended 31 March 2019. The gross profit of the Group dropped by 8.1% from approximately HK$11,307,000 for the nine months ended 31 March 2018 to HK$10,386,000 for the nine months ended 31 March 2019.

Other income increased by 55.1% from approximately HK$443,000 for the nine months ended 31 March 2018 to approximately HK$687,000 for the nine months ended 31 March 2019. Such increase was mainly due to the increase in bank interest income and the one-off government grant of approximately HK$115,000 provided by 江門市科學技術局 [Jiangmen Science and Technology Bureau] for promoting the development of innovative technology by enterprises in the PRC.

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK$2,420,000 for the nine months ended 31 March 2018 and decreased to approximately HK$1,899,000 for the nine months ended 31 March 2019. Such decrease was mainly due to the continuous stringent cost control measures imposed by the Group.

Administrative expenses, consisting primarily of staff costs, rental expenses, general office expenses, depreciation, licence fees, professional fees and travelling expenses increased by 3.3% from approximately HK$16,413,000 for the nine months ended 31 March 2018 to approximately HK$16,953,000 for the nine months ended 31 March 2019. During the period under review, the staff costs increased as competitive remuneration packages have to be offered so as to attract or retain high calibre staff and higher depreciation charges was recorded as new automated machineries and equipment had been added in our production facilities.

Other gains and losses mainly comprised of net exchange gains and loss and gain on disposal of property, plant and equipment, amounted to net other gains of approximately HK$664,000 for the nine months ended 31 March 2019 as compared to net other losses of approximately HK$264,000 for the nine months ended 31 March 2018. For the nine months ended 31 March 2019, the Group recognized net exchange gains of approximately HK$464,000 as a result of fluctuation of Renminbi against HK$ whilst we only recognized an exchange loss of approximately HK$264,000 for the nine months ended 31 March 2018.

Income tax expense decreased by 16.3% from approximately HK$245,000 for the nine months ended 31 March 2018 to approximately HK$205,000 for the nine months ended 31 March 2019 as nil corporate income tax was recorded for our Singapore subsidiary during this period.

As a result of the above, the Group recorded a loss of approximately HK$7,320,000 for the nine months ended 31 March 2019 while the loss for the nine months ended 31 March 2018 was approximately HK$7,592,000.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2019 (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 March 2019, 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 March 2019 and 2018, the Group did not hold any significant investments.

Contingent Liabilities

As at 31 March 2019 and 2018 the Group did not have any material contingent liabilities.

Pledge of the Group's Assets

As at 31 March 2019, the bank deposits of approximately HK$561,000 (30 June 2018: approximately HK$567,000) were pledged to a bank to secure bank guarantee to a subsidiary of the Group.

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. The 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 March 2019, the unused proceeds from the Listing in the amount of approximately HK$40,163,000 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 March 2019 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK$'000	Actual use of net proceeds up to 31 March 2019 HK$'000	Unutilized balance as at 31 March 2019 HK$'000
Upgrade and increase our production capacity	40,978	11,665	29,313
Enhance our manufacturing, information technology and human resources management capabilities	4,528	2,571	1,957
Strengthen our sales and marketing efforts	6,226	2,201	4,025

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 2019, 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 2019, 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.

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

As at 31 March 2019, 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 March 2019, 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.

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 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the nine months ended 31 March 2019 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 nine months ended 31 March 2019, 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 2019.

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 nine months ended 31 March 2019.

OTHER INFORMATION

CONTINUING CONNECTED TRANSACTION

The Company entered into the Master Sales Agreement with Brascabos International Group Limited, a company incorporated in British Virgin Islands with limited liability and is indirectly wholly owned by Mr. Lau, pursuant to which the Group shall sell power cords, cable/wire and harnesses to the Brascabos Group commencing from the date of the Master Sales Agreement for an initial term ending on 30 June 2021. Details are set out in the announcements of the Company dated 18 April 2019.

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 2019.

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 2019 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 2019 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, 7 May 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.