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TEM Holdings Limited
創新電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8346)

BUSINESS UPDATE AND PROFIT WARNING

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of TEM Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

BUSINESS UPDATE

Reference is made to the announcement of the Company dated 2 March 2020 and 19 March 2020 (the “**Announcements**”) on the outbreak of novel coronavirus (the “**Coronavirus**”) on business operations. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Order (for details, please refer to the Announcements) announced by the Malaysian Government on 18 March 2020 has been further extended to 28 April 2020 (the “**Further Extended Period**”). The escalating severity of the Coronavirus has profoundly affected our operation in Malaysia. Our Group’s Malaysia Factory has stopped its operation since 18 March 2020 which has already exerted pressure and difficulties on (i) meeting our customers’ orders; and (ii) the receipt of raw materials and delivery of finished products through these unprecedented times.

In view of the Further Extended Period in Malaysia, the Directors anticipates that so long the Order remains in place, the business and operation and financial performance of our Malaysia Factory will have an adverse impact on the financial result of the Group in the forthcoming months. Nevertheless, the Director reiterates that we will (i) continuously assess the impact on the Group’s operations and financial performance; (ii) closely monitor the Group’s exposure to the risks and uncertainties therefrom; (iii) implement appropriate business strategies to mitigate the potential adverse impact on our business operations; and (iv) take appropriate measures and make further announcement as and when appropriate.

* *For identification purpose only*

PROFIT WARNING

The Board would like to further inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review by the Board of the unaudited consolidated management accounts of the Group for the nine months ended 31 March 2020 (the “**Period**”), the Group is expected to record an increase in loss of approximately 15–20% for the Period as compared to the loss of approximately HK\$7,320,000 for the same period of 2019. The Board considers that the increase in loss was a combined result of:

- (i) the decline of the production capacity and productivity of our factories in Malaysia and the PRC during the quarter ended 31 March 2020 and the sales therefrom due to the outbreak of the Coronavirus;
- (ii) the drop of gross margin due to the ongoing fierce price competitions;
- (iii) the provision of write-down of inventories; and
- (iv) the increase in administrative expenses due to the abnormal expenses incurred for the preventive measures adopted in our PRC Factory and Malaysia Factory during the outbreak of the Coronavirus.

As at the date of this announcement, the Company is still in the process of finalising the unaudited consolidated results for the Period. The information contained in this announcement is only based on a preliminary assessment by the Board with reference to the information currently available to the Company. The shareholders and potential investors of the Company shall refer to the unaudited consolidated results of the Group for the Period to be published in due course.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 17 April 2020

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. Ng Ka Wai; non-executive Director is Ms. Koay Lee Chern; and the independent non-executive Directors are Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.tem-group.com.