



TEM Holdings Limited
創新電子控股有限公司*

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

Executive directors:

Mr. Lau Man Tak
Mr. Vincent Ho Pang Cheng
Mr. Kan Wai Kee
Ms. Ng Ka Wai

Non-executive director:

Ms. Koay Lee Chern

Independent non-executive directors:

Mr. Ma Yiu Ho Peter
Mr. Lee Hon Man Eric
Mr. Cheung Wai Kuen

Registered office:

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business in Hong Kong:*

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33 Canton Road
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Hong Kong

23 November 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF TEM HOLDINGS LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

1. INTRODUCTION

The Offeror and the Company jointly issued an announcement dated 22 September 2020, which stated that on 16 September 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme, being a scheme of arrangement under Section 86 of the Companies Law involving the cancellation and extinguishment of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders as at the Scheme Record Date of the Cancellation Price in cash for each Scheme Share cancelled and extinguished, and the withdrawal of the listing of the Shares on the Stock Exchange.

The purpose of this Scheme Document is to provide you with further details of the Proposal and the Scheme, information regarding the Company, the expected timetable and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) a letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

If the Proposal is approved and implemented, under the Scheme:

- (a) all Scheme Shares on the Effective Date will be cancelled and extinguished in exchange for the payment of the Cancellation Price, i.e. HK\$0.0855 per Scheme Share, in cash to each Scheme Shareholder as at the Scheme Record Date by the Offeror;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the books of accounts of the Company as a result of the reduction of the issued share capital of the Company will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror;
- (c) the Company will become a wholly-owned subsidiary of the Offeror; and
- (d) the Company will apply to the Stock Exchange, in accordance with Rule 9.23(2) of the GEM Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

Cancellation Price

Under the Proposal, subject to the Scheme becoming binding and effective in accordance with its terms, the Scheme Shareholders as at the Scheme Record Date will be entitled to receive the Cancellation Price of HK\$0.0855 in cash for each Scheme Share cancelled and extinguished under the Scheme.

As at the Latest Practicable Date, no dividends or distribution declared by the Company was outstanding. The Company does not intend to declare any dividends or distribution during the Offer Period.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Offeror.

The Cancellation Price of HK\$0.0855 per Scheme Share represents:

- a premium of approximately 50.0% over the closing price of HK\$0.057 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 65.7% over the average closing price of approximately HK\$0.0516 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 67.0% over the average closing price of approximately HK\$0.0512 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 59.5% over the average closing price of approximately HK\$0.0536 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 69.0% over the average closing price of approximately HK\$0.0506 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 75.2% over the average closing price of approximately HK\$0.0488 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 79.2% over the average closing price of approximately HK\$0.0477 per Share per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 53.5% over the average closing price of approximately HK\$0.0557 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;

- a discount of approximately 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020, based on the audited net assets of the Group as stated in the consolidated statement of financial position of the Company included in its annual results announcement for the financial year ended 30 June 2020, and 600,000,000 Shares in issue as at the Announcement Date; and
- a premium of approximately 5.6% over the closing price of approximately HK\$0.081 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Cancellation Price has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the financial information of the Group including the financial position of the Group as at 30 June 2020, the Offeror's review of the Group's business and its future prospects, and with reference to other privatisation transactions in Hong Kong in recent years.

Total consideration and financial resources

On the basis of the Cancellation Price of HK\$0.0855 per Scheme Share and 150,000,000 Scheme Shares being in issue as at the Latest Practicable Date and assuming that no further Shares will be issued or repurchased before the Scheme Record Date, the Scheme Shares are in aggregate valued at approximately HK\$12,825,000, which represents the amount of cash required for the Proposal.

The Offeror's payment obligations to the Scheme Shareholders as at the Scheme Record Date in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by the Offeror. The Offeror intends to finance the entire cash amount required for the Proposal from internal cash resources.

Opus Capital, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

Highest and lowest prices of the Shares

During the 24-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.19 from 21 September 2018 to 27 September 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.041 from 20 March 2020 to 25 March 2020.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme will be conditional upon the fulfilment or waiver, as applicable, of all the Conditions (as set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” under Part VII — Explanatory Statement of this Scheme Document) on or before the Long Stop Date, being 31 March 2021 (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on application of the Offeror or the Company may direct and in all cases, as permitted by the Executive), failing which the Scheme will not become effective and the Proposal will lapse.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme are subject to the fulfilment or waiver, as applicable, of all the Conditions, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 Shares of HK\$0.01 each, of which 600,000,000 Shares were in issue. As at the Latest Practicable Date, the Scheme Shares, comprising 150,000,000 Shares, represented 25% of the total issued Shares.

As at the Latest Practicable Date the Offeror held an aggregate of 450,000,000 Shares, representing 75% of the total issued Shares. Such Shares held by the Offeror will not form part of the Scheme Shares and will not be voted on at the Court Meeting.

As at the Latest Practicable Date, there were no outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

Assuming there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal (Note 6)	
	Number of Shares	%	Number of Shares	%
Offeror and its concert parties (Notes 1 to 5)	450,000,000	75	600,000,000	100
Independent Shareholders	<u>150,000,000</u>	<u>25</u>	<u>—</u>	<u>—</u>
Total	<u><u>600,000,000</u></u>	<u><u>100</u></u>	<u><u>600,000,000</u></u>	<u><u>100</u></u>

Notes:

1. Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled and extinguished.
2. All the 450,000,000 Shares are held by and in the sole name of the Offeror. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau is the sole shareholder of Perfect Asset. Accordingly, New Universe, Perfect Asset and Mr. Lau are interested in the 450,000,000 Shares through the Offeror.
3. Mr. Lau is the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan are the directors of New Universe and executive Directors. Save as being business partners, Mr. Lau and Mr. Kan have no other relationships. Under the Takeovers Code, Mr. Lau, Mr. Kan, Perfect Asset, New Universe, Opus Capital and persons controlling, controlled by or under the same control as Opus Capital, are considered as parties acting in concert with the Offeror.
4. As at the Latest Practicable Date, save for Mr. Lau who was interested in the 450,000,000 Shares held through the Offeror, no other Directors (including but not limited to Mr. Kan) held any Shares.
5. Opus Capital is the financial adviser to the Offeror in connection with the Proposal. Accordingly, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital are presumed to be acting in concert with the Offeror in accordance with class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Latest Practicable Date, Opus Capital and the persons controlling, controlled by or under the same control as Opus Capital did not hold any Shares.
6. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Simultaneously with such reduction, the number of issued Shares in the share capital of the Company will be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue to the Offeror, credited as fully paid at par, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the books of accounts of the Company as a result of the reduction of the issued share capital of the Company will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

Immediately following the Effective Date and the withdrawal of the listing of the Shares on the Stock Exchange, the Offeror will hold the entire issued share capital of the Company, on the assumption that there are no other changes in shareholding in the Company before completion of the Proposal.

5. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

You are urged to read carefully the paragraph headed “9. Reasons for, and Benefits of, the Proposal” in Part VII — Explanatory Statement of this Scheme Document.

6. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (stock code: 8346). The Group is principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the PRC; and trading of terminals, connectors and others.

Set out below is the summary of the financial information of the Group for the two years ended 30 June 2019 and 2020 as extracted from the annual reports of the Company for the years ended 30 June 2019 and 2020, respectively:

	Year ended 30 June	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	96,163	93,971
Loss before taxation	(11,391)	(13,834)
Loss for the year	(10,763)	(14,192)
	As at 30 June	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net assets	125,994	109,677

The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is a direct wholly-owned subsidiary of New Universe, which in turn is a direct wholly-owned subsidiary of Perfect Asset. Mr. Lau, as the sole shareholder of Perfect Asset, is deemed to be interested in the Shares held by the Offeror.

As at the Latest Practicable Date, Mr. Lau was the sole director of the Offeror and Perfect Asset. Mr. Lau and Mr. Kan were the directors of New Universe and executive Directors.

7. INTENTION OF THE OFFEROR

The Offeror intends to continue the existing business of the Company upon successful implementation of the Proposal and the Scheme. The Offeror has no intention to introduce any major changes to the existing operation and business, or to discontinue the employment of the employees of the Group (save for changes in the ordinary course of business) nor does it have any plans to redeploy any of the fixed assets of the Group after implementation of the Proposal and the Scheme. However, the Offeror will continue to assess business opportunities as they arise. Your attention is drawn to the paragraph headed “11. Intention of the Offeror” in Part VII — Explanatory Statement to this Scheme Document.

The Offeror’s intention and plans for the Company and its employees set out above are acceptable and welcomed by the Board.

8. WITHDRAWAL OF THE LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid at par to the Offeror) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange, in accordance with Rule 9.23(2) of the GEM Listing Rules, for the withdrawal of the listing of the Shares on the Stock Exchange as soon as practicable after the Effective Date.

The Shareholders will be notified by way of an announcement of the exact dates of (i) the last day for dealing in the Shares on the Stock Exchange; (ii) the day on which the Scheme will become effective; and (iii) the day of withdrawal of the listing of the Shares on the Stock Exchange. A detailed expected timetable of the implementation of the Proposal is set out in Part III — Expected Timetable of this Scheme Document.

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will not become effective and the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree in writing or, to the extent applicable, as the Grand Court on the application of the Offeror or the Company may direct and in all cases, as permitted by the Executive). The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. In such instance, trading of the Shares on the Stock Exchange will continue and the Board expects that the Company will continue to be able to meet the minimum public float requirements under the GEM Listing Rules given that there will be no cancellation and extinguishment of the Scheme Shares (assuming there is no other change in the shareholding of the Company).

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that, neither the Offeror nor any person who acted in concert with it in the course of the Proposal, nor any person who is subsequently acting in concert with them, may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

10. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take an action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including

the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, based on the record in the Company's register of members, there were no overseas Scheme Shareholders.

11. REGISTRATION AND PAYMENT

Your attention is drawn to the paragraph headed "15. Registration and Payment" in Part VII — Explanatory Statement of this Scheme Document.

12. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the paragraph headed "16. Taxation and Independent Advice" in Part VII — Explanatory Statement of this Scheme Document.

None of the Offeror, the Company and Opus Capital or any of their respective directors, officers or associates or any other person involved in the Proposal and the Scheme accepts responsibility for any taxation or other effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal and the Scheme.

13. COURT MEETING AND EGM

Court Meeting

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification). Scheme Shareholders (all being Independent Shareholders) whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Scheme Shareholder (all being Independent Shareholders), present and voting either in person or by proxy, will be entitled to vote all of their respective Shares in favour of the Scheme or against it.

The Proposal and the Scheme are conditional upon, among other things, approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders (all being Independent Shareholders) representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders (all being Independent Shareholders) present and voting either in person or by proxy at the Court Meeting, provided that:

- the Scheme is approved (by way of poll) by the Independent Shareholders holding at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
- the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Shares held by all the Independent Shareholders.

In accordance with the Companies Law, the abovementioned “majority in number” requirement will be met if the number of Scheme Shareholders (all being Independent Shareholders) voting in favour of the Scheme at the Court Meeting exceeds the number of Scheme Shareholders (all being Independent Shareholders) voting against the Scheme at the Court Meeting. For this purpose, the number of Scheme Shareholders (all being Independent Shareholders), present and voting in person or by proxy, will be counted. In accordance with the direction from the Grand Court, for the purpose of the abovementioned “majority in number” requirement, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with the instructions received by it from the Investor Participants and other CCASS Participants. Thus: (i) if HKSCC Nominees Limited receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees Limited only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees Limited only receives instructions to vote against the Scheme, it shall vote once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. For the purpose of the “majority in numbers” requirement, a Beneficial Owner whose Shares are deposited in CCASS may also elect to become a Shareholder of record by withdrawing all or any of his/her/its Shares from CCASS and becoming a Registered Owner of such Shares, thereby having the right to attend and vote at the Court Meeting (if such Registered Owner is a Scheme Shareholder (being an Independent Shareholder) on the Meeting Record Date).

The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast, and/or the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast, will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

In accordance with the Companies Law, the abovementioned “75% in value” requirement will be met if the total number of the Shares being voted in favour of the Scheme is at least 75% of the total number of the Shares voted at the Court Meeting.

The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

Your attention is drawn to the paragraph headed “17. Court Meeting and EGM” in Part VII — Explanatory Statement of this Scheme Document.

The Court Meeting will be held at 10:00 a.m. on Wednesday, 16 December 2020.

EGM

The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting) on Wednesday, 16 December 2020.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the EGM with respect to:

- (1) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and
- (2) the ordinary resolution to simultaneously restore the number of issued Shares in the share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares and to apply the reserve created as a result of the aforesaid reduction of the issued share capital of the Company to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme for allotment and issue to the Offeror.

Your attention is drawn to the paragraph headed “17. Court Meeting and EGM” in Part VII — Explanatory Statement of this Scheme Document.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Wednesday, 16 December 2020 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong.

Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at 11:00 a.m. (or as soon as practicable after the conclusion or adjournment of the Court Meeting convened for the same day and place) on Wednesday, 16 December 2020 at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on Friday, 8 January 2021 (Cayman Islands time). The Company will make further announcements giving details of the results of the Court Meeting and the EGM and, if all the Resolutions are passed at

those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme by the Grand Court, the Effective Date, the Scheme Record Date, and the date of withdrawal of the listing of the Shares on the Stock Exchange.

14. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal and the Scheme are set out in “Part II — Actions To Be Taken” and paragraph headed “20. Summary of Actions to be Taken” in Part VII — Explanatory Statement of this Scheme Document.

15. RECOMMENDATIONS

The Directors (save for Mr. Lau and Mr. Kan who have abstained from voting at the board meeting of the Company approving the Proposal and the Scheme and those on the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

In the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, TUS Corporate Finance states that it considers the terms of the Proposal (including the Cancellation Price) and the Scheme to be fair and reasonable so far as the Independent Shareholders are concerned, and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant Resolutions which will be proposed at the Court Meeting and the EGM to approve and implement the Scheme and the Proposal.

The Independent Board Committee (comprising Ms. Koay Lee Chern, Mr. Ma Yiu Ho Peter, Mr. Lee Hon Man Eric and Mr. Cheung Wai Kuen, being all of the non-executive Director or independent non-executive Directors, as the case may be), having considered the terms of the Proposal and the Scheme and having taken into account the advice of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. The Company confirms that all members of the Independent Board Committee (including the non-executive Director and all the independent non-executive Directors) were not involved in the terms negotiation process of the privatisation of the Company or during any stages of the negotiation process.

Your attention is drawn to the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document.

16. FURTHER INFORMATION

We urge you to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Statement as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the terms of the Scheme as set out in Appendix III to this Scheme Document, the notice of Court Meeting as set out in Appendix IV to this Scheme Document and the notice of EGM as set out in Appendix V to this Scheme Document. In addition, a pink form of proxy for the Court Meeting and a white form of proxy for the EGM are enclosed with copies of this Scheme Document.

By order of the Board of
TEM Holdings Limited

A handwritten signature in black ink, appearing to read 'Ng Ka Wai', written in a cursive style.

Ng Ka Wai
Executive Director