



TEM

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8346

**2019/2020**  
Third Quarterly Report

\* For identification purpose only

## 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.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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.*

# CONTENTS

	<b>Pages</b>
Corporate Information	<b>2</b>
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>4</b>
Unaudited Condensed Consolidated Statement of Changes in Equity	<b>6</b>
Notes to the Unaudited Condensed Consolidated Financial Statements	<b>7</b>
Management Discussion and Analysis	<b>16</b>
Disclosure of Interests	<b>23</b>
Other Information	<b>26</b>

# 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. 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

### AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter (*Chairman*)

Mr. Lee Hon Man Eric

Mr. Cheung Wai Kuen

### NOMINATION COMMITTEE

Mr. Lee Hon Man Eric (*Chairman*)

Mr. Lau Man Tak

Mr. Vincent Ho Pang Cheng

Mr. Ma Yiu Ho Peter

Mr. Cheung Wai Kuen

### REMUNERATION COMMITTEE

Mr. Cheung Wai Kuen (*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

Ocorian 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

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*

## PRINCIPAL BANKERS

China Construction Bank (Asia)  
Corporation Limited  
The Hong Kong and Shanghai Banking  
Corporation Limited  
Nanyang Commercial Bank Limited

## COMPANY'S WEBSITE

<http://www.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 2020 together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	23,096	23,726	75,611	71,153
Cost of sales		(21,162)	(20,713)	(66,274)	(60,767)
Gross profit		1,934	3,013	9,337	10,386
Other income	4	153	143	955	687
Selling and distribution costs		(482)	(573)	(1,845)	(1,899)
Administrative expenses		(5,194)	(5,625)	(16,225)	(16,953)
Other gains and losses	5	(42)	677	(213)	664
Interest expenses		(31)	–	(41)	–
Loss before taxation		(3,662)	(2,365)	(8,032)	(7,115)
Income tax expense	6	(158)	(26)	(462)	(205)
Loss for the period	7	(3,820)	(2,391)	(8,494)	(7,320)

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2020

	For the three months ended 31 March		For the nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other comprehensive (expense) income				
<i>Item that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation to presentation currency	(214)	44	(214)	64
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(2,280)	1,063	(2,311)	(664)
Other comprehensive (expense) income for the period	(2,494)	1,107	(2,525)	(600)
Total comprehensive expense for the period	(6,314)	(1,284)	(11,019)	(7,920)
Loss per share				
— Basic (HK cents)	9	(0.40)	(1.42)	(1.22)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Share capital	Share premium	Exchange reserve	PRC Statutory reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note)		
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 (restated)	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 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
At 1 July 2019 (audited)	<b>6,000</b>	<b>66,340</b>	<b>(4,156)</b>	<b>2,742</b>	<b>55,068</b>	<b>125,994</b>
Loss for the period	–	–	–	–	(8,494)	(8,494)
Exchange differences arising on translation to presentation currency	–	–	(214)	–	–	(214)
Exchange differences arising on translation of foreign operations	–	–	(2,311)	–	–	(2,311)
Total comprehensive expense for the period	–	–	(2,525)	–	(8,494)	(11,019)
At 31 March 2020 (unaudited)	<b>6,000</b>	<b>66,340</b>	<b>(6,681)</b>	<b>2,742</b>	<b>46,574</b>	<b>114,975</b>

Note: The People's Republic of China (the "PRC") reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in 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. No appropriation is required if the balance at the statutory reserve has reached 50% of the registered capital of the relevant PRC subsidiaries. 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 unaudited condensed 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 2020 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 unaudited condensed consolidated financial statements have been prepared under historical cost convention.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRS 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 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 2019, except the new revised HKFRSs as described below.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as disclosed below, the application of the new and amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 2.1 Changes in accounting policies

The Group applied HKFRS 16 with a date of initial application on 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new and amended requirements with respect to lease accounting are therefore recognised in the opening statement of financial position on 1 July 2019.

#### (a) Adjustments recognised on adoption of HKFRS 16

Prior to the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis. Upon adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 July 2019. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Changes in accounting policies (continued)

#### (a) Adjustments recognised on adoption of HKFRS 16 (continued)

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in note 2.1(b). The right-of-use assets were recognised in the consolidated statement of financial position. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life or the lease term.

#### (b) Accounting policies adopted since 1 July 2019

Until the year ended 30 June 2019, payments made under operating leases were recognised as an expense on a straight-line basis over the lease term. From 1 July 2019 onwards, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option to terminate the lease.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Changes in accounting policies (continued)

#### (b) Accounting policies adopted since 1 July 2019 (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the audit committee ("**Audit Committee**") of the Company and were approved for issue by the Board.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION

### 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Manufacture and sale of wire/cable harnesses	21,493	21,293	69,120	61,060
Manufacture and sale of power supply cords assembled products	1,516	1,645	5,699	7,295
Trading of terminals, connectors and others	87	788	792	2,798
Revenue from contracts with customers and segments revenue	23,096	23,726	75,611	71,153

All the revenue from contracts with customers are recognised at point in time.

### 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PRC	4,828	7,729	24,106	21,000
Asia Pacific region (excluding the PRC)	13,677	11,175	37,543	38,172
Western Europe	3,182	3,522	9,575	8,194
Americas	1,409	1,300	4,387	3,787
	23,096	23,726	75,611	71,153

# 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 nine months ended 31 March 2020 and for the corresponding periods in 2019 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	10,054	9,487	29,874	32,824
Customer B	*	3,841	*	8,677
Customer C	3,553	*	12,444	*
Customer D	3,040	3,412	9,866	7,553

\* 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	92	110	337	493
Government grant (note)	11	–	542	115
Others	50	33	76	79
	153	143	955	687

Note: The government grant represents a subsidy received by a subsidiary of the Company. In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the grant.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. OTHER GAINS AND LOSSES

	For the three months ended 31 March		For the nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net exchange (loss) gain	(48)	677	(231)	464
Gain on disposal of property, plant and equipment	6	–	18	200
	(42)	677	(213)	664

## 6. INCOME TAX EXPENSE

	For the three months ended 31 March		For the nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	158	1	502	234
Overprovision in prior years	–	–	(40)	(29)
Deferred tax:				
Write-downs of deferred tax assets	–	25	–	–
	158	26	462	205

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made as the group entities have no assessable profits for both periods.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. INCOME TAX EXPENSE (continued)

Under the Law of the PRC on enterprise income tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. Pursuant to the relevant law and regulation 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

No provision for PRC Enterprise Income Tax (“EIT”) has been made as the group entity has no assessable profits for the nine months ended 31 March 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%.

The income tax rate applicable in Malaysia is 24% for both periods under review.

The income tax rate applicable in Singapore is 17% for both periods. No provision for Singapore corporate income tax has been made as the group entity has no assessable profits for both periods.

## 7. LOSS FOR THE PERIOD

	For the three months ended 31 March		For the nine months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:				
Staff Costs	7,206	8,501	23,118	23,123
Cost of inventories recognized as expense	14,406	20,713	43,278	60,767
Depreciation of property, plant and equipment	841	1,124	2,909	3,173
Depreciation of right of use assets	147	–	266	–
Minimum lease payments for operating leases in respect of land and buildings	503	897	2,194	2,670
Provision/(Reversal) of inventories write down, net	1,352	(290)	2,033	(481)



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2020 (2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss:				
Loss for the period attributable to owners of the Company	<b>(3,820)</b>	(2,391)	<b>(8,494)</b>	(7,320)
Number of shares:				
Number of ordinary shares for the purpose of basic loss per share	<b>600,000,000</b>	600,000,000	<b>600,000,000</b>	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 manufacture and sale of wire/cable harnesses and power supply cords assembled products, with our manufacturing operations in Malaysia and the PRC and has more than 20 years 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 increased from approximately HK\$71,153,000 for the nine months ended 31 March 2019 to approximately HK\$75,611,000 for the nine months ended 31 March 2020, representing an increase of approximately 6.3%. The gross profit of the Group declined by 10.1% from approximately HK\$10,386,000 for the nine months ended 31 March 2019 to HK\$9,337,000 for the nine months ended 31 March 2020 with gross profit margin dropped from 14.6% to 12.3% for the corresponding period. The loss for the nine months ended 31 March 2020 was approximately HK\$8,494,000, increased from a loss of HK\$7,320,000 for the nine months ended 31 March 2019.

By operating segments, the revenue of manufacture and sale of wire/cable harnesses was approximately HK\$69,120,000 for the nine months ended 31 March 2020 and accounted for 91.4% of the Group's total revenue, representing an increase of 13.2% as compared to approximately HK\$61,060,000 for the nine months ended 31 March 2019. The revenue of manufacture and sale of power supply cords assembled products was approximately HK\$5,699,000 for the nine months ended 31 March 2020 and accounted for 7.5% of the Group's total revenue, representing a drop of 21.9% as compared to approximately HK\$7,295,000 for the nine months ended 31 March 2019. The revenue of trading of terminals, connectors and others was approximately HK\$792,000 for the nine months ended 31 March 2020 and accounted for 1.1% of the Group's total revenue, representing a decline of 71.7% as compared to approximately HK\$2,798,000 for the nine months ended 31 March 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

By geographical market segments, the revenue from the PRC recorded HK\$24,106,000 for the nine months ended 31 March 2020 and accounted for 31.9% of the Group's total revenue and represented an increase of 14.8% as compared to approximately HK\$21,000,000 for the nine months ended 31 March 2019. The revenue from Asia Pacific region (excluding the PRC) was approximately HK\$37,543,000 for the nine months ended 31 March 2020 and accounted for 49.6% of the Group's total revenue, representing a drop of 1.6% as compared to approximately HK\$38,172,000 for the nine months ended 31 March 2019. The revenue from Western Europe was approximately HK\$9,575,000 for the nine months ended 31 March 2020 and accounted for 12.7% of the Group's revenue, representing an increase of 16.9% as compared to approximately HK\$8,194,000 for the nine months ended 31 March 2019. The revenue from the Americas was approximately HK\$4,387,000 for the nine months ended 31 March 2020 and accounted for 5.8% of the Group's revenue, representing an increase of 15.8% as compared to approximately HK\$3,787,000 for the nine months ended 31 March 2019.

As shown from above the aggregate revenue generated from the PRC, the Western Europe and the Americas increased by approximately 15.0% when compared to the same period of the last year. Such encouraging increase demonstrated the contribution from our continual interaction with the existing customers. Nevertheless, we still have to face the ongoing fierce price competition from other market players escalated by the trade disputes between the United States and China, and that have driven down the Group's overall gross margin.

In addition, after the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been implemented across the region. In order to ensure the health and safety of our employees and to facilitate the prevention and control of the COVID-19 outbreak, the Group has, (i) promptly established a crisis management working team in our factories for coordination and arrangement of provision of services in our premises with the aim to maintain normal operation; (ii) provided sufficient protective equipment and masks to our employees; and (iii) ensured that all our employees have strictly implemented the control and prevention measures formulated by the Group, including the strict observance of personal and environmental hygiene and regular body temperature checks for all employees and visitors entering into our premises.

## MANAGEMENT DISCUSSION AND ANALYSIS

Various emergency public health measures including, among others, imposing restriction on work resumption date after the statutory holidays for Chinese New Year and lockdown policies in certain cities prohibiting the movement of goods and people between provinces by the public authorities were introduced in China. Our PRC factory has suspended its operation on 3 February 2020 and has resumed production on 12 February 2020, three weeks after production halt since the Chinese New Year holidays and the suspension period prescribed by the relevant Government authority. As at the date of this report, our PRC factory has been substantially restored to its normal operation capacity.

The Malaysia Government has made a special announcement on 16 March 2020 to implement the Restriction of Movement Order (the “**Order**”) under subsection 11(2) of the Prevention and Control of Infectious Diseases Act 1988 [Act 342] and the Police Act 1967 as a measure to curb the COVID-19 outbreak. This Order, effective nationwide for two weeks from 18 March 2020, includes, among others, the closure of premises, i.e. houses of worship, business premises as well as all government and private premises except for those involved in essential services for Malaysia. The Malaysian Government has made another announcement on 23 April 2020 to further extend the Order to 12 May 2020. Our Malaysia factory has managed to obtain the conditional approval on 19 April 2020 from the Ministry of International Trade and Industry of Malaysia (the “**Permit**”) to partially resume its operation subject to the following major conditions: (i) reducing 50% headcounts for its operation and production; (ii) restricting the working hours of its operation to no more than 12 hours per day; and (iii) providing personal protective equipment such as nose cover or mask to employees. In addition, taken into consideration of the economic recovery, the Malaysian Government announced on 28 April 2020 to allow companies with the Permit to increase their capacity to operate fully with effect from 29 April 2020. Our Malaysia factory is qualified to operate in full capacity. In spite of that, the Group expects that under such circumstances, the current capacity of our Malaysia factory is still far behind from its full capacity due to the uncertainty of labor workforce and lower efficiency after implementing the measures required under the Standard Operating Procedure issued by the Malaysian Government such as the on-the-job social distancing and strict observance of personal hygiene and health control guidelines.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, given the respective temporary shut down in both PRC factory and Malaysia factory in February and March 2020, the estimated aggregate non-production days of the Group was about four weeks. Should there be no production halt in our factories, the revenue to be generated for the nine months period ended 31 March 2020 would be much more than our recorded amount.

The global economy is faced with unprecedented situation due to the COVID-19 outbreak since January 2020 resulting in restrictions on travelling imposed by various countries, reduction in economic activities and the price war of crude oil trade. The pandemic and crude oil war have hit various industries and created significant uncertainty in the global business environment. Moreover, the continuance of the Order in Malaysia, that was first imposed on 18 March 2020, is expected to continue to have a disruption on our Malaysia factory's operations including a drop in production volume in April and May and delay in receipt of raw material and delivery of finished products and in turn an adverse impact on the Group's financial result in the coming months. Nevertheless, the Directors reiterate that we will closely monitor the situation and continuously engage relevant resources and adjust the purchase and production activities in a timely manner to mitigate the impact.

## FINANCIAL REVIEW

The Group's revenue increased by 6.3% from approximately HK\$71,153,000 for the nine months ended 31 March 2019 to approximately HK\$75,611,000 for the nine months ended 31 March 2020. Cost of sales increased by 9.1% from approximately HK\$60,767,000 for the nine months ended 31 March 2019 to approximately HK\$66,274,000 for the nine months ended 31 March 2020. The gross profit margin was decreased from 14.6% for the nine months ended 31 March 2019 to 12.3% for the nine months ended 31 March 2020. Such decrease was mainly due to (i) the ongoing fierce price competitions; and (ii) the provision of write-down of inventories amounted approximately HK\$2,033,000. If the aforesaid provision is not made, the gross profit margin for the nine months ended 31 March 2020 will be 15.0% instead of 12.3%. As a result, the gross profit of the Group dropped by 10.1% from approximately HK\$10,386,000 for the nine months ended 31 March 2019 to HK\$9,337,000 for the nine months ended 31 March 2020.

Other income increased by 39.0% from approximately HK\$687,000 for the nine months ended 31 March 2019 to approximately HK\$955,000 for the nine months ended 31 March 2020. Such increase was mainly due to one-off government grant of approximately HK\$501,000 for our PRC factory being certified as one of 高新技術企業 (High-New Technology Enterprise) in China during November 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs, amounted to approximately HK\$1,899,000 for the nine months ended 31 March 2019 which was approximately the same as HK\$1,845,000 for the nine months ended 31 March 2020 though with increased revenue.

Administrative expenses, consisting primarily of staff costs, rental expenses, general office expenses, depreciation, licence fees, professional fees and travelling expenses reduced by 4.3% from approximately HK\$16,953,000 for the nine months ended 31 March 2019 to approximately HK\$16,225,000 for the nine months ended 31 March 2020. There was an inclusion of certain expenses the Group spent in the purchase of sanitizing-related products and protective equipment for our employees in Hong Kong, Singapore, PRC and Malaysia during the COVID-19 outbreak.

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 loss of approximately HK\$213,000 for the nine months ended 31 March 2020 as compared to net other gains of approximately HK\$664,000 for the nine months ended 31 March 2019. For the nine months ended 31 March 2020, the Group recognized net exchange loss of approximately HK\$231,000 as a result of depreciation of Renminbi against HK\$.

The Group's income tax expense increased from approximately HK\$205,000 for the nine months ended 31 March 2019 to approximately HK\$462,000 for the nine months ended 31 March 2020. Such increase was mainly due to the increase in provision of Malaysia Corporate Income Tax.

As a result of the above, the Group recorded a loss of approximately HK\$8,494,000 for the nine months ended 31 March 2020 while the loss for the nine months ended 31 March 2019 was approximately HK\$7,320,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2020 (2019: 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 during the period.

As at 31 March 2020, 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 2020 and 2019, the Group did not hold any significant investments.

## Contingent Liabilities

As at 31 March 2020 and 2019 the Group did not have any material contingent liabilities.

## Pledge of the Group's Assets

As at 31 March 2020, the bank deposits of approximately HK\$538,000 (30 June 2019: approximately HK\$565,000) 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The net proceeds from the listing of shares of the Company on GEM of Stock Exchange on 18 May 2016 (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 2020, the unused proceeds from the Listing in the amount of approximately HK\$21,157,000 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 2020 is set out below:

	<b>Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK\$'000</b>	<b>Actual use of net proceeds up to 31 March 2020 HK\$'000</b>	<b>Unutilized balance as at 31 March 2020 HK\$'000</b>
Upgrade and increase our production capacity	40,978	20,023	20,955
Enhance our manufacturing, information technology and human resources management capabilities	4,528	4,528	–
Strengthen our sales and marketing efforts	6,226	6,024	202



# 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 2020, 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"). Jumbo Planet is a direct wholly-owned subsidiary of New Universe Industries Limited ("New Universe"). New Universe is a direct wholly-owned subsidiary of Perfect Asset Investments Limited ("Perfect Asset"), which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed, or taken to be, interested in the Shares held by Jumbo Planet in the Company. Mr. Lau is a director of Jumbo Planet, New Universe and Perfect Asset.

Save as disclosed above, as at 31 March 2020, 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 March 2020, 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
New Universe	Interest in a controlled corporation (Note 2)	450,000,000 Shares (L)	75
Perfect Asset	Interest in a controlled corporation (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. Jumbo Planet is a direct wholly-owned subsidiary of New Universe. New Universe is a direct wholly-owned subsidiary of Perfect Asset, which in turn is wholly-owned by Mr. Lau. By virtue of the SFO, each of New Universe and Perfect Asset and Mr. Lau is deemed, or taken to be, interested in the Shares held by Jumbo Planet in the Company.
- (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.

## DISCLOSURE OF INTERESTS

Saved as disclosed above, as at 31 March 2020, 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 2020.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme, at no time during the nine months ended 31 March 2020 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 2020, 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 2020.

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 2020.

## 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 18 May 2016.

### 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 2020.

### 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. Lee Hon Man Eric and Mr. Cheung Wai Kuen. 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 2020 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 2020 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, 6 May 2020

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