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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020**

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 three months ended 30 September 2020. This announcement, containing the full text of the 2020/2021 first 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 first quarterly results. Printed version of the Company’s 2020/2021 first 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 www.tem-group.com on or before 13 November 2020.

By order of the Board
TEM Holdings Limited
Kan Wai Kee
Executive Director

Hong Kong, 6 November 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; 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.

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 purposes 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 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.

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.

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*This report, for which the directors (the “**Directors**”) of TEM Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Man Tak (*Chairman*)

Mr. Vincent Ho Pang Cheng
(*Chief Executive Officer*)

Mr. Kan Wai Kee

Ms. 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

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

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Grand Cayman KY1-1111

Cayman Islands

REGISTERED OFFICE

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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

FIRST 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 ended 30 September 2020 together with the comparative unaudited figures for the corresponding period in 2019, as follows:

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

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

		For the three months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	3	27,932	24,567
Cost of sales		(24,470)	(21,272)
Gross profit		3,462	3,295
Other income	4	1,640	642
Selling and distribution costs		(479)	(683)
Administrative expenses		(8,033)	(5,347)
Finance cost	5	(66)	(5)
Other gains and losses	6	767	(373)
Loss before tax		(2,709)	(2,471)
Income tax expenses	7	(316)	(162)
Loss for the period	8	(3,025)	(2,633)

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

	For the three months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation to presentation currency	58	(77)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	1,524	(951)
Other comprehensive income (expense) for the period	1,582	(1,028)
Total comprehensive expense for the period	(1,443)	(3,661)
Loss per share — Basic and diluted (HK cents)	(0.50)	(0.44)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC		Total HK\$'000
				Statutory reserve HK\$'000 (Note)	Retained profits HK\$'000	
At 1 July 2019 (audited)	6,000	66,340	(4,156)	2,742	55,068	125,994
Loss for the period	-	-	-	-	(2,633)	(2,633)
Exchange differences arising on translation to presentation currency	-	-	(77)	-	-	(77)
Exchange differences arising on translation of foreign operations	-	-	(951)	-	-	(951)
Total comprehensive expense for the period	-	-	(1,028)	-	(2,633)	(3,661)
At 30 September 2019 (unaudited)	6,000	66,340	(5,184)	2,742	52,435	122,333
At 1 July 2020 (audited)	6,000	66,340	(6,281)	2,742	40,876	109,677
Loss for the period	-	-	-	-	(3,025)	(3,025)
Exchange differences arising on translation to presentation currency	-	-	58	-	-	58
Exchange differences arising on translation of foreign operations	-	-	1,523	-	-	1,523
Total comprehensive income (expense) for the period	-	-	1,581	-	(3,025)	(1,444)
At 30 September 2020 (unaudited)	6,000	66,340	(4,700)	2,742	37,851	108,233

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 of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate holding company is Jumbo Planet Group Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) and ultimate holding company is Perfect Asset Investments Limited, a company incorporated in the BVI. Its ultimate controlling party is Mr. Lau Man Tak, who is also the Chairman and a director of the Company. 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 three months ended 30 September 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 except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2020. The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the year ended 30 June 2020.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 July 2020. The adoption of such standards, amendments and interpretations does not have material financial effect on this quarterly results.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND SEGMENT INFORMATION

Segment revenue

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

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Manufacture and sale of wire/cable harnesses	25,270	22,450
Manufacture and sale of power supply cords assembled products	2,184	2,094
Trading of terminals, connectors and others	478	23
Revenue from contracts with customers and segments revenue	27,932	24,567

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 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The PRC	10,586	7,721
Asia Pacific region (excluding the PRC)	12,826	12,519
Western Europe	2,685	2,866
Americas	1,835	1,461
	27,932	24,567

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 ended 30 September 2020 and for the corresponding periods in 2019 contributing over 10% of the Group's revenue are as follows:

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	10,199	10,021
Customer B	5,359	4,115
Customer C	N/A*	3,225

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

4. OTHER INCOME

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	30	109
Government grant	932	520
Sales of scrap materials	657	–
Others	21	13
	1,640	642

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COST

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on lease liabilities	66	5

6. OTHER GAINS AND LOSSES

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net exchange gain/(loss)	767	(385)
Gain on disposal of property, plant and equipment	-	12
	767	(373)

7. INCOME TAX EXPENSE

	For the three months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:		
Malaysia Corporate Income tax	316	162

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE (continued)

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.

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 three months ended 30 September 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.

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. The 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 SGD190,000 chargeable income) for the year 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS FOR PERIOD

	For the three months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Staff costs	7,894	8,049
Cost of inventories recognized as an expense	17,767	13,130
Depreciation of property, plant and equipment	1,413	1,056
Short term lease expenses	205	846

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 September 2020 (2019: nil).

10. LOSS PER SHARE

	For the three months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company	3,025	2,633
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	600,000,000	600,000,000

Basic loss per share is the same as diluted loss per share as the Company has no dilutive potential ordinary shares for both periods.

11. EVENTS AFTER REPORTING PERIOD

On 22 September 2020, a joint announcement in relation to a proposal for the privatisation of the Company by Jumbo Planet Group Limited ("Jumbo Planet") by way of a scheme of arrangement and the proposed withdrawal of listing of the shares of the Company on the Stock Exchange was issued by the Company and Jumbo Planet. Please refer to the joint announcements of the Company and Jumbo Planet dated 22 September 2020 and 13 October 2020 for further details.

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\$24,567,000 for the three months ended 30 September 2019 to approximately HK\$27,932,000 for the three months ended 30 September 2020, representing a rise of approximately 13.7%. The gross profit of the Group increased by 5.1% from approximately HK\$3,295,000 for the three months ended 30 September 2019 to HK\$3,462,000 for the three months ended 30 September 2020 with gross profit margin decreased from 13.4% to 12.4% for the corresponding period. The loss for the three months ended 30 September 2020 was approximately HK\$3,025,000, increased from a loss of HK\$2,633,000 for the three months ended 30 September 2019.

By operating segments, the revenue of manufacture and sale of wire/cable harnesses was approximately HK\$25,270,000 for the three months ended 30 September 2020 and accounted for 90.5% of the Group's total revenue, representing an increase of 12.6% as compared to approximately HK\$22,450,000 for the three months ended 30 September 2019. The revenue of manufacture and sale of power supply cords assembled products was approximately HK\$2,184,000 for the three months ended 30 September 2020 and accounted for 7.8% of the Group's total revenue, representing a slightly growth of 4.3% as compared to approximately HK\$2,094,000 for the three months ended 30 September 2019. The revenue of trading of terminals, connectors and others was approximately HK\$478,000 for the three months ended 30 September 2020 and accounted for 1.7% of the Group's total revenue, representing an increase of 1,978.3% as compared to approximately HK\$23,000 for the three months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

By geographical market segments, the revenue from the PRC recorded HK\$10,586,000 for the three months ended 30 September 2020 and accounted for 37.9% of the Group's total revenue and represented an increase of 37.1% as compared to approximately HK\$7,721,000 for the three months ended 30 September 2019. The revenue from Asia Pacific region (excluding the PRC) was approximately HK\$12,826,000 for the three months ended 30 September 2020 and accounted for 45.9% of the Group's total revenue, representing a growth of 2.5% as compared to approximately HK\$12,519,000 for the three months ended 30 September 2019. The revenue from Western Europe was approximately HK\$2,685,000 for the three months ended 30 September 2020 and accounted for 9.6% of the Group's total revenue, representing a drop of 6.3% as compared to approximately HK\$2,866,000 for the three months ended 30 September 2019. The revenue from Americas was approximately HK\$1,835,000 for the three months ended 30 September 2020 and accounted for 6.6% of the Group's total revenue, representing an increase of 25.6% as compared to approximately HK\$1,461,000 for the three months ended 30 September 2019.

As mentioned before, the revenue from the PRC increased by approximately 14.3% when compared to the same period of the last year, primarily resulted from (i) the completion of certain customers' orders that had been postponed from previous quarters due to the outbreak of Novel Coronavirus ("COVID-19"); and (ii) the pull in demand before the "Golden Week" which combined China National Day and the Mid-Autumn Festival in early October 2020. However, the threat of another wave of the COVID-19 worldwide and the continued fallout from the worsening PRC — United States trade tension remain our major concern for the business in the coming quarters and the beginning of 2021.

During the period under review, the management of the Group stayed connected with existing customers and closely followed up on the revised delivery schedule in order to maintain and solidify business relationship.

The latest news revealed that since mid-October 2020, most of the European countries faced the second surge of COVID-19. Starting from late October/early November, a new wave of lockdowns and business closings henceforth swept across Germany, France, Italy and other major countries in Europe. These will inevitably affect our supply chain and business incurred/arose from European suppliers/customers. Besides, due to the continuous increase in the number of COVID-19 cases in Malaysia, the Malaysian Government has made the announcement on 13 October 2020 to implement the conditional movement control order (the "CMCO") on Kuala Lumpur its capital and the surrounding state of Selangor from 14 October 2020 to 27 October 2020. The CMCO has been further extended to 9 November 2020 due to the prevention of the high risk of COVID-19 spreading.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the above, the outlook for coming months is uncertain especially with the recent levels of geopolitical risk increased in particular markets whilst the battered global economy arising from the COVID-19 and the market sentiment could possibly affect the business of the Group in the future. Despite such a challenging environment, the Group will continuously deploy outreach strategies in maintaining relationships with existing customers and enhancing production competency and efficiency.

Proposal for the Privatisation of the Company by the Offeror and Proposed Withdrawal of Listing

Reference is made to the joint announcement issued by the Company and Jumbo Planet Group Limited (the “**Offeror**”) on 22 September 2020 (the “**Announcement**”). As disclosed in the Announcement, the Offeror requested the Board to put forward the proposal (the “**Proposal**”) to the Scheme Shareholders (as defined in the Announcement) regarding the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, involving the cancellation and extinguishment of the Scheme Shares (as defined in the Announcement) and, in consideration thereof, the payment to the Scheme Shareholders of the cancellation price of HK\$0.0855 in cash for every Scheme Share and the withdrawal of the listing of the Company’s Shares on the Stock Exchange, subject to the fulfilment or waiver (as applicable) of certain conditions. For further details and progress of the Proposal, please refer to the Announcement, the joint announcement issued by the Company and the Offeror on 13 October 2020, the scheme document to be despatched which will contain, among others, the expected timetable for the Proposal, as well as any other announcements that may be published by the Company and/or the Offeror. Shareholders and potential investors of the Company should be aware that the implementation of the Proposal is subject to the fulfilment or waiver (as applicable) of certain conditions, and therefore the Proposal may or may not be implemented. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by 13.7% from approximately HK\$24,567,000 for the three months ended 30 September 2019 to approximately HK\$27,932,000 for the three months ended 30 September 2020. Such rise is mainly attributable to (i) the completion of customers' orders that had been postponed from previous quarters due to the outbreak of COVID-19; and (ii) the pull in demand before the "Golden Week" which combined China National Day and the Mid-Autumn Festival in October 2020. Cost of sales increased by 15.0% from approximately HK\$21,272,000 for the three months ended 30 September 2019 to approximately HK\$24,470,000 for the three months ended 30 September 2020. The gross profit margin was dropped from 13.4% for the three months ended 30 September 2019 to 12.4% for the three months ended 30 September 2020. Nevertheless, the gross profit margin was slightly improved during the period under review when compared to the annual average gross profit margin for the year ended 30 June 2020. It was mainly attributable to our streamlined manufacturing processes that had enhanced the overall productivity. The gross profit of the Group rose by 5.1% from approximately HK\$3,295,000 for the three months ended 30 September 2019 to HK\$3,462,000 for the three months ended 30 September 2020.

Other income increased by 155.5% from approximately HK\$642,000 for the three months ended 30 September 2019 to approximately HK\$1,640,000 for the three months ended 30 September 2020. Such increase was mainly due to (i) an one-off wage subsidy of approximately HK\$921,000 from local governments in Malaysia, Singapore and Hong Kong for the COVID-19; and (ii) the sales of scrap materials of approximately HK\$657,000.

Selling and distribution costs mainly consisted of transportation, marketing and promotion expenses and storage costs, amounted to approximately HK\$683,000 for the three months ended 30 September 2019 and decreased to approximately HK\$479,000 for the three months ended 30 September 2020. The decrease was mainly due to the decrease in the marketing and promotion expenses given the international travelling became very difficult during the COVID-19.

Administrative expenses, consisting primarily of staff costs, rental expenses, general office expenses, depreciation, licence fees, professional fees and travelling expenses increased by 50.2% from approximately HK\$5,347,000 for the three months ended 30 September 2019 to approximately HK\$8,033,000 for the three months ended 30 September 2020. Such increase was mainly due to (i) the increase of professional fee relating to the Proposal; and (ii) the licence fee on product certification.

Finance cost increased by approximately HK\$61,000 was mainly due to the increase of interest on lease liabilities for three months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$767,000 for the three months ended 30 September 2020 as compared to net other losses of approximately HK\$373,000 for the three months ended 30 September 2019. For the three months ended 30 September 2020, the Group recognized net exchange gains of approximately HK\$767,000 as a result of fluctuation of Renminbi against HK\$ whilst we only recognized an exchange loss of approximately HK\$385,000 for the three months ended 30 September 2019.

Income tax expense increased from approximately HK\$162,000 for the three months ended 30 September 2019 to approximately HK\$316,000 for the three months ended 30 September 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\$3,025,000 for the three months ended 30 September 2020 while the loss for the three months ended 30 September 2019 was approximately HK\$2,633,000.

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 September 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 30 September 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 30 September 2020 and 2019, the Group did not hold any significant investments.

Contingent Liabilities

As at 30 September 2020 and 2019, the Group did not have any material contingent liabilities.

Pledge of the Group's Assets

As at 30 September 2020, the bank deposits of approximately HK\$572,000 (30 June 2020: approximately HK\$555,000) were pledged to a bank to secure bank guarantee to a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Malaysian Ringgit, 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 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 30 September 2020, the unused proceeds from the Listing in the amount of approximately HK\$18,185,000 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 utilisation of the net proceeds from the Listing up to 30 September 2020 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 30 September 2020 HK\$'000	Unutilised balance as at 30 September 2020 HK\$'000
Upgrade and increase our production capacity	40,978	22,793	18,185
Enhance our manufacturing, information technology and human resources management capabilities	4,528	4,528	—
Strengthen our sales and marketing efforts	6,226	6,226	—

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 30 September 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. 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 Assets.

Save as disclosed above, as at 30 September 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 30 September 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 30 September 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 30 September 2020.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save for the Proposal and other than the Share Option Scheme, at no time during the three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 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 three months ended 30 September 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 announcement 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 three months ended 30 September 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 re-appointment 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 three months ended 30 September 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 three months ended 30 September 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
Kan Wai Kee
Executive Director

Hong Kong, 6 November 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.