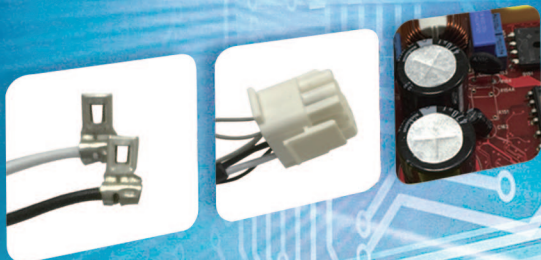


**TEM**

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

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8346**



## **2016/2017** Interim Report

\* for identification purpose only

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market (the “GEM”) has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (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. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the 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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lau Man Tak (*Chairman*)

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

Mr. Kan Wai Kee

Ms. Koay Lee Chern

### Independent Non-Executive Directors

Mr. Lum Chor Wah Richard

Mr. Ma Yiu Ho Peter

Mr. Lee Hon Man Eric

## AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter (*Chairman*)

Mr. Lum Chor Wah Richard

Mr. Lee Hon Man Eric

## NOMINATION COMMITTEE

Mr. Lee Hon Man Eric (*Chairman*)

Mr. Lau Man Tak

Mr. Vincent Ho Pang Cheng

Mr. Lum Chor Wah Richard

Mr. Ma Yiu Ho Peter

## REMUNERATION COMMITTEE

Mr. Lum Chor Wah Richard (*Chairman*)

Mr. Lau Man Tak

Mr. Vincent Ho Pang Cheng

Mr. Ma Yiu Ho Peter

Mr. Lee Hon Man Eric

## COMPANY SECRETARY

Mr. Wong Yiu Hung (*CPA*)

## AUTHORISED REPRESENTATIVES

Mr. Lau Man Tak

Mr. Kan Wai Kee

## COMPLIANCE OFFICER

Mr. Kan Wai Kee

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera 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

31/F, 148 Electric Road

North Point

Hong Kong

# CORPORATE INFORMATION

## COMPLIANCE ADVISER

RHB Capital Hong Kong Limited  
12/F, World-Wide House  
19 Des Voeux Road Central  
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited  
Citibank N.A.

## COMPANY'S WEBSITE

<http://ir.tem-group.com>

## STOCK CODE

8346

## INTERIM RESULTS

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated financial results of the Group for the three months and six months ended 31 December 2016 together with the comparative unaudited figures for the corresponding periods in 2015, as follows:

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2016

		For the three months ended 31 December		For the six months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
	Notes				
Revenue	3	26,668	29,444	56,535	65,269
Cost of Sales		(20,876)	(20,616)	(44,256)	(45,332)
Gross profit		5,792	8,828	12,279	19,937
Other Income	4	72	106	223	137
Selling and distribution costs		(977)	(828)	(1,732)	(1,676)
Administrative expenses		(5,492)	(4,636)	(10,727)	(8,652)
Other gains and losses	5	2,334	478	2,834	3,005
Listing expenses		–	(6,859)	–	(6,859)
Finance costs	6	–	–	–	(6)
Profit (loss) before taxation		1,729	(2,911)	2,877	5,886
Income tax expense	7	(891)	(866)	(1,535)	(3,397)
Profit (loss) for the period	8	838	(3,777)	1,342	2,489
<b>Other comprehensive (expense) income</b>					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences arising on translation to presentation currency		(251)	94	(309)	(369)
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(4,488)	1,446	(5,983)	(7,627)

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 DECEMBER 2016

	Note	For the three months ended 31 December		For the six months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other comprehensive (expense) income for the period		(4,739)	1,540	(6,292)	(7,996)
Total comprehensive expense for the period		(3,901)	(2,237)	(4,950)	(5,507)
Profit (loss) for the period attributable to:					
Owners of the Company		838	(3,770)	1,342	2,495
Non-controlling interests		–	(7)	–	(6)
		838	(3,777)	1,342	2,489
Total comprehensive expense attributable to:					
Owners of the Company		(3,901)	(2,232)	(4,950)	(5,503)
Non-controlling interests		–	(5)	–	(4)
		(3,901)	(2,237)	(4,950)	(5,507)
Earnings (loss) per share					
— Basic (HK cents)	10	0.14	(0.84)	0.22	0.55

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	12,564	8,722
Deposits paid for acquisition of property, plant and equipment		1,187	1,842
Deferred tax assets		643	720
		14,394	11,284
CURRENT ASSETS			
Inventories		25,474	33,035
Trade and other receivables	12	30,548	23,867
Tax recoverable		976	483
Pledged bank deposits		536	184
Bank balances and cash		86,565	97,689
		144,099	155,258
CURRENT LIABILITIES			
Trade and other payables	13	13,500	16,554
Tax payable		41	86
		13,541	16,640
NET CURRENT ASSETS		130,558	138,618
TOTAL ASSETS LESS CURRENT LIABILITIES		144,952	149,902
CAPITAL AND RESERVES			
Share capital	14	6,000	6,000
Reserves		138,952	143,902
TOTAL EQUITY		144,952	149,902



# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	PRC Statutory reserve HK\$'000 (note a)	Retained profits HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2015	-	-	1,173	4,531	90,438	96,142	(18)	96,124
Profit for the period	-	-	-	-	2,495	2,495	(6)	2,489
Exchange differences arising on translation to presentation currency	-	-	(369)	-	-	(369)	-	(369)
Exchange differences arising on translation of foreign operations	-	-	(7,629)	-	-	(7,629)	2	(7,627)
Total comprehensive (expense) income for the period	-	-	(7,998)	-	2,495	(5,503)	(4)	(5,507)
Reclassification adjustment upon deregistration of a subsidiary (note a)	-	-	-	(2,143)	2,143	-	-	-
Dividends paid (note 9)	-	-	-	-	(5,038)	(5,038)	-	(5,038)
At 31 December 2015	-	-	(6,825)	2,388	90,038	85,601	(22)	85,579
At 1 July 2016	6,000	66,340	(2,687)	2,689	77,560	149,902	-	149,902
Profit for the period	-	-	-	-	1,342	1,342	-	1,342
Exchange differences arising on translation to presentation currency	-	-	(309)	-	-	(309)	-	(309)
Exchange differences arising on translation of foreign operations	-	-	(5,983)	-	-	(5,983)	-	(5,983)
Total comprehensive (expense) income for the period	-	-	(6,292)	-	1,342	(4,950)	-	(4,950)
At 31 December 2016	6,000	66,340	(8,979)	2,689	78,902	144,952	-	144,952

## Notes:

- (a) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant laws and regulations of the PRC. Appropriation to such reserve is made out of 10% of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries annually. This reserve can be used to offset accumulated losses or to increase capital upon approval from the relevant authorities.

A PRC subsidiary of the Company, 青島創新科電業有限公司 (SIC Electronics Co Ltd\*) ("TEM-Qingdao") has been dissolved during the six months ended 31 December 2015. The accumulated statutory reserve of TEM-Qingdao amounting to HK\$2,143,000 was reclassified to retained profits upon deregistration of TEM-Qingdao.

\* For identification purposes only

# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,073)	(2,584)
Net cash (used in) from investing activities	(5,625)	6,467
Net cash used in financing activities	–	(5,915)
Net decrease in cash and cash equivalents	(8,698)	(2,032)
Effect of foreign exchange rate changes	(2,426)	(2,033)
Cash and cash equivalents at beginning of the period	97,689	25,242
Cash and cash equivalents at the end of the period	86,565	21,177

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 22 October 2015. 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) on 28 January 2016. The shares of the Company have been listed (the **"Listing"**) on the GEM of the Stock Exchange on 18 May 2016 (the **"Listing Date"**). Its registered office address is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the address of its head office and principal place of business in Hong Kong is Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.

The Company is an investment holding company. The Group is a principally engaged in manufacturing and sale of wire/cable harnesses and power supply cords assembled products; and trading of terminals, connectors and others.

The functional currency of the Company is United States dollars (**"US\$"**). The consolidated financial statements are presented in Hong Kong dollars (**"HK\$"**) as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on HK\$.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the reorganisation, which was completed by the Company acquiring TEM Group Limited and Glory Sun Developments Limited from New Universe Industries Limited (controlled by Mr. Lau Man Tak (**"Mr. Lau"**)), the Company became the holding company of the companies now comprising the Group on 8 January 2016 (the **"Consolidated Entities"**) (the **"Reorganisation"**). The Consolidated Entities and the Company are under common control of Mr. Lau before and after the Reorganisation. Therefore, the acquisition of the Consolidated Entities are accounted for as business combination under common control by applying the principles of merger accounting. The unaudited consolidated financial results of the Group for the six months ended 31 December 2015 have been prepared to present the results of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the period under review.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2016 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 30 June 2016.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

In current period, HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the period presented as a result of these developments.

The unaudited consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's Audit Committee.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discount and sales related taxes.

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

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Manufacturing of wire/cable harnesses	22,731	23,867	48,717	54,232
Manufacturing of power supply cords assembled products	2,472	3,645	5,206	7,448
Trading of terminals, connectors and others	1,465	1,932	2,612	3,589
	26,668	29,444	56,535	65,269

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 3. REVENUE AND SEGMENT INFORMATION (continued)

### Geographical information

The Group's revenue by the geographical location of the customers, determined based on the location to which the Group bills the customers, is detailed below:

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PRC	9,225	9,226	19,764	19,856
Asia Pacific region (excluding the PRC)	14,180	16,821	30,322	39,597
Western Europe	3,145	2,716	5,512	4,708
Others	118	681	937	1,108
	26,668	29,444	56,535	65,269

### Information about major customers

Revenue from customers for the three months and six months ended 31 December 2016 and for the corresponding period in 2015 contributing over 10% of the Group's revenue are as follows:

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Customer A	12,479	13,879	24,226	31,183
Customer B	3,390	2,731	7,658	7,459

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 4. OTHER INCOME

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank interest income	25	15	47	75
Others	47	91	176	62
	72	106	223	137

## 5. OTHER GAINS AND LOSSES

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net exchange gain	2,334	486	2,834	3,013
Loss on disposal of property, plant and equipment	–	(8)	–	(8)
	2,334	478	2,834	3,005

## 6. FINANCE COSTS

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on secured bank borrowing	–	–	–	6

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 7. INCOME TAX EXPENSE

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax:				
Malaysia corporate income tax	909	799	1,483	2,643
PRC Enterprise Income Tax ("EIT")	50	115	79	542
Singapore corporate income tax	(68)	(48)	(27)	36
Withholding tax on distributed earnings from a PRC subsidiary	–	–	–	176
	891	866	1,535	3,397

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period under review.

The income tax rate applicable in Malaysia is 24% (2015: 24%) for the period under review.

The income tax rate applicable in Singapore is 17% (2015: 17%) for the period under review.

A subsidiary operating in Singapore is entitled to partial income tax exemption (75% exemption on first Singapore dollars ("SGD") 10,000 chargeable income and 50% exemption on next SGD290,000 chargeable income) for the six months ended 31 December 2015 and 2016.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 31 December 2015 and 2016.

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%.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 8. PROFIT (LOSS) FOR THE PERIOD

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Staff Costs	8,476	6,161	15,459	13,713
Cost of inventories recognised as expense	20,876	20,616	44,256	45,332
Depreciation of property, plant and equipment	653	662	1,381	1,336
Minimum lease payments for operating leases in respect of land and buildings	825	768	1,676	1,465

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2016. During the six months ended 31 December 2015, a subsidiary of the Company, TEM Group Limited declared and paid a dividend of US\$650,000 (equivalent to approximately HK\$5,038,000), to New Universe Industries Limited prior to the Reorganisation. The rate of dividend and the number of shares, ranking the dividend are not presented as such information is not meaningful having regard to the purpose of these unaudited consolidated financial statements.



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	For the three months ended 31 December		For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Earnings (loss):</b>				
Profit (loss) for the period attributable to owners of the Company	838	(3,770)	1,342	2,495
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	600,000,000	450,000,000	600,000,000	450,000,000

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share for both periods has taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue.

No diluted earnings (loss) per share is presented for the current and prior periods as there were no potential ordinary shares in issue.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2016, additions in property, plant and equipment amounted to HK\$5,865,164 (2015: HK\$1,178,521) and depreciation of HK\$1,381,413 (2015: HK\$1,335,677) were made by the Group respectively.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
Trade receivables	27,636	21,484
Prepayments, deposits and other receivables	2,912	2,383
	<b>30,548</b>	<b>23,867</b>

The Group allows credit period ranging from 30 days to 135 days to its customers.

The following is an aged analysis of trade receivables presented based on the invoice date/date of delivery of goods at the end of the reporting period.

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
0 – 30 days	11,821	11,479
31 – 60 days	8,187	7,403
61 – 90 days	6,298	1,751
Over 90 days	1,330	851
	<b>27,636</b>	<b>21,484</b>

## 13. TRADE AND OTHER PAYABLES

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
Trade payables	9,226	8,490
Other payables and accrued expenses	4,274	8,064
	<b>13,500</b>	<b>16,554</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 13. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
0 – 30 days	4,372	4,292
31 – 60 days	3,210	2,844
61 – 90 days	1,411	1,278
Over 90 days	233	76
	9,226	8,490

## 14. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 22 October 2015 (date of incorporation) (note a)	38,000,000	380,000
Increase on 20 April 2016 (note c)	19,962,000,000	199,620,000
At 30 June 2016 and at 31 December 2016	20,000,000,000	200,000,000
Issued and fully paid:		
At 22 October 2015 (date of incorporation) (note a)	1	–
Issue of shares under the Reorganisation (note b)	92	1
Capitalisation issue (note d)	449,999,907	4,499,999
Issue of new shares upon listing (note e)	150,000,000	1,500,000
At 30 June 2016 and at 31 December 2016	600,000,000	6,000,000
		HK\$'000
Shown in the unaudited consolidated statement of financial position		6,000

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 14. SHARE CAPITAL (continued)

Notes:

- (a) The Company was incorporated in the Cayman Islands with limited liability on 22 October 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, one share was allotted and issued to the Company's initial subscriber (an independent third party), which was subsequently transferred to the shareholder, Jumbo Planet Group Limited ("**Jumbo Planet**") on the same day.
- (b) On 8 January 2016, additional 92 shares of HK\$0.01 each were issued to the shareholder as part of the Reorganisation.
- (c) On 20 April 2016, written resolution was passed by the shareholder of the Company pursuant to which the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of 19,962,000,000 new shares of HK\$0.01 each.
- (d) On 20 April 2016, the directors of the Company were authorised to issue 449,999,907 shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the placing of the Company's shares. The capitalisation issue was completed on 18 May 2016 upon completion of the placing of the Company's shares.
- (e) On 18 May 2016, the shares of the Company were listed on the GEM of the Stock Exchange. 150,000,000 ordinary shares at a placing price of HK\$0.53 per share were issued to investors through placement with net proceeds of HK\$72,340,000.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 15. RELATED PARTY DISCLOSURES

### (a) Related party transactions

Saved as disclosed in the unaudited consolidated financial statements, during the period, the Group entered into the following transaction with its related party:

		For the six months ended 31 December	
Name of related party	Nature of transaction	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Company which Mr. Lau Man Tak is a shareholder with controlling interest:			
REF Financial Press Limited	Printing service fee	156	200

### (b) Compensation of directors and key management personnel

	For the six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Fees, salaries and other allowances	2,448	1,360
Discretionary bonuses	23	60
Retirement benefits scheme contributions	137	85
Total	2,608	1,505

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals.

## 16. 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 manufacturing 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' 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 appliances, consumer appliances and industrial products industries, that are mainly based in the Asia Pacific region.

The Group's operating environment is still challenging. As disclosed in the announcements of the Company dated 19 August 2016, 26 October 2016 and 23 January 2017, the business of the Group was affected by the continuous realignment of the product mix of a major customer and henceforth resulted in a lower level of revenue and profitability in the six months ended 31 December 2016 as compared to the corresponding period in 2015.

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

For the six months ended 31 December			
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	Decrease %
Manufacturing of wire/cable harnesses	48,717	54,232	10.2%
Manufacturing of power supply cords assembled products	5,206	7,448	30.1%
Trading of terminals, connectors and others	2,612	3,589	27.2%
	56,535	65,269	13.4%

The Group's revenue decreased by 13.4% from approximately HK\$65.3 million for the six months ended 31 December 2015 to approximately HK\$56.5 million for the six months ended 31 December 2016. The decrease was mainly due to the continuous realignment of the product mix of a major customer.

# MANAGEMENT DISCUSSION AND ANALYSIS

By operating segments, the revenue of manufacturing of wire/cable harnesses was approximately HK\$48.7 million and accounted for 86.2% of the Group's total revenue, representing a decrease of 10.2% as compared to approximately HK\$54.2 million for the same period of last year. The revenue of manufacturing of power supply cords assembled products was approximately HK\$5.2 million and accounted for 9.2% of the Group's total revenue, representing a decrease 30.1% as compared to approximately HK\$7.4 million for the same period of last year. Such decrease of both segments was the result of the continuous realignment of the product mix of a major customer. The revenue of trading of terminals, connectors and others was approximately HK\$2.6 million and accounted for 4.6% of the Group's total revenue, representing a decrease 27.2% as compared to approximately HK\$3.6 million for the same period of last year. Such decrease was due to the decrease in demand from the customers.

## 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 six months ended 31 December		
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	Increase/ (Decrease) %
PRC	19,764	19,856	(0.5%)
Asia Pacific Region (excluding the PRC)	30,322	39,597	(23.4%)
Western Europe	5,512	4,708	17.1%
Others	937	1,108	(15.4%)
	56,535	65,269	(13.4%)

# MANAGEMENT DISCUSSION AND ANALYSIS

By geographical market segments, the revenue from the PRC remains stable, though keen competition and recorded HK\$19.8 million and accounted for 35.0% of the Group's total revenue. The revenue from Asia Pacific region was approximately HK\$30.3 million and accounted for 53.6% of the Group's total revenue, representing a decrease 23.4% as compared to approximately HK\$39.6 million for the same period of last year. Such decrease was mainly due to the continuous realignment of the product mix of a major customer. The revenue from Western Europe was approximately HK\$5.5 million and accounted for 9.7% of the Group's revenue, representing an increase 17.1% as compared to approximately HK\$4.7 million for the same period of last year. Such rise was due to the increase in our share of a customer's business in such area. It was encouraging especially in the midst of the weakened European economies.

During the period under review, renovation work of our expanded factory in the PRC has been completed for production in October 2016. The aggregate gross floor area increased from approximately 43,000 square feet to approximately 91,000 square feet which shall help increasing our production capacity.

Both the implementation of new enterprise resource planning system (the "ERP system") at the PRC factory and the upgrade of its ERP system at the Malaysia factory have been completed in October 2016. The ERP systems shall enable us to improve our overall production planning, productivity and inventory management.

Besides, our Malaysia factory had also attained the TS16949 certification which is an internationally recognized Quality Management System specification of the automotive industry. Since December 2016, we are able to get and already got some trial orders to produce the automotive harnesses for front lights and rear lights to be used in the car manufacturing in Malaysia.

We strived to strengthen our sales, marketing and engineering teams by expanding our workforce and adopting more aggressive marketing strategies. Other than making regular visits to our key customers, we had participated in different trade fair. For instances, we have joined Wire China 2016 held in Shanghai, the PRC (<http://www.wirechina.net/>) in September 2016, which is one of the Asia's most influential international trade platforms for wire and cable. We also had participated in electronica 2016 held in Munich, Germany (<http://electronica.de/>) in November 2016, which is one of the world's leading trade fair for electronic components, systems and applications. We have promoted our products, exchanged market information and fostered better business relationships with existing and potential customers during the trade fair and customer visits thereafter. Prospecting of new projects has been carried out since then.



# MANAGEMENT DISCUSSION AND ANALYSIS

We will further strengthen our market presence and expand our sales channels, amongst other things by attending electronica China 2017 as an exhibitor, which will be held in Shanghai, the PRC (<http://www.electronica-china.com/>) in March 2017. Our booth will be located at No. 6672, E6 of Shanghai New International Expo Centre.

Going forward, the macroeconomic environments are filled with lots of uncertainties. Our markets will remain challenging. We shall continue to monitor and tighten cost control over our operations so as to enhance our competitiveness in the markets. In short, the Group will continue to adopt the traditional business strategy of boosting sales and cutting costs.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by 13.4% from approximately HK\$65.3 million for the six months ended 31 December 2015 to approximately HK\$56.5 million for the six months ended 31 December 2016. The decrease was mainly due to the continuous realignment of product mix of a major customer during the period.

### Cost of sales and gross profit

Cost of sales decreased by 2.2% from approximately HK\$45.3 million for the six months ended 31 December 2015 to approximately HK\$44.3 million for the six months ended 31 December 2016. Gross profit of the Group decreased by 38.2% from approximately HK\$19.9 million for the six months ended 31 December 2015 to approximately HK\$12.3 million for the six months ended 31 December 2016. The decrease of cost of sales and gross profit was mainly the result of the drop in the revenue caused by the continuous realignment of product mix of a major customer that led to a decrease of order volume placed to the Company and lower margin per unit of products for the six months ended 31 December 2016.

### Selling and distribution costs

Selling and distribution costs mainly consisted of transportation, travelling expenses and storage costs. Selling and distribution costs amounted to approximately HK\$1.7 million for the six months ended 31 December 2016 which was approximately the same as that for the six months ended 31 December 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative expenses

Administrative expenses of the Group increased by 23.0% from approximately HK\$8.7 million for the six months ended 31 December 2015 to approximately HK\$10.7 million for the six months ended 31 December 2016. Administrative expenses primarily consist of staff costs, rental expenses and other professional fee. The increase was attributable to the increase in expenses for professional fees, compliance fees and director fees, following the Listing.

## Other gains and losses

Other gains and losses slightly decreased by 6.7% from approximately HK\$3.0 million for the six months ended 31 December 2015 to approximately HK\$2.8 million for the six months ended 31 December 2016. Other gains and losses primarily consist of net exchange gains. Such significant net exchange gain was mainly related to the translation and realization of the Group's monetary assets denominated in USD against Malaysia Ringgit in the six months ended 31 December 2016.

## Income tax expense

Income tax expense decreased by 55.9% from approximately HK\$3.4 million for the six months ended 31 December 2015 to approximately HK\$1.5 million for the six months ended 31 December 2016. Such decrease was due to decrease in Malaysia corporate income tax and PRC EIT as a result of decrease in the taxable profit of subsidiaries in Malaysia and the PRC for the six months ended 31 December 2016.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period decreased by 48.0% from approximately HK\$2.5 million for the six months ended 31 December 2015 to approximately HK\$1.3 million for the six months ended 31 December 2016. Such decrease is primarily attributable to the decrease in revenue and the increase in administrative expenses.

## Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2016.

## Liquidity and Financial Resources

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. As at 31 December 2016, the Group had net assets amounted to approximately HK\$145.0 million (30 June 2016: approximately HK\$149.9 million). Net current assets stood at approximately HK\$130.6 million as at 31 December 2016 (30 June 2016: approximately HK\$138.6 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, shareholders' fund amounted to approximately HK\$145.0 million (30 June 2016: approximately HK\$149.9 million). Current assets amounted to approximately HK\$144.1 million (30 June 2016: approximately HK\$155.3 million), mainly comprising of inventories, trade and other receivables, tax recoverable, pledged bank deposits, bank balances and cash. Current liabilities amounted to approximately HK\$13.5 million (30 June 2016: approximately HK\$16.6 million) mainly comprising of trade and other payables and tax payable.

As at 31 December 2016, the Group's bank balances and cash amounted to approximately HK\$86.6 million (30 June 2016: approximately HK\$97.7 million). Net asset value per share was HK\$0.24 (30 June 2016: HK\$0.25).

## Gearing Ratio

As at 31 December 2016, the Group did not have any interest-bearing bank loans and was in a net cash position, no gearing ratio (total debts as percentage of equity attributable to owners of the Company) information was presented (30 June 2016: nil).

## Capital Structure

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 18 May 2016. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at 31 December 2016, 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)").

## Foreign Exchange Exposure

The revenue of the Group is mainly denominated in USD, while several subsidiaries of the Company have foreign currency sales and purchases transactions denominated in Ringgit, Euro and Renminbi, which exposes the Group to foreign currency risk. The Group did not use derivative financial instrument to hedge currency risk. The Group managed the foreign exchange risk by closely monitoring the movement of foreign currency rate. Nevertheless, the Group will take appropriate activities to reduce the foreign exchange risk.

## Significant Investment Held

As at 31 December 2016, the Group did not hold any significant investments (30 June 2016: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities (30 June 2016: nil).

## Capital Commitments

As at 31 December 2016, the Group had approximately HK\$3.1 million capital commitments mainly related to acquisition of machines (30 June 2016: approximately HK\$3.3 million).

## Employee and Remuneration Policies

As at 31 December 2016, the Group had a total workforce of 453 employees (31 December 2015: 468). Total staff costs for the six months ended 31 December 2016 amounted to approximately HK\$15.5 million (six months ended 31 December 2015: approximately HK\$13.7 million). Remuneration packages including staff benefits are maintained at a competitive level and reviewed on a periodical basis with reference to their performance, qualifications, experience, positions and the performance of the Group.

Staff benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong, Singapore, Malaysia and the PRC.

## Pledge of the Group's Assets

As at 31 December 2016, the bank deposits of approximately HK\$0.5 million (30 June 2016: approximately HK\$0.2 million) were pledged to a bank to secure bank guarantee to the Group.

## Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 31 December 2016, the Group did not have any material acquisition nor disposal of subsidiaries or affiliated companies.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus dated 29 April 2016 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$56.6 million. These proceeds are intended to be applied as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 31 December 2016, the unused proceeds from the Listing in the amount of approximately HK\$51.8 million 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 above.

An analysis of the utilisation of the net proceeds from the Listing up to 31 December 2016 is set out below:

	Planned use of net proceeds (Adjusted in the same manner as stated in Prospectus) HK\$'000	Planned use of net proceeds up to 31 December 2016 HK\$'000	Actual use of net proceeds up to 31 December 2016 HK\$'000	Unused balance as at 31 December 2016 HK\$'000
Upgrade and increase our production capacity	40,978	6,041	3,096	37,882
Enhance our manufacturing, information technology and human resources management capabilities	4,528	1,811	997	3,531
Strengthen our sales and marketing efforts	6,226	1,204	725	5,501

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual progress up to 31 December 2016.

Business objective set out in Prospectus		Actual progress up to 31 December 2016
To upgrade and increase our production capacity	<ul style="list-style-type: none"><li>To carry out factory improvement at the PRC factory by commencing renovation and the re-layout of the production facility at the new building we recently leased at the PRC Factory.</li></ul>	Renovation work and re-layout of production facility in the additional premises at the PRC factory has been completed in October 2016.
	<ul style="list-style-type: none"><li>To carry out factory improvement by planning the renovation of our production facility in the current building in the Malaysia factory to improve our factory operation area. We will replace ventilation system (cooling system and air conditioning system) at the factory production area at the Malaysia factory so as to improve the working environment and enhance productivity.</li></ul>	The planning of factory improvement in the Malaysia factory is still under review. The ventilation system at the factory production area at the Malaysia factory has been upgraded instead of new replacement.
	<ul style="list-style-type: none"><li>To take delivery and install the two units and three units of fully-automated machines for our production facilities in the Malaysia factory and the PRC factory, respectively.</li></ul>	Two units of fully-automated machines have been purchased and installed at the PRC factory. Orders have been placed for another two fully-automated machines which is expected to be installed, up and running by early 2017 at the PRC factory.

# MANAGEMENT DISCUSSION AND ANALYSIS

Business objective set out in Prospectus	Actual progress up to 31 December 2016
<ul style="list-style-type: none"> <li>To take delivery and install two sets of tooling/equipment at our production facility in the Malaysia factory.</li> </ul>	Two sets of tooling have been installed at the Malaysia factory.
<ul style="list-style-type: none"> <li>To place order for one unit of fully-automated machine at our production facility in the PRC factory in anticipation of an increased capacity requirement arising from anticipated additional orders and to replace our semi-automatic machines.</li> </ul>	Quotation for one unit of fully-automated machine has been obtained and was under review.
<ul style="list-style-type: none"> <li>To place orders for two sets of tooling/equipment for our production facilities in each of the Malaysia factory and the PRC factory, respectively in anticipation of an increased capacity requirement arising from anticipated additional orders to replace old tooling/equipment.</li> </ul>	Orders have been placed accordingly in each of the Malaysia factory and the PRC factory.

# MANAGEMENT DISCUSSION AND ANALYSIS

Business objective set out in Prospectus	Actual progress up to 31 December 2016
To enhance our manufacturing, information technology and human resources management capabilities	<ul style="list-style-type: none"> <li data-bbox="339 272 660 389">• To carry out an upgrade of our information technology system in the PRC factory by introducing the ERP system. The implementation of the new ERP system was completed in October 2016.</li> <li data-bbox="339 427 660 604">• To improve our information technology system in the Malaysia factory by planning to upgrade the ERP system so as to improve our production planning, productivity and inventory management. The implementation of the upgrade to latest version of the ERP system was completed in October 2016.</li> <li data-bbox="339 643 1009 759">• To implement our design software and hardware system upgrade in our Malaysia factory and the PRC factory. The implementation of the design software and installation of hardware system have been completed in December 2016.</li> <li data-bbox="339 798 1009 943">• To recruit two design engineers, two operations engineers, one sales manager, one sales engineer and two technical staff to strengthen our human resources. Recruitment has been carried out according to the human resources planning.</li> <li data-bbox="339 981 1009 1158">• To upgrade our manufacturing ISO at the PRC factory from ISO 9001 to ISO 14001. ISO 14001 is an enhanced version of 9001 that includes environmental management. The PRC factory has revised their plan to obtain TS 16949 by December 2017 and ISO 14001 by June 2018.</li> <li data-bbox="339 1197 1009 1465">• To obtain further agency approval certifications such as Verband Deutscher Elektrotechniker standard (VDE)/Underwriter Laboratories Certification (UL)/Standards Association of Australian (SAA) for the PRC factory to enhance our production capability level. The approval of UL 3266 certification is in progress for the PRC factory and is expected to obtain by first half year of 2017. The Malaysia factory has obtained the TS 16949 certification in December 2016.</li> </ul>



# MANAGEMENT DISCUSSION AND ANALYSIS

Business objective set out in Prospectus		Actual progress up to 31 December 2016
To strengthen our sales and marketing efforts	<ul style="list-style-type: none"> <li>To visit key customers in the Asia Pacific Region and Europe as part of our marketing effort to achieve our sales objectives.</li> </ul>	The Company has visited the major customers as planned to introduce our products and exchange market information. Relationship with current customers is further strengthened and new relationship developed with potential customers.
	<ul style="list-style-type: none"> <li>To participate in trade shows in Germany and the PRC with a view to enhancing our reputation and soliciting new customers.</li> </ul>	In September 2016, the Company joined Wire China 2016 in Shanghai, the PRC, which is one of the Asia's most influential international trade platforms for the industry. In November 2016, the Company participated at the electronica 2016 in Munich, Germany, which is the world's leading trade fair for electronic components, systems and applications. Participation in electronica 2016 had enhanced our image and increased relationship development with existing and potential new customers.

# 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 December 2016, the Directors and chief executive of the Company 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	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 which is wholly owned by Mr. Lau.

Save as disclosed above, as at 31 December 2016, none of the Directors or the Chief Executive 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 the required standard of dealings set out in 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 December 2016, so far is known to the Directors the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions in the Shares

#### Ordinary Shares of HK\$0.01 each of the Company

Name of Shareholder	Nature of Interest	Number of ordinary Shares held (Note 1)	Approximate shareholding percentage in the issued share capital of the Company (%)
Jumbo Planet	Beneficial owner (Note 2)	450,000,000 Shares (L)	75
Ms. Lim Youngsook	Interest of a spouse (Note 3)	450,000,000 Shares (L)	75

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) 450,000,000 Shares were held by Jumbo Planet which is wholly owned by Mr. Lau.
- (3) Ms. Lim Youngsook is the spouse of Mr. Lau. By virtue of the SFO, Ms. Lim Youngsook is deemed to be interested in the same number of Shares in which Mr. Lau is deemed to be interested.

Saved as disclosed above, as at 31 December 2016, 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 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 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.

Eligible participants of the Share Option Scheme include (collectively “**Eligible participants**”):

- (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group, whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

The total number of Shares of the Company available for issue under the scheme is 60,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report. The total number of Shares of the Company to be issued upon exercise of the share options granted to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the total Shares of the Company then in issue, unless approved by Shareholders of the Company in general meeting in the manner prescribed under the GEM Listing Rules. The number of Shares to be issued in respect of which options may be granted to a substantial shareholder or an independent non-executive Director of any of their respective close associates (within the meaning of the GEM Listing Rules) representing in aggregate over 0.1% of the total number of the Company's Issued Shares on the date of such grant or with an aggregate value in excess of HK\$5,000,000 must be approved by Shareholders in general meeting.

## OTHER INFORMATION

An offer of a grant of share options shall be deemed to have been accepted when the duplicate letter comprising acceptance of the share option (the “Share Option”) duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the Share Option. Once the acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date. The period for the exercise of a share option is determined by the Board in its sole discretion, but such period shall not be more than 10 years from the date of grant of the option.

Under the Share Option Scheme, the subscription price payable upon exercise of any options granted is determined by the Board but in any event it shall be at least the highest of: (i) the nominal value of the Company’s Shares; (ii) the closing price of the Company’s Shares as stated in the Stock Exchange’s daily quotation sheets on the date on which the option is offered to a participant; and (iii) the average of the closing prices of the Company’s Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer of the option.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2016.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme set out in this report, at no time during the six months ended 31 December 2016 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company 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 six months ended 31 December 2016, 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.

## OTHER INFORMATION

### 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 six months ended 31 December 2016.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 31 December 2016.

### CHANGES IN THE BOARD AND DIRECTOR'S INFORMATION

The change in Director's information, required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules, is set out below:

Mr. Lau Man Tak has resigned as an independent non-executive director and ceased to be the chairman of the audit committee, and a member of each of the nomination committee and the remuneration committee of Sincere Watch (Hong Kong) Limited with effect from 10 December 2016.

### DEED OF NON-COMPETITION

A deed of non-competition (the "**Deed of Non-competition**") dated 20 April 2016 was entered into by Jumbo Planet and Mr. Lau in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders" and the non-competition undertaking has become effective from the Listing Date.

### COMPETING BUSINESS AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 31 December 2016.

## OTHER INFORMATION

### INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, RHB Capital Hong Kong Limited ("RHB"), as at 31 December 2016, except for the compliance adviser agreement dated 12 January 2016 entered into between the Company and RHB, none of RHB, its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

### 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.

### BOARD OF DIRECTORS

The Board comprised four executive Directors, namely Mr. Lau Man Tak (Chairman of the Board), Mr. Vincent Ho Pang Cheng, Mr. Kan Wai Kee and Ms. Koay Lee Chern, and three independent non-executive Directors, namely, Mr. Lum Chor Wah Richard, Mr. Ma Yiu Ho Peter and Mr. Lee Hon Man Eric.

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the overall strategies, reviewing and monitoring the management performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

### BOARD COMMITTEES

The Board has established three committees in accordance with the CG Code, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

## OTHER INFORMATION

### Audit Committee

The Company has established an Audit Committee pursuant to a resolution of our 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 as set out in Appendix 15 to the GEM Listing Rules 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 our Company. At present, the Audit Committee of the Company consists of three independent non-executive Directors as members who are Mr. Ma Yiu Ho Peter, Mr. Lum Chor Wah Richard and Mr. Lee Hon Man Eric. Mr. Ma Yiu Ho Peter who has the appropriate accounting and financial related management expertise, is the chairman of the Audit Committee.

The Group's unaudited consolidated financial statements for the six months ended 31 December 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited consolidated financial statements of the Group for the six months ended 31 December 2016 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

### Remuneration Committee

The Company has established the Remuneration Committee on 20 April 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure that none of our Directors determine their own remuneration. The Remuneration Committee consists of five members with three independent non-executive Directors and two executive Directors who are Mr. Lum Chor Wah Richard, Mr. Lee Hon Man Eric, Mr. Ma Yiu Ho Peter, Mr. Lau Man Tak and Mr. Vincent Ho Pang Cheng. Mr. Lum Chor Wah Richard is the chairman of the Remuneration Committee.



## OTHER INFORMATION

### Nomination Committee

The Company has established the Nomination Committee on 20 April 2016 with written terms of reference in compliance with the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of five members with three independent non-executive Directors and two executive Directors who are Mr. Lee Hon Man Eric, Mr. Lau Man Tak, Mr. Vincent Ho Pang Cheng, Mr. Lum Chor Wah Richard and Mr. Ma Yiu Ho Peter. Mr. Lee Hon Man Eric is the chairman of the Nomination Committee.

### 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, 8 February 2017

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