



IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD OF 2020 ( )

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2020 REVISION)  
AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102  
AND IN THE MATTER of TEM HOLDINGS LIMITED

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**PETITION**

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To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of TEM Holdings Limited shows as follows:

1. The object of this Petition is to seek:
  - a. the sanction of the Court, pursuant to section 86 of the Companies Law (2020 Revision) (the “**Companies Law**”), to a proposed scheme of arrangement (the “**Scheme of Arrangement**”) between the petitioner, TEM Holdings Limited (the “**Company**”), and the Scheme Shareholders (the “**Scheme of Arrangement**”). “Scheme Shareholders” is defined in the Scheme of Arrangement, contained in a composite scheme document (the “**Composite Scheme Document**”) a draft of which is attached as Exhibit “NKW-1” to the first affirmation of Ng Ka Wai which will be sent to, among others, the Scheme Shareholders; and
  - b. the confirmation of the Court, pursuant to section 15 of the Companies Law, of the reduction of the issued share capital of the Company consequent upon the cancellation and extinguishment of the Scheme Shares (the “**Capital Reduction**”) pursuant to the Scheme of Arrangement. The Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting of the Shareholders (as defined below) to be held

immediately after the Court Meeting referred to herein. The “Scheme Shares” is defined in the Scheme of Arrangement to refer to the issued ordinary shares of HK\$0.01 par value each in the share capital of the Company held by the Scheme Shareholders.

### **Information of the Company**

2. The Company is an investment holding company and its subsidiaries (which together with the Company are collectively referred to as the “**Group**”) are principally engaged in the manufacture and sale of wire/cable harnesses and power supply cords assembled products, with its manufacturing operations in Malaysia and the People’s Republic of China (“**PRC**”); and trading of terminals, connectors and others.
3. The Company was incorporated under the name of TEM Holdings Limited on 22 October 2015 under the Companies Law as an exempted company with registration number 305137.
4. As an exempted company, the objects for which the Company was established are unrestricted, save for generally applicable statutory restrictions on its powers to trade in the Cayman Islands and is otherwise capable of exercising all the functions of a natural person as provided by section 27(2) of the Companies Law.
5. The registered office of the Company is situated at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is at Suite 1706, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Hong Kong.

### **Share Capital and Listing**

6. As at 13 October 2020 (the “**Latest Practicable Date**”), the Company has an authorised share capital of HK\$200,000,000 divided into 20,000,000,000 ordinary shares of par value HK\$0.01 each (the “**Shares**”), of which 600,000,000 Shares have been issued and fully paid-up or credited as fully paid-up and the remainder are unissued.

7. The Company has been listed on GEM (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 18 May 2016.
8. As at the Latest Practicable Date, 450,000,000 Shares (representing 75% of the total number of issued Shares) were legally and/or beneficially owned by Jumbo Planet Group Limited (the “**Offeror**”). None of the parties acting in concert with the Offeror or presumed to be acting in concert with the Offeror (the “**Offeror Concert Parties**”), as such term “acting in concert” is defined under The Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), held any Shares as at the Latest Practicable Date.
9. Other than the Shares that are held by the Offeror mentioned above, as at the Latest Practicable Date, there are 150,000,000 Shares (representing 25% of the total number of issued Shares) are held by independent holders of Shares (the “**Scheme Shareholders**”) which can vote on the Scheme of Arrangement.
10. On the assumption that there is no other change in shareholdings in the Company from the Latest Practicable Date up to the Effective Date (as defined in the Scheme of Arrangement), the profile of the holders of the Shares (the “**Shareholders**”) as at the Effective Date is expected to be as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	%	Number of Shares	%
<b>Offeror</b> (aggregate number of Shares not voting on the Scheme of Arrangement)	450,000,000	75	600,000,000	100
<b>Scheme Shareholders</b> who are independent	150,000,000	25	--	--
<b>Total Shares in issue</b>	600,000,000	100	600,000,000	100
<b>Total number of Scheme Shares</b> (which represent all issued Shares except for those held by the Offeror)	150,000,000	25	--	--

## Information of the Offeror and the Offeror Concert Parties

11. The Offeror is a company incorporated under the laws of the British Virgin Islands ("**BVI**") with limited liability on 10 April 2015. Its registered office is at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The Offeror is directly wholly-owned by New Universe Industries Limited ("**New Universe**"), a company incorporated in BVI. New Universe is directly wholly-owned by Perfect Asset Investments Limited ("**Perfect Asset**"), a company incorporated in BVI. Perfect Asset is directly wholly-owned by Mr. Lau Man Tak ("**Mr. Lau**"), the chairman of the Board of Directors and an executive Director. Mr. Kan Wai Kee ("**Mr. Kan**"), an executive Director, is a director of New Universe together with Mr. Lau. As such, New Universe, Perfect Asset, Mr. Kan and Mr. Lau are Offeror Concert Parties but they did not own any Share as at the Latest Practicable Date.
12. The Offeror has provided its undertaking to be bound by the terms of the Scheme of Arrangement.

## Purpose of the Scheme of Arrangement

13. The purpose of the Scheme of Arrangement is to privatise the Company so that the Company will become a wholly-owned subsidiary of the Offeror. This will be achieved by the steps summarised in paragraph 14 below.

## Principal Features of the Scheme of Arrangement

14. The principal features of the Scheme of Arrangement are:
  - a. the Capital Reduction, by the cancellation and extinguishment of the Scheme Shares held by the Scheme Shareholders pursuant to the Scheme of Arrangement, in consideration of which the Scheme Shareholders will receive HK\$0.0855 in cash for each Scheme Share cancelled and extinguished (the "**Cancellation Price**");
  - b. subject to and simultaneously with the Capital Reduction taking effect, the number of issued Shares in the share capital of the Company being restored to

its former amount by the allotment and issue to the Offeror, credited as fully paid at par, the same number of new Shares as the number of Scheme Shares cancelled and extinguished at the Effective Date (as defined in the Scheme of Arrangement) (the “**Restoration of Capital**”); and

- c. the credit arising in the books of account of the Company as a result of the Capital Reduction resulting from the cancellation and extinguishment of the Scheme Shares pursuant to the Scheme of Arrangement being applied in paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished at the Effective Date, which shall be allotted and issued to the Offeror as mentioned in paragraph 14 (b) above.
15. The Scheme of Arrangement is conditional upon the Capital Reduction becoming effective.

#### **Reasons for the Scheme of Arrangement**

16. **Low trading liquidity of the Shares:** The trading liquidity of the Shares has been at a relatively low level over a long period in recent years, with an average daily trading volume of approximately 75,850 Shares for 24-months up to and including 16 September 2020 (the “**Last Trading Day**”), representing less than approximately 0.013% of the total issued Shares as at the Last Trading Day. The low trading liquidity of the Shares has rendered it difficult for the Shareholders to execute substantial on-market disposals on a timely basis without adversely affecting the price of the Shares and also makes it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Share price occurs. Due to the relatively low liquidity in the trading of the Shares, the Offeror believes the position is unlikely to improve significantly in the near future. As such, the Offeror considers that the Company’s current listing platform may no longer serve as an effective fund-raising platform for the Company’s business and future growth.
17. **Facilitate long-term growth:** In light of the United States – PRC trade tension and the outbreak of COVID-19, the Company has implemented a number of strategic changes to adapt to shifting market dynamics. However, the Company’s financial performance

has remained under pressure. As stated in the annual report of the Company for the year ended 30 June 2020, as 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 are mainly based in the Asia Pacific region, the Group recorded revenue from Asia Pacific region (excluding the PRC) of approximately HK\$46.1 million, HK\$51.6 million and HK\$54.6 million for the years ended 30 June 2020, 2019 and 2018, respectively, representing approximately 49.0%, 53.7% and 51.4% of the total revenue during the corresponding years respectively. The revenue from Asia Pacific region (excluding the PRC) decreased to approximately HK\$46.1 million for the year ended 30 June 2020 as compared to approximately HK\$51.6 million for the year ended 30 June 2019, representing a decrease of approximately 10.7%. It is uncertain when the outbreak will be brought under control, this may indirectly and potentially affect the revenue of the Group generated from the customers in the future. Although the Offeror remains committed to the Company's long-term prospects, in light of the abovementioned global economic uncertainties which is expected to continue, it is expected that the global economic situation will have a significant adverse impact on the Company's performances. Implementation of the Scheme of Arrangement will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits. However, such strategies may affect the Company's short-term growth profile and result in the divergence between the Offeror's and the Company's view on the Company's long-term value on one hand, and investors' views on the Share price on the other hand. Following the implementation of the Scheme of Arrangement, the Offeror believes that the strategic changes of the Company will be more effectively implemented away from the public equity markets, free from regulatory constraints, the pressure of market expectations and Share price fluctuations which arise from being a publicly listed company. The Scheme of Arrangement, which entails the delisting of the Company, is also expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements and, in turn, allows greater flexibility for the Offeror and the Company to utilise the resources to manage the Group's business operations.

18. **Declining Share price performance:** During the 24-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$0.19 from 21 September 2018 to 27 September 2018 and the lowest closing price of the Shares as quoted on the Hong Kong Stock Exchange was HK\$0.041 from 20 March 2020 to 25 March 2020. The continuous downward trend of the Share price and lack of market participants have made it difficult to reflect the Company's fair value in the Hong Kong capital market, where the listing platform loses its appeal of raising equity financing to the Company.
19. **Scheme of Arrangement allows the management to focus on addressing uncertainties in recent socioeconomics:** As mentioned in the Company's annual report for the year ended 30 June 2020, the lockdown due to the outbreak of COVID-19 in the PRC and Malaysia has brought the Group's manufacturing activities to a stand-still, in particular at its factories in the PRC and Malaysia in February and March 2020, respectively. The duration and long term effect of the COVID-19 pandemic remains uncertain. In addition, uncertainties faced by the Group is exacerbated by the intensified United States – PRC trade tension which commenced since 2018 leading to (i) the unfavourable global trading environment to the Company; and (ii) intensified price competition of the Company's wire/cable harnesses and power supply cords assembled products. According to the annual report of the Company for the years ended 30 June 2019 and 2020, (i) approximately 32.5% of the total revenue was contributed from the customers in the PRC for the year ended 30 June 2020, while the remaining 67.5% of the total revenue was derived from customers mainly located in Asia Pacific region (excluding the PRC), Western Europe and Americas for the year ended 30 June 2020; (ii) the revenue generated from wire/cable harnesses products was approximately HK\$82.7 million and HK\$85.9 million, respectively, and equivalent to approximately 86.0% and 91.4% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020; (iii) the revenue generated from power supply cords assembled products was approximately HK\$9.5 million and HK\$6.8 million, respectively, and equivalent to 9.9% and 7.3% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020; and (iv) the revenue generated from terminals, connectors and others was approximately HK\$3.9 million

and HK\$1.3 million, respectively, and equivalent to approximately 4.1% and 1.3% of the total revenue of the Group, respectively, for the years ended 30 June 2019 and 2020. In view of the above, this may indirectly and potentially affect the revenue of the Group to be generated from its key customers in the future. Moreover, the Company's overseas markets are also susceptible to similar trade tensions depending on the future evolution of United States – PRC dynamics in trade as well as other aspects. In view of the uncertainty in recent socio-economics which may affect the operation and financial performance of the Group as discussed above, the Scheme of Arrangement can effectively free the Offeror and the management from the on-going regulatory constraints and the pressure from market expectations on the Company's stock price, and refocus the management's efforts on formulating the Group's long-term growth strategies, provide more flexibility as a privately operated business, and will also enable the public Shareholders to avoid the abovementioned uncertainties from continuing to hold the Shares.

20. **An opportunity for Scheme Shareholders to realise their investment at premiums to the recent trading price levels:** The Cancellation Price represents a premium of approximately (i) 50.0% over the closing price of the Shares on the Last Trading Day; (ii) 65.7% over the average closing price of the Shares for the 5 trading days up to and including the Last Trading Day; (iii) 67.0% over the average closing price of the Shares for the 10 trading days up to and including the Last Trading Day; (iv) 59.5% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Day; (v) 69.0% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day; (vi) 75.2% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Day; (vii) 79.2% over the average closing price of the Shares for the 120 trading days up to and including the Last Trading Day; and (viii) 53.5% over the average closing price of the Shares for the 180 trading days up to and including the Last Trading Day. The Cancellation Price nonetheless represents a discount of approximately 52.5% to the audited consolidated net asset value per Share in the Company of approximately HK\$0.18 as at 30 June 2020. The Offeror believes that the Cancellation Price represents a premium to the price at which the market had valued the Company.

Against the abovementioned (i) low trading liquidity; (ii) declining Share price performance; and (iii) increasing level of uncertainties faced by the Group in its operations, the Scheme of Arrangement provides the Scheme Shareholders an opportunity to realise their investments in the Company for cash at the Cancellation Price, and redeploy their capital into other investment opportunities that they may consider more attractive in the current market environment.

21. After careful consideration, the Board of Directors of the Company (with Mr. Lau and Mr. Kan (being Offeror Concert Parties) abstaining from voting) concluded that the terms of the Scheme of Arrangement are fair and reasonable and that the implementation of the Scheme of Arrangement is in the interests of the Shareholders as a whole. Accordingly, the Board of Directors of the Company (with Mr. Lau and Mr. Kan (being Offeror Concert Parties) abstaining from voting) approved the Scheme of Arrangement.
22. Under the Takeovers Code, persons deemed to be acting in concert with the Offeror in connection with the implementation of the Scheme of Arrangement and who are also Shareholders shall not be counted (unless permitted by the Securities and Futures Commission of Hong Kong (the "**SFC**")) for the purposes of satisfying the voting requirements of the Takeovers Code. The Shareholders who are parties acting in concert with the Offeror will not vote on the Scheme of Arrangement at the Court Meeting (as hereinafter defined) and all Scheme Shareholders who are independent will be entitled to vote at the Court Meeting.
23. The Company intends to make an application for directions herein for declarations and orders that, among other things:
  - a. the relevant class of shareholders of the Company affected by the Scheme of Arrangement is the Scheme Shareholders and only the Scheme Shareholders shall be entitled to vote (as single class) at the Court Meeting (as defined below);
  - b. the Company be at liberty to convene and hold a court meeting of the Scheme Shareholders (voting together as a single class) (the "**Court Meeting**") for the purpose of considering and, if thought fit, approving (with or without

modification(s)) the Scheme of Arrangement;

- c. directions as to the mode of delivery of an explanatory statement and proxy form to the Scheme Shareholders;
  - d. the appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally; and,
  - e. directions as to the treatment of Shares held by custodians, clearing houses and other nominees for the purposes of the “majority in number” calculation.
24. The Company proposes to convene the Court Meeting in accordance with section 86 of the Companies Law to be held on or around 16 December 2020 or as soon as possible after the Composite Scheme Document has been approved or cleared by the Hong Kong Stock Exchange and the SFC at which the following resolution (with such amendment(s) as may be approved at the Court Meeting) will be considered (each of the capitalised terms referred to in the resolution below are defined in the Composite Scheme Document):

*“THAT a scheme of arrangement (the “**Scheme of Arrangement**”) dated 23 November 2020 between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof which has been produced to this Court Meeting and, for the purpose of identification signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved.”*

25. The Shareholders who are persons acting in concert with the Offeror in connection with the implementation of the Scheme of Arrangement will not vote at the Court Meeting.
26. Article 14 of the Articles of Association of the Company provides as follows:

*“The Company may by Special Resolution reduce its share capital or undistributable reserve in any manner authorised, and subject to any conditions prescribed, by law.”*

27. The Company intends to convene an extraordinary general meeting of the

Shareholders (voting together as a single class) to take place as soon as after the conclusion of the Court Meeting at which it is intended to submit a special resolution to confirm the Capital Reduction pursuant to the Scheme of Arrangement and an ordinary resolution to approve the Restoration of Capital. These resolutions are set out below.

### **SPECIAL RESOLUTION**

(1) **THAT:**

- a. pursuant to a scheme of arrangement dated 23 November 2020 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- b. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.

### **ORDINARY RESOLUTION**

(2) **THAT:**

- a. subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued

Shares in the share capital of the Company be restored to the number prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of new ordinary shares of HK\$0.01 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;

- b. the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly; and
  - c. any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose.
28. The Scheme of Arrangement and the Capital Reduction would not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. It is to be noted that the Capital Reduction and the Restoration of Capital will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed to dispense with preparing a list of creditors.
29. The form of Minute proposed to be registered in relation to the Capital Reduction pursuant to the Scheme of Arrangement is as follows:


*“The issued shares of par value HK\$0.01 each (the “Shares”) in the share capital of TEM Holdings Limited was by virtue of a Special Resolution passed on 2020 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 2020 reduced from HK\$ divided into Shares to HK\$ divided into Shares (the “Capital Reduction”). Simultaneously with the Capital Reduction, the issued Shares in the share capital of TEM Holdings Limited was restored to HK\$ by allotting and issuing to Jumbo Planet Group Limited, credited as fully paid at par, Shares.*

*The authorised share capital of the Company, on the registration of this Minute, is HK\$200,000,000 divided into 20,000,000,000 ordinary shares of par value HK\$0.01 each.”*

30. The completed Minute will be provided to the Grand Court before the sanction of the Capital Reduction pursuant to the Scheme of Arrangement by the Grand Court.
31. Your petitioner, the Company therefore prays as follows:
  - a. That the Scheme of Arrangement to be approved at the Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company, the Scheme Shareholders and the Offeror.
  - b. That the Capital Reduction may be confirmed and that the Minute mentioned in paragraph 29 may be approved by the Court.
  - c. That the preparation of a list of creditors for the Scheme of Arrangement be dispensed with.
  - d. That to this end, all necessary inquiries and directions may be made and given.
  - e. Such further or other order or relief as this Honourable Court shall see fit.

And your Petitioner will ever pray etc.

Dated this 15<sup>th</sup> day of October 2020



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Conyers Dill & Pearman  
Attorneys-at-Law for the Petitioner herein

NOTE: It is intended to serve this Petition on TEM Holdings Limited at its registered office located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its said Attorneys-at-Law, SIX, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Notice of Hearing

This Petition, having been presented to the Court on the \_\_\_\_\_ day of \_\_\_\_\_  
2020, will be heard at the Law Courts, George Town, Grand Cayman on the \_\_\_\_\_ day of \_\_\_\_\_  
2020 at \_\_\_\_\_ a.m. or as soon thereafter as the Petition can be heard.