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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “Board”) of Tesson Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the audited results of the Group for the year ended 31 December 2015, together with the comparative figures for the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operation			
Revenue	3	795,307	758,687
Cost of sales		<u>(552,398)</u>	<u>(520,397)</u>
Gross profit		242,909	238,290
Other income	4	13,052	11,023
Distribution and selling expenses		(4,414)	(3,961)
Administrative expenses		<u>(147,315)</u>	<u>(152,591)</u>
Profit from operation		104,232	92,761
Impairment loss on trade receivable		(8,014)	(740)
Fair value changes on held-for-trading investments		(25)	3
Loss on disposal of available-for-sale investments		–	(7,364)
Restructuring costs		(23,575)	–
Gain on execution of the schemes of arrangement	6	<u>30,412</u>	–
Profit from operation		103,030	84,660
Finance costs	7	<u>(6,796)</u>	<u>(6,120)</u>

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax		96,234	78,540
Income tax	8	<u>(20,827)</u>	<u>(15,656)</u>
Profit for the year from continuing operation		75,407	62,884
Discontinued operation			
Profit for the year from discontinued operation	9	<u>–</u>	<u>42,190</u>
Profit for the year	10	75,407	105,074
Other comprehensive loss: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(47,116)</u>	<u>(3,681)</u>
Total comprehensive income for the year		<u>28,291</u>	<u>101,393</u>
Profit for the year attributable to:			
Owners of the Company			
From continuing operation		28,248	22,981
From discontinued operation		<u>–</u>	<u>42,190</u>
		28,248	65,171
Non-controlling interests			
From continuing operation		<u>47,159</u>	<u>39,903</u>
		<u>75,407</u>	<u>105,074</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		988	62,926
Non-controlling interests		<u>27,303</u>	<u>38,467</u>
		<u>28,291</u>	<u>101,393</u>
Earnings per share	12		Restated
<i>Basic and diluted (cents per share)</i>			
From continuing operation		7.71	8.75
From discontinued operation		<u>–</u>	<u>16.06</u>
From continuing and discontinued operation		<u>7.71</u>	<u>24.81</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		571,527	561,458
Prepaid land lease payments		46,080	41,731
Deposits paid for acquisition of property, plant and equipment		10,242	22,457
Available-for-sale investments		17,906	5,679
		<u>645,755</u>	<u>631,325</u>
Current assets			
Inventories		167,937	147,999
Trade and other receivables, deposits and prepayments	<i>13</i>	395,579	265,495
Prepaid land lease payments		560	613
Held-for-trading investments		415	440
Bank and cash balances		204,359	53,702
		<u>768,850</u>	<u>468,249</u>
Current liabilities			
Trade and other payables	<i>14</i>	184,171	193,235
Tax payables		7,086	5,136
Dividend payable to non-controlling shareholders		1,480	1,677
Borrowings	<i>15</i>	88,907	489,706
Amount due to the single largest shareholder	<i>16</i>	30,003	5,000
		<u>311,647</u>	<u>694,754</u>
Net current assets/(liabilities)		<u>457,203</u>	<u>(226,505)</u>
Total assets less current liabilities		<u>1,102,958</u>	<u>404,820</u>
Non-current liabilities			
Amount due to a related company	<i>16</i>	422,397	–
Deferred tax liabilities		35,509	36,619
		<u>457,906</u>	<u>36,619</u>
NET ASSETS		<u>645,052</u>	<u>368,201</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital and reserves		
Share capital	59,218	26,145
Reserves	202,630	(15,841)
	<hr/>	<hr/>
Equity attributable to owners of the Company	261,848	10,304
Non-controlling interests	383,204	357,897
	<hr/>	<hr/>
TOTAL EQUITY	645,052	368,201
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

Tesson Holdings Limited (Formerly known as Kith Holdings Limited) (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the directors of the Company (the “Directors”), the Company’s single largest shareholder is Double Key International Limited (the “Single Largest Shareholder”) a company incorporated in British Virgin Islands with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the trading in shares of the Company had been suspended since 18 December 2013. On 25 March 2015, all resumption conditions set out in the letter from the Stock Exchange dated 29 October 2014 have been fulfilled. The trading in the shares of the Company has been resumed on 27 March 2015. Further details of which are described in the Company’s announcements dated 4 December 2014, 27 January 2015, 17 March 2015 and 25 March 2015.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively “the Group”) were principally engaged in printing and manufacturing of packaging products (the “Packaging Printing Business”).

As approved by shareholders of the Company at an extraordinary general meeting held on 25 June 2015 and by the Registrar of Companies in Bermuda on 30 June 2015, the name of the Company has been changed to “Tesson Holdings Limited” from “Kith Holdings Limited” and the dual Chinese name of the Company has been changed to “天臣控股有限公司” from “僑威集團有限公司”. The English stock name of the Company for trading in its shares on the Stock Exchange has been changed to “TESSON HOLDINGS” from “KITH HOLDINGS” and its Chinese stock shares name has been changed to “天臣控股” from “僑威集團” with effect from 30 July 2015.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group's revenue arising from printing and manufacturing of packaging products for the year.

4. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net exchange gains	406	–
Interest income	401	479
Government grants	6,350	6,631
Dividend income	3,343	945
Proceeds from disposal of scrap materials	1,781	1,849
Others	771	1,119
	<u>13,052</u>	<u>11,023</u>

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the year ended 31 December 2015 and 31 December 2014, the Group's revenue are derived from the segment of printing and manufacturing of packaging products.

Segment profits or losses do not include investment and other income, finance costs, restructuring costs, gain on execution of the schemes of arrangement, income tax and other unallocated corporate income and expenses. Segment assets do not include available-for-sale investments, held-for-trading investments, current and deferred tax assets, deposits paid for acquisition of property, plant and equipment, other receivable, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include borrowings, amount to a related company, current and deferred tax liabilities, and unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities:

	Continuing operation	Discontinued operation	
	Printing and manufacturing of packaging products HK\$'000	Distribution of television business-related products HK\$'000	Total HK\$'000
Year ended 31 December 2015:			
Revenue from external customers	795,307	–	795,307
Segment profit	102,824	–	102,824
Depreciation	57,512	–	57,512
Amortisation of prepaid land lease payments	713	–	713
Other material non-cash items:			
Impairment of trade receivables	8,014	–	8,014
Additions to segment non-current assets	105,095	–	105,095
	<u>1,199,992</u>	<u>–</u>	<u>1,199,992</u>
At 31 December 2015:			
Segment assets	1,199,992	–	1,199,992
Segment liabilities	177,321	–	177,321
	<u>1,199,992</u>	<u>–</u>	<u>1,199,992</u>
Year ended 31 December 2014:			
Revenue from external customers	758,687	–	758,687
Segment profit	106,040	42,190	148,230
Depreciation	59,358	–	59,358
Amortisation of prepaid land lease payments	672	–	672
Other material non-cash items:			
Impairment of trade receivables	740	–	740
Additions to segment non-current assets	24,690	–	24,690
	<u>1,090,934</u>	<u>–</u>	<u>1,090,934</u>
At 31 December 2014:			
Segment assets	1,090,934	–	1,090,934
Segment liabilities	146,602	–	146,602
	<u>1,090,934</u>	<u>–</u>	<u>1,090,934</u>

Reconciliations of profit or loss from continuing operation:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit or loss:		
Total profit of reportable segments	102,824	106,040
Other income	13,052	11,023
Restructuring costs	(23,575)	–
Gain on execution of the schemes of arrangement	30,412	–
Corporate and unallocated loss	(19,683)	(32,403)
	<u>103,030</u>	<u>84,660</u>
Consolidated profit from operation	<u><u>103,030</u></u>	<u><u>84,660</u></u>

Reconciliations of reportable segments' assets and liabilities:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Assets:		
Total assets of reportable segments	1,199,992	1,090,934
Corporate and unallocated assets:		
Available-for-sale investments	17,906	5,679
Held-for-trading investments	415	440
Other receivable	63,019	1,647
Bank and cash balances	130,368	486
Others	2,905	388
	<u>1,414,605</u>	<u>1,099,574</u>
Consolidated total assets	<u><u>1,414,605</u></u>	<u><u>1,099,574</u></u>
Liabilities:		
Total liabilities of reportable segments	177,321	146,602
Corporate and unallocated liabilities:		
Borrowings	88,907	494,706
Tax payables	7,086	5,136
Deferred tax liabilities	35,509	36,619
Amount due to a related company	422,397	–
Others	38,333	48,310
	<u>769,553</u>	<u>731,373</u>
Consolidated total liabilities	<u><u>769,553</u></u>	<u><u>731,373</u></u>

Geographical information:

All the Group's revenue are derived from the People's Republic of China (the "PRC").

Information about revenue from the Group's two (2014: two) customers from the Group's segment of printing and manufacturing of packaging products individually contributing over 10% of total revenue of the Group as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A	217,096	214,126
Customer B	136,380	74,329

In presenting the geographical information, revenue is based on the locations of the customers. At the end of the reporting period, the non-current assets of the Group were located as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets:		
Hong Kong	932	1,422
PRC	626,917	624,224
	<u>627,849</u>	<u>625,646</u>

6. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

The Group's gain of approximately HK\$30,412,000 on the execution of the schemes of arrangement represented the net distribution attributable to the Group from the execution of the arrangement of certain debts compromise, waiver and settlement in accordance with the terms of the schemes.

7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on borrowings		
– Interest on bank loans	6,796	9,464
– Finance leases charges	–	1
	<u>6,796</u>	<u>9,465</u>
Representing:		
Continuing operation	6,796	6,120
Discontinued operation (<i>note 9</i>)	–	3,345
	<u>6,796</u>	<u>9,465</u>

8. INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PRC Enterprise Income Tax for the year	20,086	21,296
Under-provision of PRC Enterprise Income Tax	1,306	–
	21,392	21,296
Deferred tax	(565)	(5,640)
	20,827	15,656

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years presented.

According to the Law of the PRC on Enterprise Income Tax, the tax rate for certain PRC subsidiaries of the Company is 25% from 1 January 2008 onwards. Yunnan Qiaotong Package Printing Company Limited, a PRC subsidiary of the Company is qualified for tax benefit of China's Western Campaign and is entitled to a preferential PRC Enterprise Income Tax rate of 15% from year 2013 to 2020, which is approved by the tax authorities in 2013.

The reconciliation between the income tax and the profit before tax are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax from continuing operation	96,234	78,540
Notional tax on profit before tax calculated at the PRC statutory rate	24,059	19,635
Tax effect of non-taxable income	(7,904)	(3,408)
Tax effect of non-deductible expenses	6,394	4,234
Tax effect of utilisation of tax losses not previously recognised	–	(2,794)
Under-provision in respect of prior years	1,306	–
Effect of different tax rates in other tax jurisdictions	(6,781)	(2,011)
Deferred tax charge on dividend withholding tax	3,753	–
Income tax for the year (relating to continuing operation)	20,827	15,656

9. DISCONTINUED OPERATION

The Group had ceased its Distribution Business since May 2013. The Group has decided to discontinue its Distribution Business in order to reserve more resources to focus on the Group's core profitable Packaging Printing Business.

- (a) The loss for the year from discontinued operation is analysed as follows:

	<i>Notes</i>	2014 <i>HK\$'000</i>
Loss of discontinued operation	9(b)	(3,543)
Gain on deconsolidation of the discontinued liquidating subsidiaries	9(c)	45,733
		<u>42,190</u>

- (b) The results of the discontinued operation for the year, which have been included in consolidated profit or loss, are as follows:

	2014 <i>HK\$'000</i>
Administrative expenses and loss from operation	(198)
Finance costs	<u>(3,345)</u>
Loss before tax	(3,543)
Income tax	<u>—</u>
Loss for the year from the discontinued operation	<u><u>(3,543)</u></u>

- (c) On 20 August 2014, at the respective Shareholder's meeting, a special resolution was duly passed to wind up Kith Electronics Limited and Kith Resources Limited, two wholly-owned subsidiaries of the Company by way of creditors' voluntary liquidation, details are set out in the Company's announcement dated 21 August 2014. Another two wholly-owned subsidiaries of the Company, Kith Consumer Product Inc. and 僑威華電科技(深圳)有限公司 were deconsolidated on the same day. The Directors considered that the Group had lost control over those subsidiaries. The results, assets and liabilities, and cash flows of these subsidiaries were deconsolidated from the consolidated financial statement of the Group with effect from 20 August 2014.

2014
HK\$'000

Net liabilities of the subsidiaries deconsolidated on
20 August 2014 were as follows:

Bank and cash balances	(274)
Trade payables	36,894
Other payables	7,358
Accrued financial expenses	17
Tax payables	1,697
Foreign currency translation reserve	41
	45,733
Gain on deconsolidation of the discontinued liquidating subsidiaries	45,733

10. PROFIT FOR THE YEAR

The Group's profit for the year from continuing operation is stated after charging the following:

	2015 HK\$'000	2014 HK\$'000
Auditor's remuneration	1,300	1,450
Cost of inventories sold	552,398	520,397
Depreciation	57,658	59,358
Amortisation of prepaid land lease payments	713	672
Minimum lease payments under operating leases in respect of Office premises	1,578	1,096
Impairment on trade receivables	8,014	740
Loss on disposal of property, plant and equipment	4,390	890
Loss on disposal of available-for-sale investments	–	7,364
Staff costs: (including directors' remuneration) Salaries, bonus and allowances	116,108	98,267

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

12. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year of approximately HK\$28,248,000 (2014: profit of approximately HK\$65,171,000) attributable to owners of the Company and the weighted average number of 366,316,940 (2014: 262,704,574, as adjusted to reflect the impact of open offer on 18 March 2015) ordinary shares in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(b) From continuing operation

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year of approximately HK\$28,248,000 (2014: profit of approximately HK\$22,981,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

(c) From discontinued operation

Basic earnings per share

The calculation of basic earnings per share from discontinued operation attributable to owners of the Company is based on the profit for the year of approximately HK\$ nil (2014: profit of approximately HK\$42,190,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	315,511	254,973
Less: impairment losses	(19,593)	(10,983)
	<u>295,918</u>	<u>243,990</u>
Bills receivables	17,921	5,832
Prepayment, deposits and other receivables	28,023	15,673
Down payment in relation to a possible acquisition of restructuring debt of a target company	53,717	–
	<u>395,579</u>	<u>265,495</u>

Trade and bills receivables

The aging of bills receivables at the end of reporting period are falling within 60 days.

The Group allows an average credit period of 30 to 60 days to its trade customers. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 60 days	267,649	234,950
61 to 90 days	16,611	8,307
Over 90 days	11,658	733
	<u>295,918</u>	<u>243,990</u>

Impairment of trade receivables

The movement in impairment losses of trade receivables are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the reporting period	10,983	623,497
Deconsolidation of discontinued liquidating subsidiaries	–	(613,254)
Impairment losses recognised	8,014	740
Amount written off	(41)	–
Currency realignment	637	–
	<u>19,593</u>	<u>10,983</u>
At the end of the reporting period	<u>19,593</u>	<u>10,983</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$19,593,000 (2014: HK\$10,983,000) which are due to long outstanding/or default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

Trade receivables that are not impaired

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	245,946	231,226
Less than 60 days past due	48,059	12,031
Over 60 days past due	1,913	733
	<u>295,918</u>	<u>243,990</u>

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	91,585	135,074
Accruals and other payables	80,354	58,161
Bills payable	12,232	–
	<u>184,171</u>	<u>193,235</u>

The aging of bills payable at the end of reporting period are falling within 60 days.

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2015	2014
	HK\$'000	HK\$'000
0 to 60 days	74,113	82,368
61 to 90 days	5,150	3,241
Over 90 days	12,322	49,465
	<u>91,585</u>	<u>135,074</u>

Upon the schemes of arrangement being effective on 18 March 2015, trade and other payables of approximately HK\$71,960,000, all the schemes claims and liabilities, against the Company and its subsidiary, Ever Honest Industries Limited, (collectively “the Restructured Debts”) have been transferred as payable to Cloud Apex Global Limited (the “Scheme Company”) (see note 16 below).

15. BORROWINGS

	2015	2014
	HK\$'000	HK\$'000
Bank overdrafts	–	12,227
Bank loans	88,907	89,220
Trust receipt loans	–	310,795
Other loans	–	77,464
	<u>88,907</u>	<u>489,706</u>
Analysed as:		
Secured	–	30,000
Unsecured	88,907	459,706
	<u>88,907</u>	<u>489,706</u>

Upon the schemes of arrangement being effective on 18 March 2015, the borrowings of approximately HK\$433,161,000 in relation to the Restructured Debts have been transferred as payable to the scheme company (see note 16 below).

16. AMOUNT DUE TO THE SINGLE LARGEST SHAREHOLDER/AMOUNT DUE TO A RELATED COMPANY

The amount due to the single largest shareholder is unsecured, non-interest bearing and has no fixed repayment terms.

Upon the schemes of arrangement being effective on 18 March 2015, the restructured debts of approximately HK\$505,121,000 (including trade and other payables of approximately HK\$71,960,000 and borrowings of approximately HK\$433,161,000) have been transferred and payable to the scheme company which was initially owned by the schemes administrator. On 17 July 2015, the schemes administrator has transferred its entire issued share capital in the scheme company to the Company’s single largest shareholder upon execution of the principal terms of the schemes of arrangement and the amount payables to scheme company has been reclassified as amount due to a related company since then.

The amount due to a related company is unsecured, interest bearing starting from 1 July 2016 up to a cap of 8% per annum. The amount due to a related company, together with the related interests thereon, has been initially scheduled to be repayable by annual equal instalments from 30 June 2017 to 30 June 2036. The Company, at its discretion, may either make early repayment or request to defer repayment in accordance with the initial repayment schedule if the Company does not have sufficient funds or if such deferral of repayment is agreed between the Company and the related company. As such, in the opinion of the Directors, the amount due to the related company at the end of the reporting period shall not be repayable within one year.

17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:		
– Property, plant and equipment	58,984	3,962
– Unpaid capital contribution for possible investment in a subsidiary	23,272	–
	<u>82,256</u>	<u>3,962</u>

18. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events subsequent to the end of the reporting period.

- (a) On 31 December 2015, the Group entered into an acquisition agreement with Shunqian Energy and Jinwen New Energy (the "Vendor"), pursuant to which the Group agrees to purchase and the Vendor agrees to sell the entire contributed capital of Shaanxi Leaders Battery Co., Limited, a company incorporated in PRC, being a wholly-owned subsidiary of the Vendor at a cash consideration of approximately RMB19,496,000 (approximately HK\$23,272,000). The company is principally engaged in manufacturing and sale of lithiumion batteries, battery packs, chargers and battery materials. The transaction was completed on 28 January 2016. Because the aforesaid acquisition was effected subsequent to end of the reporting period, it is not practicable to disclose further financial details about the acquisition.
- (b) On 15 January 2016, the Company entered into two purchase agreements with independent third parties (the "Vendors") in relation to the purchase of various machineries at consideration of approximately RMB30,960,000 (approximately HK\$36,957,000) and approximately RMB32,800,000 (approximately HK\$39,153,000). Further details of the above are described in the Company's announcements dated 15 January 2016.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's auditor has issued the qualified of opinion on the Group's consolidated financial statements for the year ended 31 December 2015, an extract of which is as follows:

BASIS FOR QUALIFIED OPINION

Corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified because of the possible effects of the limitations in the scope of our audit, and details of which are set out in our audit report dated 26 March 2015.

Any adjustments to the figures as described above might have consequential effects on the Group's results and cash flows for the year ended 31 December 2014 and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BUSINESS REVIEW

Package Printing Business

For the year ended 31 December 2015, the Group continued to engage in printing and manufacturing of packaging products in the PRC.

The turnover from package printing business for the year ended 31 December 2015 was approximately HK\$795,307,000, representing an increase of 5% from 2014. Gross profit margin remained steady at 30.5% compared to 31.4% in 2014. Gross profit from the package printing business, which remains the core business of the Group, accounted for 100% of the Group's total gross profit for the year ended 31 December 2015.

Tobacco package printing is still the core product line of the package printing business, which accounted for over 87% of the total turnover of the business. Other product lines of the package printing business includes medicine package printing and liquor package printing.

As announced, the Group is building a new production facility in Qiaotong for relocating its existing production capacity in the area. The Board believe that Yunnan Qiaotong Package Printing Company Limited will be benefited from the relocation and upgrade of its existing production facilities and better logistics location of the Zhaoyang Industrial Park.

Meanwhile, the management will constantly review the performance of package printing subsidiaries and does not obviate the possibility of discontinuing the operation of any subsidiary which does not represent a significant part of the Group's overall operation.

In addition, the Group made environment protection efforts and implemented environment friendly policies in respect of our printing business, which includes replacing the traditional ink with water-based ink, applying self-developed alcohol-free printing techniques, as well as recycling of post-printing ink disposal and cleaning solvent by qualified recyclable material collector, so as to minimize pollution from our production process. In terms of saving energy and reducing carbon emission, the Group has adopted an eco-friendly design at our new plant in Zhaotong, Yunnan which uses natural light and geothermal energy to maintain the room temperature for buildings and plants in order to minimize carbon emission.

Lithium Ion Motive Battery Business

At the end of October 2015, the Group had announced its intension to engage in the sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading.

天臣新能源(深圳)有限公司 (Tesson New Energy (Shen Zhen) Limited) (a wholly owned subsidiary of the Group) entered into an Agreement, to acquire (subject to conditions) 陝西力度電池有限公司 (Shaanxi Leaders Battery Co. Ltd.). Shaanxi Leaders Battery Co. Ltd is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials.

At the beginning of January 2016, the Group had announced the purchase of certain machineries in relation to the production facilities of lithium ion motive battery.

According to 中國國務院《節能與新能源汽車產業發展規劃(2012—2020年)》, China targets to achieve accumulated sales and production of 5 million electric powered or hybrid powered cars by 2020. The Board believe with the soaring demands for lithium ion motive battery, investment in the production and manufacturing facility of lithium ion motive battery will benefit the Group for the years to come.

FUTURE PROSPECTS

The package printing business has maintained its performance throughout the years. Despite challenging, the management believes that this business will continue to contribute stable returns to the Group.

The establishment of production capability of lithium ion motive battery enables the Group to participate in one of the highest growth areas amongst the industries. The Group will continue investing in the industry in order to capture the high growth and demand in new energy cars and thus enhance the return to shareholders.

FINANCIAL REVIEW

The turnover of the continuing operation was approximately HK\$795,307,000 (2014: approximately HK\$758,687,000), representing a slightly increase of approximately 5%. The increase in the turnover of the Group was mainly attributable to the increase in the revenue arising from printing and manufacturing of tobacco packaging.

Gross profit margin remained stable from approximately 31.4% for the year ended 31 December 2014 to approximately 30.5% in the corresponding period in 2015.

Administrative expenses for the year ended 31 December 2015 was approximately HK\$147,315,000 (2014: approximately HK\$152,591,000). The slightly decrease of 3% was due to decrease in depreciation since some of the property, plant and equipment are fully depreciated during 2015. For the distribution and selling expenses, it is increased by 11% to HK\$4,414,000 (2014: approximately HK\$3,961,000), which is in line with the increase in revenue. Other income for the year ended 31 December 2015 was approximately HK\$13,052,000 (2014: approximately HK\$11,023,000). Other income mainly included government grants, dividend income arising from available-for-sale investments and proceeds from disposal of scrap materials. The increase in other income mainly due to increase in dividend income arising from available-for-sale investments.

Finance costs for the year ended 31 December 2015 was slightly increased to approximately HK\$6,796,000 (2014: approximately HK\$6,120,000), resulting from the movement in borrowings.

The restructuring costs of approximately HK\$23,575,000 were involved relating to the Schemes effective on 18 March 2015 and the exercise for the application on the resumption of the shares of the Company in March 2015. The restructuring costs mainly represented professional fees to provisional liquidators, scheme administrator, the related professional advisors and lawyers, other consultancy fees, as well as professional fees in connection with the Company's open offer completed on 10 March 2015 and the overall exercise on the application of the resumption of the shares of the Company in March 2015.

The Group's gain of approximately HK\$30,412,000 on the execution of the Schemes represented the net distribution attributable to the Group from the execution of the arrangement of certain debts compromise, waiver and settlement in accordance with the terms of the Schemes.

Basic and diluted earnings per share for continuing operation for the year ended 31 December 2015 decreased to 7.71 cents as compared to 8.75 cents for 2014. In anticipation of the funds needed for the relocation of the Yunnan factory and the development of lithium ion motive battery business, the Board do not recommend the payment of a final dividend for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 31 December 2015 with net current assets of approximately HK\$457,203,000 (31 December 2014: net current liabilities of approximately HK\$226,505,000) and bank balances and cash of approximately HK\$204,359,000 (31 December 2014: approximately HK\$53,702,000). The gearing ratio (Total liabilities over total assets) was about 54% as at 31 December 2015 (31 December 2014: approximately 67%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company has established an indirect wholly-owned subsidiary, namely Tesson New Energy (Shen Zhen) Limited (天臣新能源(深圳)有限公司) (“**Tesson New Energy**”) in Shenzhen, the People’s Republic of China in around late September 2015 and injected RMB130,000,000 capital into Tesson New Energy in December 2015.

EMPLOYMENT

As at 31 December 2015, the Group had approximately 1,000 employees (2014: approximately 1,000), most of whom were working in the Company’s subsidiaries in the PRC. During the year under review, the total employees’ costs including Directors’ remuneration were approximately HK\$116,108,000 (2014: HK\$98,267,000). Salaries and wages are reviewed on an annual basis based on performance and other relevant factors.

EXCHANGE EXPOSURE

All sales and purchases for the package printing business are denominated in Renminbi (RMB). Through the currency match for sales and purchases, the exposure to exchange risks is minimised.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company raised approximately HK\$90,202,000, before expenses, by way of open offer of 130,726,800 ordinary shares at the price of HK\$0.69 per share on the basis of one offer share for every two existing shares on 18 March 2015.

On 30 December 2015, the Company issued and allotted 100,000,000 new ordinary shares to Lankai Limited and 100,000,000 new ordinary shares to Burgeon Max Holdings Limited, pursuant to the subscription agreements respectively at the price of HK\$0.80 per share.

The Board is of the view that the proceeds from the issue of new shares represent opportunities for the Group to strengthen its financial positions and provide financial resources for the Group to develop the new lithium ion motive battery business.

Save as disclosed above, during the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in current Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The Company and the Directors strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. During the year ended 31 December 2015, save for the deviations disclosed in this report, the Company has complied with all the applicable provision of the CG Code, except for the deviations as follows:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the year ended 31 December 2015, the office of the chairman of the Company was vacant until Mr. Tin Kong was appointed as executive Director and chairman of the Board on 27 August 2015, but the office of the chief executive officer was vacated upon the resignation of Mr. Zhang Xiaofeng as the chief executive officer and executive Director on 4 March 2016. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Mr. Chen Weixi and Mr. Ng Ka Wing were appointed as independent non-executive Directors on 8 March 2016. Both of them have not been appointed for a specific term but will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company.

According to the Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Following the change of Board structure on 8 March 2016, Mr. Tin Kong, an executive Director, was temporarily assigned as the chairman of the remuneration committee until Mr. Ng Ka Wing, an independent non-executive Director, was appointed as the chairman of the remuneration committee on 31 March 2016.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of List Issuer (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules for securities transactions.

None of the existing directors is aware of any information that would reasonably indicate that the Company or any of its existing directors is not or was not in compliance with the CG Code and upon specific enquiry of all existing directors, the existing directors confirmed that they have complied with the Model Code for any part of the year ended 31 December 2015. The Model Code also applies to other specified senior management of the Group.

CHANGES OF DIRECTORS' INFORMATION

Following the resignation of Mr. Zhang Xiaofeng as executive Director on 4 March 2016, Mr. Sheng Siguang, was appointed as executive Director, and Mr. Chen Weixi and Mr. Ng Ka Wing were appointed as independent non-executive Directors on 8 March 2016 without service agreement and specific term. Each of Mr. Sheng Siguang, Mr. Chen Weixi and Mr. Ng Ka Wing is entitled to a director's fee of HK\$15,000 per month.

REVIEW BY THE AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management its internal controls and financial reporting matters. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2015.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA

CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

On behalf of the Board
TESSON HOLDINGS LIMITED
Tin Kong
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Ms. Cheng Hung Mui, Mr. Tin Kong, Mr. Zhou Jin, Mr. Chen Dekun, Mr. Tao Fei Hu and Mr. Sheng Siguang as executive Directors, and Mr. Ho Chun Chung, Patrick, Mr. Lee Kwong Yiu, Mr. Chen Weixi, Mr. Ng Ka Wing and Mr. Wang Jinlin as independent non-executive Directors.