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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The Board of directors (the “**Directors**”) (the “**Board**”) of Tesson Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period of 2015. The details are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	332,925	344,833
Cost of sales		(221,887)	(223,787)
Gross profit		111,038	121,046
Other income		5,332	7,169
Distribution and selling expenses		(2,985)	(2,111)
Administrative expenses		(78,824)	(83,049)

		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit from operation		34,561	43,055
Impairments loss on trade receivables		—	(1,724)
Fair value gain on held-for-trading investments		7	278
Restructuring costs		—	(23,575)
Gain on execution of the schemes of arrangement	5	—	29,439
Finance costs		(2,334)	(4,892)
Profit before tax		32,234	42,581
Income tax	6	(9,621)	(9,215)
Profit for the period	7	22,613	33,366
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(23,441)	(8,206)
Total comprehensive (loss)/income for the period		(828)	25,160
Profit for the period attributable to:			
Owners of the Company		5,346	10,219
Non-controlling interests		17,267	23,147
		22,613	33,366
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(9,815)	5,233
Non-controlling interests		8,987	19,927
		(828)	25,160
Earnings per share	9		
<i>Basic and diluted (cents per share)</i>		0.90	2.98

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	10	668,511	571,527
Prepaid land lease payments		76,386	46,080
Deposits paid for acquisition of property, plant and equipment		68,943	10,242
Goodwill	16	7,887	–
Available-for-sale financial assets		17,516	17,906
		<u>839,243</u>	<u>645,755</u>
Current assets			
Inventories		217,910	167,937
Trade and other receivables, deposits and prepayments	11	344,583	395,579
Prepaid land lease payments		722	560
Held-for-trading investments		422	415
Pledged bank deposits		31,447	–
Bank and cash balances		95,746	204,359
		<u>690,830</u>	<u>768,850</u>
Current liabilities			
Trade and other payables	12	216,082	184,171
Tax payables		7,844	7,086
Dividend payable to non-controlling shareholders		8,411	1,480
Borrowings	13	129,036	88,907
Amount due to the single largest shareholder	14	27,654	30,003
		<u>389,027</u>	<u>311,647</u>
Net current assets		<u>301,803</u>	<u>457,203</u>
Total assets less current liabilities		<u>1,141,046</u>	<u>1,102,958</u>

		At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Borrowings	<i>13</i>	79,467	–
Amount due to a related company	<i>14</i>	402,397	422,397
Deferred tax liabilities		32,453	35,509
		514,317	457,906
NET ASSETS		626,729	645,052
Capital and reserves			
Share capital	<i>15</i>	59,218	59,218
Reserves		193,359	202,630
Equity attributable to owners of the Company		252,577	261,848
Non-controlling interests		374,152	383,204
TOTAL EQUITY		626,729	645,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

Tesson Holdings Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability. The address of registered office and principal place of business of the Company 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**”). 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 Company is an investment holding company. During the period, the Company and its subsidiaries (collectively “**the Group**”) were principally engaged in printing and manufacturing of packaging products and 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 (the “**Lithium Ion Motive Battery Business**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. 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 periods.

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 HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

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

	Printing and manufacturing of packaging products HK\$'000	Lithium Ion Motive Battery Business HK\$'000	Total HK\$'000
Period ended 30 June 2016			
(Unaudited):			
Revenue from external customers	327,518	5,407	332,925
Segment profit/(loss)	48,093	(8,889)	39,204
Depreciation	24,052	4,190	28,242
Amortisation	329	126	455
Additions to segment non-current assets	40,471	15,309	55,780
At 30 June 2016 (Unaudited):			
Segment assets	1,173,003	328,622	1,501,625
Segment liabilities	146,581	85,777	232,358
Period ended 30 June 2015			
(Unaudited):			
Revenue from external customers	344,833	—	344,833
Segment profit	47,720	—	47,720
Depreciation	29,536	—	29,536
Amortisation	363	—	363
Other material non-cash items:			
Impairment of trade receivables	1,724	—	1,724
Addition to segment non-current assets	57,343	—	57,343
At 31 December 2015 (Audited):			
Segment assets	1,199,992	—	1,199,992
Segment liabilities	177,321	—	177,321

Reconciliations of reportable segment profit or loss:

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	39,204	47,720
Restructuring costs	–	(23,575)
Other income	5,332	7,169
Gain on execution of the schemes of arrangement	–	29,439
Corporate and unallocated loss	(9,968)	(13,280)
Finance costs	(2,334)	(4,892)
Profit before tax	32,234	42,581

5. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

The Group's gain of approximately HK\$29,439,000 for the six months ended 30 June 2015 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.

6. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the period	10,824	9,174
Deferred tax	(1,203)	41
	9,621	9,215

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period.

According to the Law of the People's Republic of China ("PRC" or "China") 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 ("Yunnan Qiaotong"), 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.

7. PROFIT FOR THE PERIOD

The Group's profit/(loss) for the period is stated after charging/(crediting) the following:

	For the six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	221,887	223,787
Depreciation	28,316	29,536
Amortisation of prepaid land lease payments	455	363
Directors' emoluments	2,969	1,941
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	62,278	57,813
Retirement benefits scheme contributions	5,291	6,572
	67,569	64,385
Interest income	(230)	(440)

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period of approximately HK\$5,346,000 (six months ended 30 June 2015: profit of approximately HK\$10,219,000) attributable to owners of the Company and the weighted average number of 592,180,400 (six months ended 30 June 2015: 342,822,212 as adjusted to reflect the impact of open offer on 10 March 2015) ordinary shares in issue during the period.

Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group has acquired property, plant and equipment of approximately HK\$55,815,000.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	305,072	315,511
Less: impairment losses	(20,193)	(19,593)
	284,879	295,918
Bills receivables	12,592	17,921
Down payment in relation to a possible acquisition of restructuring debt of a target company	–	53,717
Prepayment, deposits and other receivables	47,112	28,023
	344,583	395,579

Trade and bills receivables

The aging of bills receivable 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 aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 60 days	244,960	267,649
61 to 90 days	38,112	16,611
Over 90 days	1,807	11,658
	284,879	295,918

12. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	118,961	91,585
Bills payable	31,108	12,232
Accruals and other payables	66,013	80,354
	216,082	184,171

The aging of bills payable at the end of reporting period of approximately HK\$10,856,000 are falling within 60 days; approximately HK\$10,055,000 are falling between 60 days and 90 days; and approximately HK\$10,197,000 are falling between 90 days to 180 days (As at 31 December 2015: approximately HK\$12,232,000 are falling within 60 days). The pledged bank deposits of approximately HK\$31,447,000 will be released upon the settlement of the above bills payables.

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 60 days	45,627	74,113
61 to 90 days	24,599	5,150
Over 90 days	48,735	12,322
	118,961	91,585

13. BORROWINGS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Bank loans	99,843	88,907
Other loans	108,660	—
	208,503	88,907
Analysed as:		
Secured	99,843	—
Unsecured	108,660	88,907
	208,503	88,907

The borrowings are repayable as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
On demand or within one year	129,036	88,907
In the second year	79,467	—
	208,503	88,907
Less: Amount due for settlement within 12 months (shown under current liabilities)	(129,036)	(88,907)
Amount due for settlement after 12 months	79,467	—

The inception of the secured borrowings of approximately HK\$99,843,000 were initially secured by trade receivables of approximately RMB63,390,000, inventories of approximately RMB41,451,000 and invoices of purchasing raw materials of approximately RMB25,500,000.

14. 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 as 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.

15. SHARE CAPITAL

A summary of the share capital of the Company is as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
at 31 December 2015 and 30 June 2016	1,000,000,000	100,000
	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
at 31 December 2015 and 30 June 2016	592,180,400	59,218
	<u>592,180,400</u>	<u>59,218</u>

16. ACQUISITION OF A SUBSIDIARY

On 28 January 2016, the Group acquired 100% equity interest of Shaanxi Leaders Battery Co. Ltd. and its subsidiary (the “**Acquisition Group**”) at a cash consideration of approximately RMB19,496,000 (approximately HK\$23,104,000). The Acquisition Group is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials.

The fair value of the identifiable assets and liabilities of the Acquisition Group as at its date of acquisition is as follows:

	<i>HK\$'000</i>
Property, Plant and equipment	89,348
Prepaid land lease payments	31,998
Inventories	1,646
Trade and other receivables	18,423
Cash and cash equivalents	182
Trade and other payable	(72,961)
Borrowings	(53,329)
Total identifiable net assets at fair value	15,307

Goodwill arising from acquisition

	<i>HK\$'000</i>
Consideration transferred	23,104
Add: Non-controlling interests (20% of Weinan Shuntian Electronics Co. Ltd)	90
Less: Fair value of identifiable net assets acquired	(15,307)
Goodwill	7,887

Satisfied by:

	<i>HK\$'000</i>
Cash	18,787
Consideration payable	4,317
	23,104

If the acquisition had been completed on 1 January 2016, total Group revenue for the period would have been approximately HK\$332,925,000, and profit for the period would have been approximately HK\$20,918,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2015: Nil).

18. CAPITAL COMMITMENTS

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	477,187	58,984
– Unpaid capital contribution for possible investment in a subsidiary	–	23,272
	<u>477,187</u>	<u>82,256</u>

19. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in Note 7.

20. SUBSEQUENT EVENT

On 17 June 2016, the Company proposed Open Offer of 444,135,300 Offer Shares at an Open Offer Subscription Price of HK\$0.80 per Offer Share on the basis of three (3) Offer Shares for every four (4) Shares held on Record Date. The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) will amount to approximately HK\$352,808,000. It is intended that all of the net proceeds from the Open Offer will be applied in the development of the lithium ion motive battery business of the Group and specifically for payment of the considerations of purchasing machineries.

For details, please refer to the announcement of the Company dated 17 June 2016, the circular of the Company dated 21 July 2016 and the prospectus of the Company dated 18 August 2016.

The above issue was approved in the special general meeting on 5 August 2016.

21. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 24 August 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operation Results

Revenue and Gross profit ratio

The revenue for the six months ended 30 June 2016 was approximately HK\$332,925,000 (For the six months ended 30 June 2015: approximately HK\$344,833,000), representing a decrease of approximately 3.45%. Gross profit margin also slightly decreased from approximately 35% to 33.35%. The revenue of the Group and gross profit margin decreased mainly because the market of tobacco was affected by the overall economic environment of China, which resulted in the decrease in unit selling price of tobacco packaging products. Besides, as Lithium Ion Motive Battery Business is still under early-stage investment, no significant contributions are reflected in the first half year of 2016.

Other income

Other income for the six months ended 30 June 2016 was approximately HK\$5,332,000 (For the six months ended 30 June 2015: approximately HK\$7,169,000). Other income mainly included government grants, dividend income arising from available-for-sale financial assets and proceeds from disposal of scrap materials. The decrease in other income was mainly due to the decrease in dividend income received from available-for-sale financial assets.

Administrative expenses

Administrative expenses for the six months ended 30 June 2016 was approximately HK\$78,824,000 (For the six months ended 30 June 2015: approximately HK\$83,049,000), comprising administrative expenses for Lithium Ion Motive Battery Business in the amount of approximately HK\$7,748,000 and administrative expenses for printing business in the amount of approximately HK\$71,076,000. The decrease in administrative expenses for printing business by approximately 14.42% was due to a decrease in depreciation since some of the property, plant and equipment were fully depreciated and there was an one off research and development expenses in previous year.

Distribution and selling expenses

The distribution and selling expenses for the six months ended 30 June 2016 was HK\$2,985,000 (For the six months ended 30 June 2015: approximately HK\$2,111,000). The increase was mainly due to the sales commission paid to a salesman of one of the subsidiary to encourage his effort.

Finance costs

Finance costs for the six months ended 30 June 2016 was decreased to approximately HK\$2,334,000 (For the six months ended 30 June 2015: approximately HK\$4,892,000), resulting from the decrease in interest rate, which mainly due to decrease in the borrowing interest rate from the People's Bank of China.

Basic and diluted earnings per share

Basic and diluted earnings per share for the six months ended 30 June 2016 decreased to 0.9 cents as compared to 2.98 cents for the same period in 2015. In anticipation of the funds needed for the relocation of the Yunnan factory and the development of lithium ion motive battery business, the Board does not recommend the payment of an interim dividend for the period.

Analysis on Profit for the period and EBITDA

Excluding the effect from Lithium Ion Motive Battery Business, profit for the period for the six months ended 30 June 2016 was approximately HK\$31,502,000 (For the six months ended 30 June 2015: approximately HK\$33,366,000), which slightly decreased by 5.59%, showing that there is no material changes on package printing business.

	2016 HK\$'000	2015 HK\$'000
Profit for the period	22,613	33,366
Add: Segment loss on Lithium Ion Motive Battery Business	8,889	—
Profit for the period (excluding Lithium Ion Motive Battery Business)	31,502	33,366

EBITDA for the period was approximately HK\$63,339,000 (For the six months ended 30 June 2015: approximately HK\$77,372,000).

	2016 HK\$'000	2015 HK\$'000
Profit before tax	32,234	42,581
Add: Finance cost	2,334	4,892
Add: Depreciation	28,316	29,536
Add: Amortisation of prepaid land lease payments	455	363
EBITDA (excluding Lithium Ion Motive Battery Business)	63,339	77,372

Business Overview

Package printing business

For the six months ended 30 June 2016, the Group continued to engage in printing and manufacturing of packaging products in the PRC.

Tobacco package printing is still the core product line of the package printing business, which accounted for over 83% of the total revenue 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 which will be completed by the end of the year 2016. The Board believes 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.

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) acquired 陝西力度電池有限公司 (Shaanxi Leaders Battery Co. Ltd.) on 28 January 2016. Shaanxi Leaders Battery Co. Ltd is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials.

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

As the Lithium Ion Motive Battery Business is still under early-stage investment, no significant contributions are reflected in the first half year of 2016.

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.

Human Resources Development

As at 30 June 2016, the Group employed a total of approximately 1,590 employees (2015: approximately 1,000 employees). There was no substantial change in the number of employees during the period for printing business and the increase mainly arises from Lithium Ion Motive Battery Business. Most of the employees were hired by the Group's production plants in the PRC during the period. The Group has provided training to employees to update their expertise and enhance their development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, are provided to attract, retain and motivate employees.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016. (For the six months ended 30 June 2015: Nil)

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2016 with net current assets of approximately HK\$301,803,000 (31 December 2015: approximately HK\$457,203,000) and bank balances and cash of approximately HK\$95,746,000 (31 December 2015: approximately HK\$204,359,000) and pledged bank deposits of approximately HK\$31,447,000 (31 December 2015: nil). The gearing ratio (Total liabilities over total assets) was about 59% as at 30 June 2016 (31 December 2015: approximately 54%).

PLEDGE OF ASSETS

Details of pledged assets as at 30 June 2016 are set out in Note 13.

USAGE OF FUND PROCEEDS

The Company raised approximately HK\$90,202,000 through the open offer which took place on 18 March 2015. The proceeds raised has been used for repayment to a related company of approximately HK\$82,724,000 and the remaining proceeds has been used for general working capital.

The Company raised approximately HK\$160,000,000 through the share subscription which took place on 30 December 2015. The proceeds raised has been used for (1) purchase of raw materials for the Lithium Ion Motive Battery Business of approximately HK\$28,200,000; (2) deposit paid for acquisition of lithium ion battery production facilities and equipment of approximately HK\$54,200,000; (3) acquisition of a new wholly owned subsidiary – Shaanxi Leaders Battery Co. Ltd. of approximately HK\$18,600,000; (4) settlement of liabilities for Shaanxi Leaders Battery Co. Ltd. of approximately HK\$52,900,000; and (5) the remaining HK\$5,100,000 for its general working capital.

Besides, on 17 June 2016, the Company proposed an Open Offer of 444,135,300 Offer Shares at an Open Offer Subscription Price of HK\$0.80 per Offer Share on the basis of three (3) Offer Shares for every four (4) Shares held on Record Date. The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) will amount to approximately HK\$352,808,000. It is intended that all of the net proceeds from the Open Offer will be applied in the development of the Lithium Ion Motive Battery Business and specifically for payment of the considerations of purchasing machineries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months period ended 30 June 2016 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EXCHANGE EXPOSURE

As the Group's operations were mainly conducted in China and the majority of the sales and purchases were transacted in Renminbi, the directors of the Company are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, the interests and short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of Company (the “**Model Code**”) contained in the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) were as follows:

Interests in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest in controlled corporation	235,245,306 (Note 1)	39.73%
Sheng Siguang	Family interest	100,000,000 (Note 2)	16.89%

Note 1: These shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% shareholding interest.

Note 2: The issued share capital of Burgeon Max Holdings Limited is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing. Therefore, Ms. Wang Jin and Ms. Wu Siqing are deemed to be interested in the Shares interested in by Burgeon Max Holdings Limited pursuant to the SFO. Besides, Mr. Sheng Siguang is the spouse of Ms. Wang Jin and is accordingly deemed to be interested in the shares beneficially owned by Ms. Wang Jin through her controlled corporation, Burgeon Max Holdings Limited pursuant to the SFO.

Apart from the foregoing, as at 30 June 2016, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares and underlying shares of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Long position in the shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest of controlled corporation	235,245,306 (Note 1)	39.73%
Double Key International Limited	Beneficial owner	235,245,306 (Note 1)	39.73%
Burgeon Max Holdings Limited	Beneficial owner	100,000,000 (Note 2)	16.89%
Lankai Limited	Beneficial owner	100,000,000 (Note 3)	16.89%
Wang Jin	Interest of controlled corporation	100,000,000 (Note 2)	16.89%
Sheng Siguang	Family interest	100,000,000 (Note 2)	16.89%
Wu Siqing	Interest of controlled corporation	100,000,000 (Note 2)	16.89%
Li Yujun	Interest of controlled corporation	100,000,000 (Note 3)	16.89%

Note 1: The entire issued share capital of Double Key International Limited is owned by Ms. Cheng Hung Mui. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO.

Note 2: The issued share capital of Burgeon Max Holdings Limited is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing. Therefore, Ms. Wang Jin and Ms. Wu Siqing are deemed to be interested in the Shares interested in by Burgeon Max Holdings Limited pursuant to the SFO. Besides, Mr. Sheng Siguang is the spouse of Ms. Wang Jin and is accordingly deemed to be interested in the shares beneficially owned by Ms. Wang Jin through her controlled corporation, Burgeon Max Holdings Limited pursuant to the SFO.

Note 3: The entire issued share capital of Lankai Limited is owned by Mr. Li Yujun. Therefore, Mr. Li Yujun is deemed to be interested in the Shares held by Lankai Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2016, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests and short position in shares and underlying shares” above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosable to the Company under the provisions of Divisions 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.

SHARE OPTIONS

The Company’s share option scheme (the “**Scheme**”) was adopted pursuant to the special general meeting of the Company held on 13 June 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12 June 2022. Under the Scheme, the Board may grant options to all Directors of the Company (including independent non-executive Directors) and any full time/part time employees of the Group, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per each grant of option(s). Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No share options were granted or exercised during the six months ended 30 June 2016. No share options were outstanding as at 30 June 2016.

CORPORATE GOVERNANCE

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 Appendix 14 of 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 six months ended 30 June 2016, save for the deviations disclosed in this results announcement, 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. The post 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.

Pursuant to the Code Provision A.6.7, independent non-executive Directors and non-executive Directors of the Company should attend general meetings. However, one Independent Non-Executive Director was absent from the annual general meeting held on 31 May 2016 and two Independent Non-Executive Directors were absent from the special general meeting held on 5 August 2016 due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

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.

NOMINATION COMMITTEE

According to the code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The Company has re-established the Nomination Committee on 24 March 2015 with its written terms of reference adopted on 24 April 2015. The Nomination Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by executive Director who is the Chairman of the Board.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors and assessed the Board Diversity Policy.

REMUNERATION COMMITTEE

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, and according to the Rule 3.26 of the Listing Rules, the board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

The Company has re-established the Remuneration Committee on 24 March 2015 with its written terms of reference adopted on 24 April 2015. The Remuneration Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by independent non-executive Director.

The Remuneration Committee has reviewed the remuneration of the Directors and senior management.

AUDIT COMMITTEE

According to the Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The Company has re-established the Audit Committee on 24 March 2015. The latest terms of reference of the Audit Committee was adopted on 23 December 2015 in accordance with the new requirements of the CG Code. As at 30 June 2016, the Audit Committee comprised three independent non-executive Directors. Upon the resignation of former chairman of the Audit Committee, Mr. Ho Chun Chung, Patrick on 26 April 2016, independent non-executive Director Mr. Chen Weixi has been appointed the chairman of Audit Committee. Mr. Chen Weixi has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

COMPANY SECRETARY

According to the Rule 3.28 of the Listing Rules, the issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of company secretary.

The former company secretary Mr. Au Yeung Chi Hang, Jimmy held the position of Company Secretary for the period from 16 March 2015 to 6 March 2016. Mr. Chan Wei was appointed as the Company Secretary on 7 March 2016.

The company secretary supports the Board by ensuring information flow within the Board and that the Board policy and procedures are followed. The company secretary is responsible for advising the Board on the corporate governance matters and professional development of the Directors.

INTERNAL CONTROLS

The Company has established the Internal Control Committee with written terms of reference on 14 October 2015. The Internal Control Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by executive Director.

The principal responsibilities of the Internal Control Committee include evaluating and determining the nature and extent of the risks it is willing to take in achieving the company's strategic objectives, and ensuring that the company establishes and maintains sound appropriate and effective risk management and internal controls systems. The Committee should oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has overall responsibility for the systems of internal controls of the Company and for reviewing their effectiveness. The Board is committed to implementing effective and sound risk management and internal controls systems to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the systems of risk management and internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

REVIEW OF INTERIM REPORT

The Audit Committee is accountable to the Board and the main duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is also provided with other resources enabling it to discharge its duties fully.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including the review of the unaudited interim report for the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2016 and the corresponding period in 2015 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This interim results announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

On behalf of the Board
Tesson Holdings Limited
Tin Kong
Chairman

Hong Kong, 24 August 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, Mr. Wang Jinlin, Mr. Chen Weixi and Mr. Ng Ka Wing as independent non-executive Directors.