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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 2016

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 2016, together with the comparative figures for the corresponding period in 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	**2016** HK$'000	2015 HK$'000
Revenue	3	**799,061**	795,307
Cost of sales		**(564,958)**	(552,398)
Gross profit		**234,103**	242,909
Other income	4	**32,882**	13,052
Distribution and selling expenses		**(7,049)**	(4,414)
Administrative expenses		**(180,394)**	(147,340)
Profit from operation		**79,542**	104,207
Reversal of impairment/(impairment) loss on trade receivables		**5,342**	(8,014)
Gain on disposal of subsidiaries	17	**3,480**	–
Restructuring costs		**–**	(23,575)
Gain on execution of the schemes of arrangement	6	**–**	30,412
Profit from operation		**88,364**	103,030
Finance costs	7	**(16,571)**	(6,796)

	Notes	2016 HK$'000	2015 HK$'000
Profit before tax		**71,793**	96,234
Income tax	*8*	**(32,365)**	(20,827)
Profit for the year	*9*	**39,428**	75,407
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(66,646)**	(47,116)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**(4,951)**	–
		(32,169)	28,291
Items that will not be reclassified to profit or loss:			
Deficit arising on revaluation of property, plant and equipment		**(6,936)**	–
Deferred tax effect arising on revaluation of property, plant and equipment		**280**	–
Total comprehensive (loss)/income for the year		**(38,825)**	28,291
Profit for the year attributable to:			
Owners of the Company		**6,021**	28,248
Non-controlling interests		**33,407**	47,159
		39,428	75,407
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(43,367)**	988
Non-controlling interests		**4,542**	27,303
		(38,825)	28,291
			Restated
Earnings per share	*11*		
Basic and diluted (HKcents per share)		**0.82**	7.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**768,759**	571,527
Prepaid land lease payments		**72,942**	46,080
Deposits paid for acquisition of property, plant and equipment		**121,080**	10,242
Intangible assets		**15,916**	–
Available-for-sale financial assets		**16,755**	17,906
		995,452	645,755
Current assets			
Inventories		**229,459**	167,937
Trade and other receivables, deposits and prepayments	*12*	**574,508**	395,579
Prepaid land lease payments		**1,665**	560
Held-for-trading investments		**393**	415
Pledged bank deposits		**77,249**	–
Bank and cash balances		**132,777**	204,359
		1,016,051	768,850
Current liabilities			
Trade and other payables	*13*	**440,676**	184,171
Tax payables		**12,303**	7,086
Dividend payable to non-controlling shareholders		**3**	1,480
Borrowings	*14*	**87,128**	88,907
Amount due to a related company	*15*	**24,280**	–
Amount due to the controlling shareholder	*15*	**27,955**	30,003
		592,345	311,647
Net current assets		**423,706**	457,203
Total assets less current liabilities		**1,419,158**	1,102,958
Non-current liabilities			
Amount due to a related company	*15*	**378,117**	422,397
Deferred tax liabilities		**36,940**	35,509
		415,057	457,906
NET ASSETS		**1,004,101**	645,052

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital		**103,632**	59,218
Reserves		**468,614**	202,630
Equity attributable to owners of the Company		**572,246**	261,848
Non-controlling interests		**431,855**	383,204
TOTAL EQUITY		**1,004,101**	645,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

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 controlling shareholder is Double Key International Limited (the "Controlling 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, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the year, the Group were principally engaged in printing and manufacturing of packaging products (the "Packaging Printing Business") and the manufacturing and 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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 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 year 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 packaging printing products and lithium ion motive battery products for the year.

	2016	2015
	HK$'000	*HK$'000*
Packaging printing products	**781,023**	795,307
Lithium ion motive battery products	**18,038**	–
	799,061	795,307

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Net exchange gains	**260**	406
Interest income	**837**	401
Government grants	**9,299**	6,350
Dividend income	**2,145**	3,343
Proceeds from disposal of scrap materials	**1,656**	1,781
Gain on bargin purchase *(note 16)*	**17,489**	–
Others	**1,196**	771
	32,882	13,052

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business unit requires different technology and marketing strategies. During the year ended 31 December 2016, the Group's revenue was derived the Packaging Printing Business and the Lithium Ion Motive Battery Business. For the year ended 31 December 2015, the Group's revenue was derived from the Packaging Printing Business.

Segment profits or losses do not include impairment loss on property, plant and equipment, gain on disposal of subsidiaries, gain on bargain purchase from acquisition of subsidiaries, restructuring costs, gain on execution of the schemes of arrangement and unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

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

	Packaging Printing Business *HK$'000*	Lithium Ion Motive Battery Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2016:			
Revenue from external customers	**781,023**	**18,038**	**799,061**
Segment profit/(loss)	**97,410**	**(27,611)**	**69,799**
Depreciation	**44,627**	**9,397**	**54,024**
Amortisation of prepaid land lease payments	**644**	**1,743**	**2,387**
Other material non-cash items:			
Reversal of impairment of trade receivables	**5,342**	**–**	**5,342**
Additions to segment non-current assets	**82,083**	**396,046**	**478,129**
As at 31 December 2016:			
Segment assets	**1,235,742**	**721,147**	**1,956,889**
Segment liabilities	**356,198**	**204,666**	**560,864**
Year ended 31 December 2015:			
Revenue from external customers	795,307	–	795,307
Segment profit	88,253	–	88,253
Depreciation	57,512	–	57,512
Amortisation of prepaid land lease payments	713	–	713
Other material non-cash items:			
Impairment loss of trade receivables	8,014	–	8,014
Additions to segment non-current assets	105,095	–	105,095
As at 31 December 2015:			
Segment assets	1,411,700	–	1,411,700
Segment liabilities	316,493	–	316,493

Reconciliations of profit or loss:

	2016	2015
	HK$'000	*HK$'000*
Profit or loss:		
Total profit of reportable segments	**69,799**	88,253
Impairment loss on property, plant and equipment	**(12,495)**	–
Gain on disposal of subsidiaries	**3,480**	–
Gain on bargin purchase	**17,489**	–
Restructuring costs	**–**	(23,575)
Gain on execution of the schemes of arrangement	**–**	30,412
Corporate and unallocated loss	**(38,845)**	(19,683)
Consolidated profit for the year	**39,428**	75,407

Reconciliations of reportable segments' assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
Assets:		
Total assets of reportable segments	**1,956,889**	1,411,700
Corporate and unallocated assets	**54,614**	2,905
Consolidated total assets	**2,011,503**	1,414,605
Liabilities:		
Total liabilities of reportable segments	**560,864**	316,493
Corporate and unallocated liabilities	**446,538**	453,060
Consolidated total liabilities	**1,007,402**	769,553

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 three (2015: two) customers from the Packaging Printing Business individually contributing over 10% of total consolidated revenue of the Group is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**275,749**	217,096
Customer B	**105,977**	136,380
Customer C	**85,987**	N/A#

Customer C did not contribute more than 10% of the total consolidated revenue of the Group for the year ended 31 December 2015.

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

	2016	2015
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**802**	932
The PRC	**977,895**	626,917
	978,697	627,849

Note: Non-current assets by geographical location exclude available-for-sale financial assets.

6. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

For the year ended 31 December 2015, the Group's gain of approximately HK$30,412,000 on the execution of the schemes of arrangement from the Group's debt restructuring 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

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on bank loans	**5,240**	6,796
Interest expenses on amount due to a related company	**16,571**	–
	21,811	6,796
Amount capitalised	**(5,240)**	–
	16,571	6,796

8. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the year	**26,211**	20,086
Under-provision of PRC Enterprise Income Tax	**3,841**	1,306
	30,052	21,392
Deferred tax	**2,313**	(565)
	32,365	20,827

No provision for Hong Kong profits tax was required since the Group has no assessable profit in Hong Kong 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 ("Yunnan Qiaotong"), a PRC subsidiary of the Company is qualified for the 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 PRC tax authorities in 2013.

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

	2016	2015
	HK$'000	*HK$'000*
Profit before tax	**71,793**	96,234
Notional tax on profit before tax calculated at the PRC statutory rate	**17,948**	24,059
Tax effect of non-taxable income	**(8,129)**	(7,904)
Tax effect of non-deductible expenses	**13,867**	6,394
Tax effect of tax losses not recognised	**8,107**	–
Under-provision in respect of prior years	**3,841**	1,306
Effect of different tax rates in other tax jurisdictions and tax concessions	**(3,269)**	(6,781)
Deferred tax charge on dividend withholding tax	**–**	3,753
Income tax for the year	**32,365**	20,827

9. PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**1,680**	1,300
Cost of inventories sold	**564,958**	552,398
Depreciation	**54,024**	57,658
Amortisation of prepaid land lease payments	**2,387**	713
Minimum lease payments under operating leases in respect of office premises	**4,555**	1,578
(Reversal of impairment)/impairment loss on trade receivables	**(5,342)**	8,014
Loss on disposal of property, plant and equipment	**4,996**	4,390
Impairment loss on property, plant and equipment on disposal of subsidiaries	**12,495**	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**130,121**	116,108
Equity settled share-based payment expenses	**846**	–

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

11. 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 year of approximately HK$6,021,000 (2015: HK$28,248,000) attributable to owners of the Company and the weighted average number of 736,932,969 (2015: 372,080,668 ordinary shares, as adjusted to reflect the impact of open offer on 9 September 2016) 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 dilutive potential ordinary shares during the two years ended 31 December 2016 and 2015.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**410,558**	315,511
Less: impairment losses	**(7,299)**	(19,593)
	403,259	295,918
Bills receivable	**17,135**	17,921
Down payment in relation to acquisition of restructuring debt of a target company for a potential acquisition	**–**	53,717
Value-added tax receivables	**53,051**	3,858
Prepayment, deposits and other receivables	**101,063**	24,165
	574,508	395,579

Included in trade receivables of the Group as at 31 December 2016 were factored receivables with recourse amounting to approximately HK$72,936,000 (2015: Nil). The Group continued to recognise the factored receivables in the statement of financial position as the Group has retained substantially all the risks and rewards of ownership of the factored receivables, including the risks in respect of default payments, at the end of the reporting period. Accordingly, the related advances from the relevant banks of approximately HK$22,341,000 (2015: Nil) received by the Group as consideration for the factored receivables at the end of the reporting period were recognised as liabilities and included in bank borrowings (see note 14 below).

Trade and bills receivable

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 aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**267,164**	267,649
61 to 90 days	**101,646**	16,611
Over 90 days	**34,449**	11,658
	403,259	295,918

Impairment of trade receivables

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

	2016	2015
	HK$'000	*HK$'000*
At beginning of the reporting period	**19,593**	10,983
(Reversal of impairment)/impairment loss on trade receivables	**(5,342)**	8,014
Amount written off	**–**	(41)
Disposal of subsidiaries	**(5,764)**	–
Currency realignment	**(1,188)**	637
At the end of the reporting period	**7,299**	19,593

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$7,299,000 (2015: HK$19,593,000) 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 is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**292,745**	245,946
Less than 60 days past due	**107,348**	48,059
Over 60 days past due	**3,166**	1,913
	403,259	295,918

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.

13. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**174,629**	91,585
Accruals and other payables	**188,811**	80,354
Bills payable	**77,236**	12,232
	440,676	184,171

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

At 31 December 2016, bills payable totaling HK$77,236,000 (2015: HK$12,232,000) were secured by pledged bank deposits of HK$77,249,000 (2015: HK$Nil).

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

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**104,027**	74,113
61 to 90 days	**26,718**	5,150
Over 90 days	**43,884**	12,322
	174,629	91,585

14. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Bank loans	**87,128**	88,907
Analysed as:		
Secured	**67,022**	–
Unsecured	**20,106**	88,907
	87,128	88,907

As at 31 December 2016, the Company pledged its inventories of approximately HK$46,302,000 (2015: Nil) to secure its bank loans, and the Company assigned its trade receivables of approximately HK$72,936,000 (2015: Nil) to secure its bank loans (see note 12 above).

15. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER/AMOUNT DUE TO A RELATED COMPANY

The amount due to the controlling shareholder is unsecured, non-interest bearing and have 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 controlling shareholder upon execution of the principal terms of the schemes of arrangement and the amount payables to the scheme company has been reclassified as amount due to a related company since then.

The amount due to a related company is unsecured and interest bearing starting from 1 July 2016 at 8% per annum. The amount due to a related company, together with the related interests thereon, have 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.

16. ACQUISITION OF SUBSIDIARIES

On 28 January 2016, the Group acquired 100% equity interest of Shaanxi Leaders Battery Co. Ltd. and its subsidiary (the "Acquired Group") at a cash consideration of approximately RMB19,496,000 (approximately HK$23,068,000) to Shaanxi Shunqian Energy Technology Co. Limited and Shaanxi Jinwen New Energy Co. Limited, the independant third parties. The Acquired Group is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials. Details of the above acquisition are set out in the announcement of the Company dated 3 January 2016.

The fair value of the identifiable assets and liabilities of the Acquired Group with reference to the independent valuation as performed by independent valuer, Ascents Partners Valuation Limited as at its date of acquisition was as follows;

Net assets acquired:	*HK$'000*
Property, plant and equipment	86,523
Prepaid land lease payments	31,946
Intangible asset	18,705
Inventories	1,650
Trade and other receivables	17,574
Bank and cash balances	182
Trade and other payables	(115,934)
Total identifiable net assets at fair value	40,646
Goodwill arising from acquisition	
Consideration transferred	23,068
Add: Non-controlling interests	89
Less: Fair value of identifiable net assets acquired	(40,646)
Gain on bargin purchase	(17,489)
Satisfied by:	
Cash	23,068
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	(23,068)
Less: Bank and cash balances acquired	182
	(22,886)

If the acquisition had been completed on 1 January 2016, total Group revenue for the period would have been approximately HK$779,061,000 and profit for the period would have been approximately HK$78,955,000. 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 it intended to be a projection of future results. The cost in relation to this acquisition was approximately HK$179,000.

The fair value of the trade and other receivables acquired is HK$17,574,000. The gross amount due under the contracts is HK$17,574,000.

17. DISPOSAL OF SUBSIDIARIES

On 8 December 2016, the Group disposed 100% of the issued share capital of Grand Vista Investments Limited and its subsidiaries for a cash consideration of US$4 (equivalent to approximately HK$31) to Courage Forever Limited, an independent third party.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	6,421
Prepaid land lease payments	1,794
Inventories	1,960
Trade and other receivables	1,146
Bank and cash balances	64
Trade payables	(7,111)
Accruals and other payables	(3,774)
Dividend payable to non-controlling shareholders	(1,397)
Deferred tax liabilities	(602)
Net liabilities disposed of:	(1,499)
Release of foreign currency translation reserve	(4,951)
Non-controlling interests	2,970
Gain on disposal of subsidiaries	(3,480)
Net cash outflow arising on disposal:	
Bank and cash balances disposed of	(64)

18. CAPITAL COMMITMENTS

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

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Property, plant and equipment	**382,821**	58,984
– Unpaid capital contribution for possible investment in a subsidiary	**–**	23,272
	382,821	82,256

19. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2017, the Company entered into the subscription agreement with the Double Key International Limited (the Controlling Shareholder and the "Subscriber") and Cloud Apex Global Limited (the "Lender"), pursuant to which (i) the Lender has conditionally agreed to assign all rights, titles, benefits and interests in and to the amount due to the Lender in favor of the Subscriber at completion; and (ii) the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds in the principal amount of HK$300,000,000, which would entitle the holder(s) thereof to convert the convertible bonds into a maximum of 187,500,000 convertible shares at the initial conversion price of HK$1.60 per convertible share (subject to adjustments) upon the full exercise of the conversion rights. Completion of the above transactions took place on 28 February 2017. Details of the above transactions are disclosed in the Company's announcements dated 17 January 2017 and 28 February 2017 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2016, the Group engaged in the Packaging Printing Business and Lithium Ion Motive Battery Business.

Lithium Ion Motive Battery Business

External Development

New energy vehicle is the industry that gains tremendous support from the PRC government. According to the "Plan on Energy Saving and New Energy Vehicles Industry Development of the State Council (2012-2020)"（國務院關於印發節能與新能源汽車產業發展規劃(2012–2020年）) and the "Guidance on Accelerating the Application of New Energy Vehicles by the General Office of the State Council"（國務院辦公廳關於加快新能源汽車推廣應用的指導意見）, the PRC government will further accelerate the promotion of new energy vehicles, with an expected output sales of pure electric vehicles and plug-in hybrid vehicles reaching 5 million by 2020, so as to alleviate the pressure on energy needs and the environment. Thus, it offers huge market potential for the sustainable development of automobile motive batteries, being the core of electric vehicles.

The Group focuses on the research and manufacturing of 18650 Ternary Material Batteries. In 2016, the PRC government loosened the utilization of ternary material batteries in passenger vehicles. Comparing to the traditional lithium ferrous phosphate batteries, ternary material batteries have high energy density, longer travelling distance and the Group is able to receive higher subsidy from the PRC government based on it's current policy. Due to the shortage in market supply of ternary, cylindrical and 18650 automobile motive batteries, the Board is of the view that the Group will benefit from the market development opportunity.

Internal Construction and Development

The year 2016 marked the investment and construction stage of the Lithium Ion Motive Battery Business. During the year, the Group carried out technological upgrade and transformation to the production base (Phase I) of the manufacturing site of Shaanxi Leaders Battery Co. Ltd., a subsidiary acquired in the year.

The upgrading and raise of production capacity was completed in the fourth quarter of 2016 and since then maintained the trial production run. At the same time, the Group also invested and constructed a brand-new production base (Phase II) with larger production capacity. The work was conducted in third quarter of 2016 and one of its production line was completed and commenced its trial production on 28 December 2016. The whole construction of Phase II is expected to be completed in third quarter of 2017.

During the year under review, the Group also established research institute in Nanjing and invested resources to develop the research and development technology as well as the skills for its battery sector for the long-term development of the Group. Meanwhile, the Group also invested resources in the research and development of packaging and arrangement of batteries and battery management system (BMS), paving the way for its further development.

The year 2016 was our year of investment for the Lithium Ion Motive Battery Business. The Group focused on initial development, which included the research and development of new ternary, cylindrical batteries, the training of technical workers and to get acquainted with equipment, internal control and system construction, in order to lay a good foundation for the long-term development of the business.

During the year under review, the Group did not set any sales target due to its investment and trial production run. The sales of lithiumion ion motive batteries were approximately HK$18,038,000. This business suffered loss mainly due to the research and development expenses, brand name promotion and salaries. For more details please refer to Financial Review below.

Packaging Printing Business

The construction of a new production facility for the Packaging Printing Business was completed in December 2016. All machinery were reallocated to the new manufacturing plant. The Board believes that Yunnan Qiaotong Package Printing Company Limited will benefit from the relocation and upgrade of its production facilities and better logistics network of Zhaoyang Industrial Park in Yunnan where the new production facility is located.

During the year under review, the Board decided to dispose of certain subsidiaries as detailed in note 17 to this announcement. Those subsidiaries continually suffered losses and did not represent a significant part of the Group's overall operation. The Board believes that the Group will benefit from the disposal.

Turnover from Packaging Printing Business for the year ended 31 December 2016 was approximately HK$781,023,000, representing a slight decrease of 1.8% from 2015. Gross profit margin remained steady at 29.3% compared to 30.5% in 2015. Tobacco package printing is still the core product line of the Packaging Printing Business, which accounted for over 82.5% of the total turnover of the business. Other product lines of the Packaging Printing Business includes medicine package printing and liquor package printing.

In addition, the Group made environmental protection efforts and implemented environmental friendly policies in respect of our Packaging 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 energy conservation and reducing carbon emission, the Group has adopted an eco-friendly design at our new plant in Zhaoyang Industrial Park in Yunnan which uses natural light and geothermal energy to maintain the room temperature for buildings and plants in order to minimize carbon emission.

FUTURE PROSPECTS

Lithium Ion Motive Battery Business

In 2017, the Group endeavors to increase production capacity and expect to achieve full production capacity in second half of 2017 to meet the increasing market demand for ternary and cylindrical batteries. At the same time, the Group will constantly seek opportunities to cooperate with downstream sectors, such as setting up battery pack production lines or cooperating with vehicle manufacturers.

With the substantial support and promotion from the PRC government, electric vehicles become increasingly popular, which offers a huge market potential for selling automobile motive batteries. The fact that the Group is able to gain a foothold in such a rapidly-developing industry will create enormous value for its shareholders.

Packaging Printing Business

The Packaging Printing Business has maintained its performance throughout the years. Despite challenging market condition in the PRC, the management believes that this business will continue to contribute stable returns to the Group.

The Board is of the view that after the completion of the construction of the new manufacturing facilities in Zhaoyang Industrial Park in Yunnan, the Group will have higher profitability from the increased production capacity and efficiency.

FINANCIAL REVIEW

Decrease of profit for the year

The decrease in profit for the year in the amount of approximately HK$35,979,000 was mainly due to (i) the interest expenses of approximately HK$16,571,000 incurred to a related company, the details and nature of such interest expenses have been previously disclosed in the Group's interim and annual reports; and (ii) the segment loss in the Lithium Ion Motive Battery Business of approximately HK$27,611,000. The segment loss for the Lithium Ion Motive Battery Business of approximately HK$8,889,000 was previously disclosed in the interim report 2016.

Profit of the Packaging Printing Business

Excluding the effect from Lithium Ion Motive Battery Business and significant non-operating items, profit of the Packaging Printing Business for the year ended 31 December 2016 was approximately HK$75,982,000 (2015: approximately HK$75,366,000), which remain stable compared to that of the year 2015.

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**39,428**	75,407
Add: Equity settled share-based payment expenses	**846**	–
Add: Finance costs	**16,571**	6,796
Add: Impairment loss on properties, plant and equipment on disposal of subsidiaries	**12,495**	–
Less: Gain on bargain purchase	**(17,489)**	–
Less: Gain on disposal of subsidiaries	**(3,480)**	–
Less: Restructuring costs and gain on execution of the schemes of arrangement	**–**	(6,837)
Add: Segment loss on Lithium Ion Motive Battery Business	**27,611**	–
Profit for the year (excluding Lithium Ion Motive Battery Business and significant non-operating items)	**75,982**	75,366

Loss of the Lithium Ion Motive Business

As mentioned above, the Lithium Ion Motive Business is still under the investment stage and only generated a revenue of approximately HK$18,038,000 for the year ended 31 December 2016. Segment expenses were mainly staff costs at approximately HK$24,742,000, depreciation and amortisation at approximately HK$11,140,000, and expenses for advertisement and business development of approximately HK$4,006,000.

EBITDA AND ADJUSTED EBITDA

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**39,428**	75,407
Add: Income tax	**32,365**	20,827
Add: Depreciation	**54,024**	57,658
Add: Amortization of prepaid land lease payments	**2,387**	713
Add: Finance costs	**16,571**	6,796
EBITDA	**144,775**	161,401
Add: Equity settled share-based payment expenses	**846**	–
Add: Impairment loss on properties, plant and equipment on disposal of subsidiaries	**12,495**	–
Less: Gain on bargain purchase	**(17,489)**	–
Less: Gain on disposal of subsidiaries	**(3,480)**	–
Less: Restructuring costs and gain on execution of the schemes of arrangement	**–**	(6,837)
Add: Segment loss on Lithium Ion Motive Battery Business excluding depreciation and amortisation of prepaid land lease payments	**16,471**	–
Adjusted EBITDA excluding Lithium Ion Motive Battery Business and significant non-operating items	**153,618**	154,564

EBITDA (adjusted) excluding the Lithium Ion Motive Battery Business and significant non-operating items for the year was approximately HK$153,618,000 (2015: approximately HK$154,564,000), which remain stable compare to that of the year 2015.

Revenue and gross profit ratio

Revenue for the year ended 31 December 2016 was approximately HK$799,061,000 (2015: approximately HK$795,307,000). Revenue from Packaging Printing Business slightly decreased to HK$781,023,000 (2015: HK$795,307,000), representing approximately 1.8% mainly because the tobacco market was affected by the overall economic environment in the PRC. During the year under review, the Group had started the Lithium Ion Motive Battery Business which contributed to the Group's revenue in the amount of approximately HK$18,038,000 (2015: Nil). As a result, revenue of the Group slightly increased by approximately 0.5%.

Gross profit margin slightly decreased from 30.5% for the year ended 31 December 2015 to approximately 29.3% in the corresponding year in 2016. The decrease was mainly driven by the product mix because of different selling prices of the products under the Packaging Printing Business. Besides, as the Lithium Ion Motive Battery Business was still under an investment stage, no significant contribution from such business was reflected in the year under review.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 was approximately HK$180,394,000 (2015: approximately HK$147,340,000), which mainly consisted of staff costs (including directors' remuneration) of approximately HK$28,366,000 (2015: HK$22,255,000), depreciation and amortisation of approximately HK$30,882,000 (2015: HK$33,350,000), and impairment loss on property, plant and equipment on disposal of subsidiaries of approximately HK$12,495,000 (2015: Nil). The increase in administrative expenses was mainly contributed by the administrative expenses incurred by the Lithium Ion Motive Battery Business and the impairment loss on property, plant and equipment of the disposal of subsidiaries.

Distribution and selling expenses

The distribution and selling expenses had been increased by 59.7% to approximately HK$7,049,000 (2015: approximately HK$4,414,000) mainly due to the increase in transportation cost, as more products were transported to the subcontractor in Anhui for further processing during the relocation of the Group's manufacturing base in Yunnan.

Other income

Other income for the year ended 31 December 2016 was approximately HK$32,882,000 (2015: approximately HK$13,052,000) representing an increase of approximately 151.9%. It mainly comprised of gain on bargain purchase of approximately HK$17,489,000 (2015: Nil) as detailed in note 16 to this announcement. The remaining amount mainly included government grants of approximately HK$9,299,000 (2015: HK$6,350,000) and dividend income of approximately HK$2,145,000 (2015: HK$3,343,000).

Gain on disposal of subsidiaries

On 8 December 2016, the Company disposed of the certain subsidiaries to Courage Forever Limited, an independent third party, as the Directors were of the view that the disposal allowed the Group to focus its resources on developing its core businesses. A gain of HK$3,480,000 was resulted from the disposal as detailed in note 17 to this announcement.

Finance costs

Finance costs for the year ended 31 December 2016 had been increased to approximately HK$16,571,000 (2015: approximately HK$6,796,000) because of interest charged on the amount due to a related company since 1 July 2016 at 8% per annum. The Group also capitalised interests incurred on the Packaging Printing Business as the corresponding borrowing was used for the construction of the manufacturing plant.

Basic and diluted earnings per share

Basic and diluted earnings per share for the year ended 31 December 2016 decreased to 0.82 cents as compared to 7.59 cents in 2015. In anticipation of the funds required for the development of the Lithium Ion Motive Battery Business, the Board does 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 2016 with net current assets of approximately HK$423,706,000 (31 December 2015: approximately HK$457,203,000) and pledged bank deposits and bank and cash balances in aggregate of approximately HK$210,026,000 (31 December 2015: approximately HK$204,359,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total) was about 8.7% as at 31 December 2016 (31 December 2015: approximately 13.8%).

The Group's current assets also consisted of HK$420,394,000 (31 December 2015: HK$313,839,000) trade and bills receivables from customers. Debtors turnover days increased to 168 days (31 December 2015: 129 days) (note 1).

The Group's inventories increased to HK$229,459,000 (31 December 2015: HK$167,937,000. Inventory turnover days were 128 days (31 December 2015: 104 days) (note 2). Trade and bills payables increased to HK$251,865,000 from HK$103,817,000 in 2015 which was in line with the increase in inventory scale. Creditor turnover days were approximately 115 days (31 December 2015: 79 days) (note 3).

Notes

1. Calculated on the basis of average trade and bills receivables as at the end of the reporting years divided by revenue, and multiplied by 365 days.

2. Calculated on the basis of average inventory balance as at the end of the reporting years divided by cost of sales, and multiplied by 365 days.

3. Calculated on the bases of average trade and bills payables, divided by cost of sales, and multiplied by 365 days.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year under review, the Company acquired a group of subsidiaries for the Lithium Ion Motive Battery Business and disposed of certain subsidiaries which continually suffered losses. For the details of the such acquisition and disposal, please refer to the notes 16 and 17 to this announcement.

EMPLOYMENT

As at 31 December 2016, the Group had approximately 1,608 employees (2015: 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$130,121,000 (2015: HK$116,108,000).

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in the PRC. The Group has also developed training programs to its management and employees to promote career advancement of the staffs.

FOREIGN EXCHANGE EXPOSURE

All sales and purchase for the Packaging Printing Business and Lithium Ion Motive Battery Business are denominated in Renminbi ("RMB"), the management considers the exposure to exchange risks is minimized. However, the Company faces foreign exchange risk in its fund raising activities in Hong Kong (HK$) and remittance of funds to the subsidiaries in the PRC (RMB). The RMB devaluated recently, the Company recorded net gain on such transactions. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain inventories, trade receivables and bank deposits of the Group were pledged to secure banking facilities and bills payable for the Group. For the details of the pledge, please refer to note 14 to this announcement.

USAGE OF FUND PROCEEDS

On 9 September 2016, the Company completed an open offer of 444,135,300 offer shares ("Offer Shares") at an open offer subscription price of HK$0.80 per Offer Share on the basis of three Offer Shares for every four Shares held on 5 August 2018 ("Open Offer"). The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) amounted to approximately HK$352,918,000, of which (1) approximately HK$170,592,000 was subsequently used for development of facilities and equipment of the Lithium Ion Motive Battery Business; (2) approximately HK$38,307,000 was used for purchase of materials; (3) approximately HK$41,254,000 was used for settlement of liabilities of a group of subsidiaries acquired during the year; and (4) approximately HK$102,765,000 for its general working capital. Details of the Open Offer were disclosed in the Company's announcements dated 17 June 2016, 8 September 2016, and the Company's prospectus dated 18 August 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, 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 (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on 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 2016, save for the deviations disclosed below, the Company has complied with all the applicable provisions set out in the CG Code:

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. Mr. Chen Weixi resigned as an independent non-executive Director and was appointed as the chief executive officer of the Company on 1 November 2016. Mr. Ng Ka Wing has 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 of the Company. 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 of the Company 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 of the Company and take all reasonable measures to schedule meetings in such a 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.

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 to the Listing Rules for securities transactions.

Having made specific enquiry of all Directors, the Company reported that the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016. The Model Code also applies to other specified senior management of the Group.

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 risk management and internal controls systems and financial reporting matters. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2016.

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 2016 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. 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 this announcement.

On behalf of the Board
TESSON HOLDINGS LIMITED
Tin Kong
Chairman

Hong Kong, 29 March 2017

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. Wang Jinlin, Mr. Ng Ka Wing and Mr. See Tak Wah as independent non-executive Directors.