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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 2017

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 2017 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2016. The details are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	<i>Notes</i>	Six months ended 30 June	
		2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue	4	408,926	332,925
Cost of sales		<u>(278,836)</u>	<u>(221,887)</u>
Gross profit		130,090	111,038
Other income		7,450	5,339
Distribution and selling expenses		(8,169)	(2,985)
Administrative expenses		<u>(92,814)</u>	<u>(78,824)</u>

		Six months ended 30 June	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit from operation		36,557	34,568
Finance costs	5	<u>(12,717)</u>	<u>(2,334)</u>
Profit before tax		23,840	32,234
Income tax	6	<u>(3,736)</u>	<u>(9,621)</u>
Profit for the period	7	20,104	22,613
Other comprehensive profit/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>30,740</u>	<u>(23,441)</u>
Total comprehensive income/(loss) for the period		<u>50,844</u>	<u>(828)</u>
Profit for the period attributable to:			
Owners of the Company		7,075	5,346
Non-controlling interests		<u>13,029</u>	<u>17,267</u>
		<u>20,104</u>	<u>22,613</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		23,975	(9,815)
Non-controlling interests		<u>26,869</u>	<u>8,987</u>
		<u>50,844</u>	<u>(828)</u>
			(Restated)
Earnings per share	9		
Basic (<i>cents per share</i>)		0.68	0.89
Diluted (<i>cents per share</i>)		<u>0.68</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	1,040,270	768,759
Prepaid land lease payments		74,510	72,942
Deposits paid for acquisition of property, plant and equipment		15,488	121,080
Intangible assets		15,437	15,916
Available-for-sale financial assets		17,278	16,755
		<u>1,162,983</u>	<u>995,452</u>
Current assets			
Inventories		260,664	229,459
Trade and other receivables, deposits and prepayments	11	614,434	574,508
Prepaid land lease payments		1,796	1,665
Held-for-trading investments		395	393
Pledged bank deposits		14,311	77,249
Bank and cash balances		194,054	132,777
		<u>1,085,654</u>	<u>1,016,051</u>
Current liabilities			
Trade and other payables	12	529,777	440,676
Tax payables		9,982	12,303
Dividend payable to non-controlling shareholders		9,218	3
Borrowings	13	198,502	87,128
Amount due to a related company	14	1,966	24,280
Amount due to the controlling shareholder	14	36,227	27,955
		<u>785,672</u>	<u>592,345</u>

		At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Net current assets		<u>299,982</u>	<u>423,706</u>
Total assets less current liabilities		<u>1,462,965</u>	<u>1,419,158</u>
Non-current liabilities			
Convertible bonds	15	221,777	–
Amount due to a related company	14	17,702	378,117
Amount due to the controlling shareholder	14	74,456	–
Deferred tax liabilities		<u>37,499</u>	<u>36,940</u>
		<u>351,434</u>	<u>415,057</u>
NET ASSETS		<u><u>1,111,531</u></u>	<u><u>1,004,101</u></u>
Capital and reserves			
Share capital	16	103,632	103,632
Reserves		<u>569,701</u>	<u>468,614</u>
Equity attributable to owners of the Company		673,333	572,246
Non-controlling interests		<u>438,198</u>	<u>431,855</u>
TOTAL EQUITY		<u><u>1,111,531</u></u>	<u><u>1,004,101</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of 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 period, the Group 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. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "**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 2016.

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 2016.

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, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. 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 consolidated financial statements and amounts reported for the current 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 segments’ profit or loss, assets and liabilities:

	Packaging Printing Business HK\$’000	Lithium Ion Motive Battery Business HK\$’000	Total HK\$’000
Period ended 30 June 2017 (Unaudited):			
Revenue from external customers	281,385	127,541	408,926
Segment profit	27,172	12,934	40,106
Depreciation	24,285	8,062	32,347
Amortisation of prepaid land lease payments	514	104	618
Additions to segment non-current assets	87,379	214,007	301,386
At 30 June 2017 (Unaudited):			
Segment assets	1,274,284	929,841	2,204,125
Segment liabilities	372,166	396,992	769,158

	Packaging Printing Business 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)	41,470	(8,889)	32,581
Depreciation	24,052	4,190	28,242
Amortisation of prepaid land lease payments	329	126	455
Addition to segment non-current assets	40,471	15,309	55,780
At 31 December 2016 (Audited):			
Segment assets	1,235,742	721,147	1,956,889
Segment liabilities	<u>356,198</u>	<u>204,666</u>	<u>560,864</u>

Reconciliations of profit or loss:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	40,106	32,581
Loss on disposal of property, plant and equipment	(2,978)	–
Corporate and unallocated loss	<u>(17,024)</u>	<u>(9,968)</u>
Profit for the period	<u>20,104</u>	<u>22,613</u>

5 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank loans	3,067	2,334
Interest expenses on amounts due to a related company and the Controlling Shareholder	3,538	–
Imputed interest expense on Convertible Bonds	5,215	–
Finance lease charge	897	–
	<u>12,717</u>	<u>2,334</u>

6. INCOME TAX

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the period	4,823	9,364
– (Over)/under-provision in prior years	(2,271)	1,460
Deferred tax	<u>1,184</u>	<u>(1,203)</u>
	<u>3,736</u>	<u>9,621</u>

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 the Western Campaign in the PRC 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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	278,836	221,887
Depreciation	32,459	28,316
Amortisation of prepaid land lease payments	618	455
Amortisation of intangible assets	933	–
Loss on disposal of property, plant and equipment	2,978	–
Fair value gain on issuance of convertible bonds	4,620	–
Directors' emoluments	2,703	2,969
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	65,726	62,278
Retirement benefits scheme contributions	9,133	5,291
	74,859	67,569
Interest income	(735)	(230)

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2016: nil).

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$7,075,000 (six months ended 30 June 2016: HK\$5,346,000) attributable to owners of the Company and the weighted average number of 1,036,315,700 (six months ended 30 June 2016: 601,497,924 ordinary shares, as adjusted to reflect the impact of open offer on 9 September 2016) ordinary shares in issue during the period.

Diluted earnings per share

Diluted earnings per share for the period is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. The Company has two (six months ended 30 June 2016: nil) categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds did not give rise to any dilution effect to the earnings per share because the conversion price was higher than the average market price of the Company's shares for the period. In the period, a calculation on share options is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June 2017 HK\$'000 (Unaudited)
Earnings	
Profit attributable to the owners of the Company	<u><u>7,075</u></u>
	Number of shares
Weighted average number of ordinary shares in issue	1,036,315,700
Effect of dilutive potential ordinary shares	
– Share options	<u><u>3,129,017</u></u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>1,039,444,717</u></u>
Diluted earnings per share (cents per shares)	<u><u>0.68</u></u>

For the six months ended 30 June 2016, no diluted earnings per share is presented as the Company did not have any outstanding dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has acquired property, plant and equipment of approximately HK\$302,913,000.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	402,553	410,558
Less: impairment losses	<u>(7,527)</u>	<u>(7,299)</u>
	395,026	403,259
Bills receivable	22,599	17,135
Valued-added tax receivables	67,815	53,051
Prepayment, deposits and other receivables	<u>128,994</u>	<u>101,063</u>
	<u>614,434</u>	<u>574,508</u>

Trade and bills receivable

The aging of bills receivable at the end of the 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 period.

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 to 60 days	327,616	267,164
61 to 90 days	56,584	101,646
Over 90 days	<u>10,826</u>	<u>34,449</u>
	<u>395,026</u>	<u>403,259</u>

12. TRADE AND OTHER PAYABLES

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Trade payables	209,105	174,629
Bills payable	14,311	77,236
Accruals and other payables	306,361	188,811
	<u>529,777</u>	<u>440,676</u>

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

At 30 June 2017, bills payable totaling HK\$14,311,000 (31 December 2016: HK\$77,236,000) were secured by pledged bank deposits of HK\$14,311,000 (31 December 2016: HK\$77,249,000).

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
0 to 60 days	92,681	104,027
61 to 90 days	16,158	26,718
Over 90 days	100,266	43,884
	<u>209,105</u>	<u>174,629</u>

13. BORROWINGS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Bank loans	141,600	87,128
Obligation under finance lease	56,902	–
	<u>198,502</u>	<u>87,128</u>
Analysed as:		
Secured	63,353	67,022
Unsecured	78,247	20,106
	<u>141,600</u>	<u>87,128</u>

The secured bank borrowings of the Group were secured by (i) pledged inventories with an aggregate carrying amount of approximately HK\$46,186,000 (31 December 2016: HK\$46,302,000); and (ii) assignment of trade receivables of approximately HK\$59,510,000 (31 December 2016: HK\$72,963,000).

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

On 28 February 2017, Cloud Apex Global Limited agreed to assign all rights, titles, benefits and interests of approximately HK\$382,728,000 debt to the Controlling Shareholder and the Controlling Shareholder agreed to subscribe for the convertible bonds in an aggregate principal amount of HK\$300,000,000 (the “Convertible Bonds”) issued by the Company as detailed in Note 15.

After the subscription of Convertible Bonds, amount due to the Controlling Shareholder of approximately HK\$82,728,000, and amount due to the related company are unsecured, interest bearing at 8% per annum, and are 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 respective party.

The remaining amount due to the Controlling Shareholder is unsecured, non-interest bearing and has no fixed repayment terms.

15. CONVERTIBLE BONDS

On 28 February 2017, the Company issued the Convertible Bonds in an aggregate principal amount of HK\$300,000,000 with a coupon rate of 3% to the Controlling Shareholder as detailed in Note 14. The Convertible Bonds will mature from the date of issue to 30 June 2036, and can be converted into a maximum of 187,500,000 conversion shares of the Company at the conversion price of HK\$1.6 per conversion shares upon full exercise of the conversion rights by the end on the third anniversary to the date of issue of the Convertible Bonds.

The Convertible Bonds recognised in the condensed consolidated statement of financial position are calculated as follows:

	Liability component <i>HK\$'000</i> (Unaudited)	Equity component <i>HK\$'000</i> (Unaudited)
At 1 January 2017	–	–
Issue of Convertible Bonds during the year	220,680	73,784
Imputed interest expense	5,215	–
Interest payable	(4,118)	–
At 30 June 2017	221,777	73,784

16. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each		
at 31 December 2016 and 30 June 2017	2,000,000,000	200,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each		
at 31 December 2016 and 30 June 2017	1,036,315,700	103,632

17. CONTINGENT LIABILITIES

At the end of the period, the Group did not have any material contingent liabilities (31 December 2016: nil).

18. CAPITAL COMMITMENTS

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
– Property, plant and equipment	<u>111,539</u>	<u>382,821</u>

19. RELATED PARTY TRANSACTIONS

	Six month ended 30 June 2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Interest expenses on amounts due to a related company and the Controlling Shareholder (<i>Note 14</i>)	3,538	–
Imputed interest expenses (<i>Note 15</i>)	<u>5,215</u>	<u>–</u>

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. EVENT AFTER THE REPORTING PERIOD

On 16 June 2017, 天臣新能源（深圳）有限公司 (Tesson New Energy (Shenzhen) Limited*) (“**Tesson Shenzhen**”), an indirect subsidiary of the Company, entered into a joint venture agreement (the “**JV Agreement**”) with 南方黑芝麻集團股份有限公司 (Nanfang Black Sesame Group Company Limited*) (“**Nanfang Black Sesame**”) and 大連智雲自動化裝備股份有限公司 (Dalian Zhiyun Automatic Equipment Company Limited*) (“**Dalian Zhiyun**”) for the establishment of a joint venture company (the “**JV Company**”). Pursuant to the JV Agreement, the registered capital of the JV Company is RMB1,000,000,000 which shall be contributed, on a pro rata basis, by Tesson Shenzhen, Nanfang Black Sesame and Dalian Zhiyun for the amounts of RMB600,000,000, RMB300,000,000 and RMB100,000,000, representing 60%, 30% and 10% of their respective equity interests in the JV Company. The JV Agreement is subject to the approval of the shareholders of the Company and the fulfillment of certain conditions and may or may not proceed.

For details, please refer to the announcements of the Company dated 21 June 2017, 26 June 2017, and the circular of the Company dated 9 August 2017.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the Reporting Period, the Group was principally engaged in printing and manufacturing of packaging products (the “**Packaging Printing Business**”) and the manufacturing and sales of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sales of relevant equipment, investment holding and import and export trading (the “**Lithium Ion Motive Battery Business**”).

Lithium Ion Motive Battery Business

External Development

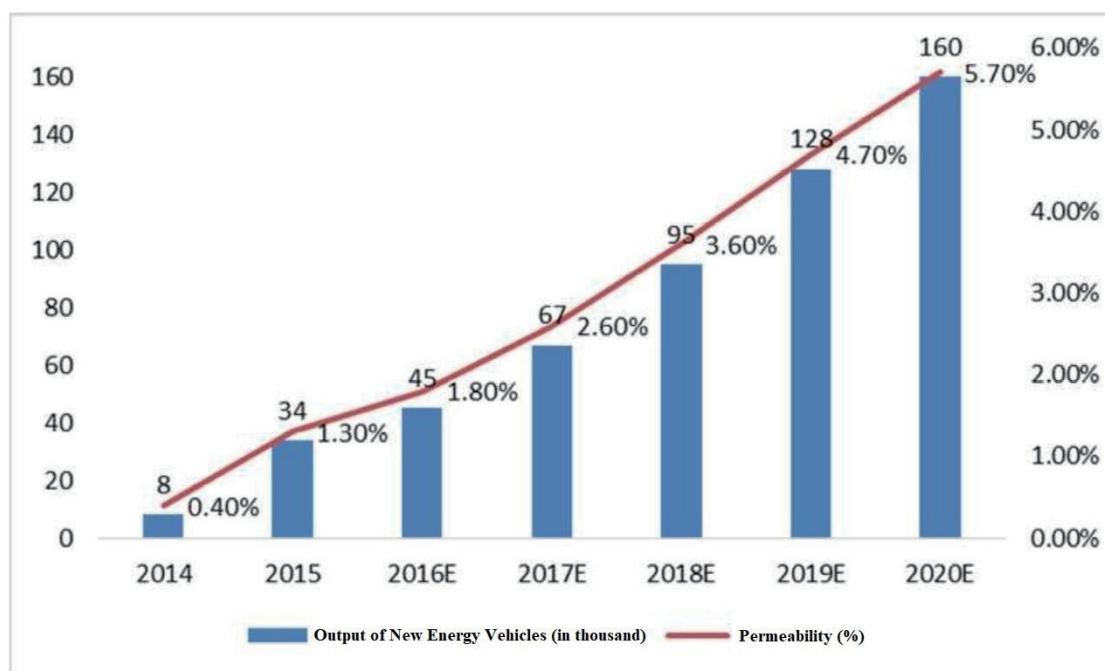
Favourable Policies and Trends

The government of the PRC issued the consultation paper 《汽車動力電池行業規範條件(2017年)》 (Automobile Motive Batteries Industry Requirements (2017)*) and the notice of 《促進汽車動力電池產業發展行動方案》 (Action Plan for Promoting the Development of the Automobile Motive Battery Industry*) in November 2016 and March 2017 respectively, which included a series of requirements regarding the production capacity, technology, research and development, and automatic equipment of the automobile battery manufacturing enterprises, and at the same time, gave instructions on the development direction, objectives and mission of the battery industry. It indicated that the PRC Government has attached great importance to the development of new energy vehicles and motive batteries, which are the emerging industries that will experience rapid development in China in the next decade.

Market Development

With the continuous improvement of the policy framework, technological standard, consumer receptivity and charging facilities, the new energy vehicle market in China will maintain a momentum of continuous growth in the future. Under the dual effects of favourable policies and good market conditions, the cumulative sales number of new energy vehicles will reach the government target of 5,000,000 by 2020, and this offering a tremendous market for automobile motive batteries.

New Energy Vehicle Production and Permeability Forecast in China



*** Source from National Development and Reform Commission*

Internal Development

Production Capacity Enhancement

As the entry barrier for battery industry has escalated, especially the substantial enhancement of annual capacity requirement, the automobile motive battery manufacturing enterprises have been affected significantly. However, it also offers an opportunity of eliminating those who failed to meet the requirement. In order to meet this requirement and future market demand, the Group plans to construct a Phase III production base apart from its Phase I and Phase II production bases.

Introducing Strategic Investment, Strengthening Battery Packs Business

As stated in the announcements of the Company dated 21 June 2017 and 26 June 2017, the Group is going to introduce strategic investors to strengthen and deepen its capital structure. At the same time increase the investment in the research and development of battery management system (BMS) and improve the capacity of battery packs. We will further enhance our battery packs capability and directly liaise with the new energy vehicles manufacturers in order to reduce middleman participation, increase profit margin, and reduce credit risks of the Group.

Business Breakthrough

During the Reporting Period, the Group achieved remarkable breakthrough in the Lithium Ion Motive Battery Business, with its sales increased to approximately HK\$127,541,000, compared with approximately HK\$5,407,000, for the corresponding period in 2016 and also achieved a turnaround in profit.

Packaging Printing Business

Although the Packaging Printing Business recorded a slight decrease in income, the overall performance still maintained at a stable level. The management of the Group believes that this was caused by a temporary change in the market and destocking by China Tobacco Group. The management also believes that these factors will vanish by the end of 2017 or early of 2018, and the market conditions will gradually return to normal level. However, in the past period of time, the increase in production costs such as papers and labour cost have posed certain pressure on profit margin.

Turnover from the Packaging Printing Business for the Reporting Period was approximately HK\$281,385,000 representing a decrease of 14.09% from the same period in 2016.

Future Prospects

The Group will focus on the development of Lithium Ion Motive Battery Business including allocating more resources on (i) the research and development of new model of lithium ion battery, pack and battery management system; (ii) building up of sale network; and (iii) the expanding production capacity and grasping the high speed development in new energy vehicle market in the PRC.

FINANCIAL REVIEW

Revenue and gross profit ratio

Revenue for the Reporting Period was approximately HK\$408,926,000 (For the six months ended 30 June 2016: approximately HK\$332,925,000), representing an increase of approximately 22.83%, mainly contributed by the sale of Lithium Ion Motive Battery Business. Gross profit margin slightly decreased from approximately 33.35% to 31.81%. The decrease was mainly driven by the comparatively lower gross profit margin of the Lithium Ion Motive Battery Business.

Other income

Other income for the Reporting Period was approximately HK\$7,450,000 (For the six months ended 30 June 2016: approximately HK\$5,339,000). The increase in other income was mainly due to a fair value gain on issuance of Convertible Bonds which was approximately HK\$4,620,000. The remaining amount mainly comprised government grants and proceeds from the disposal of scrap materials.

Administrative expenses

Administrative expenses for the Reporting Period was approximately HK\$92,814,000 (For the six months ended 30 June 2016: approximately HK\$78,824,000). The increase in administrative expenses was mainly contributed by the Lithium Ion Motive Battery Business which included the research expenses, salaries and the depreciation, and loss on disposal of property, plant and equipment at approximately HK\$2,978,000.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period was HK\$8,169,000 (For the six months ended 30 June 2016: approximately HK\$2,985,000). The increase was mainly contributed by the Lithium Ion Motive Battery Business where both salaries and promotion expenses increased.

Finance costs

Finance costs for the Reporting Period increased to approximately HK\$12,717,000 (For the six months ended 30 June 2016: approximately HK\$2,334,000), mainly due to interest charged on (i) the amounts due to a related company and the Controlling Shareholder since 1 July 2016 at 8% per annum; and (ii) the Convertible Bonds. For the details, please refer to note 5 to the condensed consolidated financial statements.

Basic and diluted earnings per share

Basic and diluted earnings per share for the Reporting Period decreased to HK\$0.68 cents as compared to HK\$0.89 cents. In anticipation of the funds needed for the development of Lithium Ion Motive Battery Business, the Board does not recommend the payment of an interim dividend for the Reporting Period.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2017, the Group employed a total of approximately 1,917 employees (31 December 2016: approximately 1,608 employees). The number of employees increased mainly arose from the Lithium Ion Motive Battery Business. Most of the employees were hired by the Group's production plants in the PRC during the Reporting 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 2017. (For the six months ended 30 June 2016: nil)

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2017 with net current assets of approximately HK\$299,982,000 (31 December 2016: approximately HK\$423,706,000) and bank balances and cash of approximately HK\$194,054,000 (31 December 2016: approximately HK\$132,777,000) and pledged bank deposits of approximately HK\$14,311,000 (31 December 2016: HK\$77,249,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was about 17.86% as at 30 June 2017 (31 December 2016: approximately 8.68%).

BORROWINGS AND PLEDGE OF ASSETS

Details of pledged assets as at 30 June 2017 are set out in Note 13.

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

During the Reporting Period, 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.

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 Reporting Period, the Company has complied with all the applicable provision of the CG Code, except for code provision A.4.1.

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. Directors of the Company (including independent non-executive Directors) were not appointed for a specific term but are subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company.

Save as disclosed above, the Directors are not aware of any other information that reasonably reveals that there is any non-compliance with or deviation from applicable code provisions on corporate governance practices set out in Appendix 14 of the Listing Rules by the Company anytime during the Reporting Period.

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.

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.

Disclosure of financial information in the announcement complies with Appendix 16 of the Listing Rules. 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 Reporting Period.

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 2017.

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 2017 and the corresponding period in 2016 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, 29 August 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.

* for identification purpose only