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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2017	2016	Change		
	HK$'000	*HK$'000*	*HK$'000*		*%*
Profit of the Lithium Ion Motive Battery Business	**37,239**	(27,611)	64,850	↑	234.9
Profit of the Packaging Printing Business	**56,843**	97,410	(40,567)	↓	(41.6)
Profit for the year	**47,295**	39,428	7,867	↑	20.0
EBITDA of the Lithium Ion Motive Battery Business	**84,423**	(14,652)	99,075	↑	676.2
Earnings per share *(HK cent)*	**1.84**	0.82	1.02	↑	124.4

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

ANNUAL RESULTS

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*3*	**390,762**	18,038
Cost of sales		**(294,842)**	(22,836)
Gross profit/(loss)		**95,920**	(4,798)
Other income	*4*	**12,136**	20,071
Distribution and selling expenses		**(10,062)**	(1,364)
Administrative expenses		**(79,646)**	(41,496)
Profit/(loss) from operations		**18,348**	(27,587)
Finance costs	*6*	**(22,623)**	(15,341)
Loss before tax		**(4,275)**	(42,928)
Income tax	*7*	**–**	–
Loss for the year from continuing operations	*8*	**(4,275)**	(42,928)
Discontinued operations			
Profit for the year from discontinued operations	*8*	**51,570**	82,356
Profit for the year		**47,295**	39,428

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**94,589**	(66,646)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**–**	(4,951)
		141,884	(32,169)
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 income/(loss) for the year		**141,884**	(38,825)
Profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(7,447)**	(33,772)
Profit from discontinued operations		**26,543**	39,793
Profit attributable to owners of the Company		**19,096**	6,021
Non-controlling interests			
Profit/(loss) from continuing operations		**3,172**	(5,676)
Profit from discontinued operations		**25,027**	39,083
Profit attributable to non-controlling interests		**28,199**	33,407
		47,295	39,428

	Notes	2017	2016
		HK$'000	*HK$'000*
			(Restated)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**76,973**	(43,367)
Non-controlling interests		**64,911**	4,542
		141,884	(38,825)
Earnings per share	*10*		
Basic and diluted (HKcents per share)			
From continuing operations		**(0.72)**	(4.58)
From discontinued operations		**2.56**	5.40
From continuing and discontinued operations		**1.84**	0.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**499,669**	768,759
Prepaid land lease payments		**30,550**	72,942
Deposits paid for acquisition of property, plant and equipment		**6,260**	121,080
Intangible assets		**15,082**	15,916
Available-for-sale financial assets		**–**	16,755
		551,561	995,452
Current assets			
Inventories		**61,088**	229,459
Trade and other receivables, deposits and prepayments	*11*	**604,276**	574,508
Prepaid land lease payments		**782**	1,665
Held-for-trading investments		**230**	393
Pledged bank deposits		**34,294**	77,249
Bank and cash balances		**41,014**	132,777
		741,684	1,016,051
Assets held for sale	*12*	**1,336,087**	–
		2,077,771	1,016,051
Current liabilities			
Trade and other payables	*13*	**384,012**	426,441
Tax payables		**–**	12,303
Dividend payable to non-controlling shareholders		**–**	3
Borrowings	*14*	**20,421**	87,128
Amount due to a related company	*15*	**4,334**	38,515
Amount due to the Controlling Shareholder	*15*	**11,751**	27,955
		420,518	592,345
Liabilities directly associated with assets held for sale	*12*	**392,415**	–
		812,933	592,345
Net current assets		**1,264,838**	423,706
Total assets less current liabilities		**1,816,399**	1,419,158

	Notes	**2017** HK$'000	2016 HK$'000
Non-current liabilities			
Amount due to a related company	*15*	**17,702**	378,117
Amount due to the Controlling Shareholder	*15*	**74,456**	–
Convertible bonds	*16*	**216,506**	–
Borrowings	*14*	**120,124**	–
Deferred tax liabilities		**3,798**	36,940
		432,586	415,057
NET ASSETS		**1,383,813**	1,004,101
Capital and reserves			
Share capital		**103,632**	103,632
Reserves		**631,025**	468,614
Equity attributable to owners of the Company		**734,657**	572,246
Non-controlling interests		**649,156**	431,855
TOTAL EQUITY		**1,383,813**	1,004,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. HKFRSs comprise Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations.

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Group's consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

- Amendments to HKAS 7 – Disclosure Initiative;
- Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses; and
- Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities.

The adoption of these amendments did not have significant impact to the results and financial position of the Group.

(b) New/revised HKFRSs that have been issued but not yet effective

The following new and amendments to HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2017, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 28	Measuring an associate or joint venture at fair value	1 January 2018
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 1	Deletion of short-term exemptions for first-time adopters	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 3	Previously held interest in a joint operation	1 January 2019
HKAS 12	Income tax consequences of payment on financial instrument classified as equity	1 January 2019
HKAS 23	Borrowing costs eligible for capitalisation	1 January 2019

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 is effective for an entity's first annual financial statements under HKFRS for a period beginning on or after 1 January 2018, with earlier application permitted. The Group does not plan to early adopt HKFRS 15. The management has assessed the impact on the financial performance and position of the Group resulted from the effectiveness of HKFRS 15 for periods beginning on or after 1 January 2018, and expect it will not have a significant impact.

HKFRS 16 Leases

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on financial statements position for lessees. The standard replaces HKAS 17 Leases, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the reporting entity adopting HKFRS 15 Revenue from contracts with customers at the same time.

The Group is a lessee of various premise, these leases are currently classified as operating leases. HKFRS 16 provides new provisions for the accounting treatment of leases for operating lessees and generally no longer allow them to recognise leases outside of their statements of financial position. Instead almost all leases must be recognised in the form of an asset (for the right-of-use) and a lease liability (for the payment obligation). The new standard will therefore result in an increase in assets and liabilities in the statement of financial position. In the statement of comprehensive income, depreciation on the right-of-use asset and interest expense on the lease liability will be recognised instead of an operating lease expense. The Group does not plan to early adopt HKFRS 16. Based on the Group's undiscounted operating lease commitment of HK$41,747,000 as at 31 December 2017, the amount may therefore need to be recognised as lease liabilities, with corresponding right-of-use, once HKFRS is adopted.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Measurement of impairment loss on accounts receivable based on an expected credit losses model requires the use of historical data as well as forward looking information and may have an impact to the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. Adoption of HKFRS 9 currently does not have a material impact on the consolidated financial statements of the Group. The Group does not plan to early adopt HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements of the Group and the Group does not plan to early adopt this amendment.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

The Group's revenue was derived from packaging printing products sold and lithium ion motive battery products sold during the year.

	2017	2016
	HK$'000	*HK$'000*
Packaging printing products	**677,837**	781,023
Lithium ion motive battery products	**390,762**	18,038
	1,068,599	799,061
Representing		
Continuing operations	**390,762**	18,038
Discontinued operations *(Note 8(b))*	**677,837**	781,023
	1,068,599	799,061

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Net exchange gains	**299**	260
Interest income	**905**	837
Government grants	**8,497**	9,299
Dividend income	**760**	2,145
Proceeds from disposal of scrap materials	**2,156**	1,656
Gain on bargin purchase	**–**	17,489
Gain on settlement of amount due to the Controlling Shareholder	**4,823**	–
Others	**2,367**	1,196
	19,807	32,882
Representing		
Continuing operations	**12,136**	20,071
Discontinued operations *(Note 8(b))*	**7,671**	12,811
	19,807	32,882

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 years ended 31 December 2017 and 2016, the Group's revenue was derived from the Packaging Printing Business, the discontinued operations, and the Lithium Ion Motive Battery Business, the continuing operations.

Segment profits or losses do not include impairment loss on property, plant and equipment on disposal of subsidiaries, gain on disposal of subsidiaries, gain on bargain purchase and unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

Information about profit or loss, assets and liabilities of the reportable segments:

	(Discontinued operations) Packaging Printing Business	(Continuing operations) Lithium Ion Motive Battery Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2017			
Revenue from external customers	**677,837**	**390,762**	**1,068,599**
Segment profit	**56,843**	**37,239**	**94,082**
Depreciation	**43,866**	**42,064**	**85,930**
Amortisation of prepaid land lease payments	**1,048**	**750**	**1,798**
Other material non-cash item:			
Reversal of impairment of trade receivables	**2,534**	**–**	**2,534**
Additions to segment non-current assets	**121,955**	**280,470**	**402,425**
At 31 December 2017			
Segment assets	**1,336,081**	**1,092,088**	**2,428,169**
Segment liabilities	**392,415**	**494,492**	**886,907**
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 item:			
Reversal of impairment of trade receivables	5,342	–	5,342
Additions to segment non-current assets	82,083	396,046	478,129
At 31 December 2016			
Segment assets	1,235,742	721,147	1,956,889
Segment liabilities	356,198	204,666	560,864

Reconciliations of revenue, profit or loss, assets and liabilities of the reportable segment:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**1,068,599**	799,061
Reclassification of discontinued operations	**(677,837)**	(781,023)
Consolidated revenue from continuing operations for the year	**390,762**	18,038
Profit or loss		
Total profit of reportable segments	**94,082**	69,799
Impairment loss on property, plant and equipment on disposal of subsidiaries	**–**	(12,495)
Gain on disposal of subsidiaries	**–**	3,480
Gain on bargin purchase	**–**	17,489
Corporate and unallocated loss	**(46,787)**	(38,845)
Reclassification of discontinued operations	**(51,570)**	(82,356)
Consolidated loss from continuing operations for the year	**(4,275)**	(42,928)
Assets		
Total assets of reportable segments	**2,428,169**	1,956,889
Corporate and unallocated assets	**201,163**	54,614
Consolidated total assets	**2,629,332**	2,011,503
Liabilities		
Total liabilities of reportable segments	**886,907**	560,864
Corporate and unallocated liabilities	**358,612**	446,538
Consolidated total liabilities	**1,245,519**	1,007,402

Geographical information

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

Information about revenue from one (2016: three) customer individually contributing over 10% of total revenue of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**227,587**	275,749
Customer B	**N/A**	105,977
Customer C	**N/A**	85,987

Notes:

1. *The customers belong to the Packaging Printing Business.*

2. *Customer B and C did not contribute more than 10% of the total revenue of the Group during the year.*

In presenting the geographical information, revenue is based on the location of the customers. At the end of the year, the non-current assets of the Group excluding available-for-sale financial assets were located as follows:

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**1,722**	802
The PRC	**549,839**	977,895
	551,561	978,697

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank loans	**5,901**	5,240
Imputed interest expense on convertible bonds	**9,707**	–
Interest expenses on amounts due to a related company and the Controlling Shareholder	**12,071**	16,571
Finance lease charge	**1,913**	–
	29,592	21,811
Amount capitalised	**–**	(5,240)
	29,592	16,571
Representing		
Continuing operations	**22,623**	15,341
Discontinued operations *(Note 8(b))*	**6,969**	1,230
	29,592	16,571

7. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the year	**12,821**	26,211
Under-provision of PRC Enterprise Income Tax in prior year	**1,410**	3,841
	14,231	30,052
Deferred tax	**(901)**	2,313
	13,330	32,365
Representing		
Continuing operations	**–**	–
Discontinued operations *(Note 8(b))*	**13,330**	32,365
	13,330	32,365

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**"), Tesson New Energy (Weinan) Limited ("**Tesson Weinan**"), and Shaanxi Leaders Battery Co. Ltd. ("**Shaanxi Leaders**"), are qualified for the tax benefit of the Western Campaign in the PRC and are entitled to a preferential PRC Enterprise Income Tax rate of 15%. The effective period was years 2013 to 2020 for Yunnan Qiaotong which was approved by the PRC tax authorities in 2013, and year 2017 for Tesson Weinan and Shaanxi Leaders which were approved during the year.

For continuing operations, no provision for PRC Enterprise Income Tax was required due to the utilisation of tax loss brought forward from prior years.

8. PROFIT FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration	**1,810**	1,680
Cost of inventories sold	**294,842**	22,836
Depreciation	**42,365**	9,397
Amortisation of prepaid land lease payments	**750**	1,743
Amortisation of intangible assets	**1,952**	1,819
Minimum lease payments under operating leases in respect of office premises	**2,780**	1,711
Research and development expenses	**13,392**	700
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**71,931**	26,468
Equity-settled share-based payment expenses	**5,522**	846

	2017	2016
	HK$'000	*HK$'000*
Discontinued operations		
Cost of inventories sold	**467,899**	542,122
Depreciation	**43,866**	44,627
Amortisation of prepaid land lease payments	**1,048**	644
Minimum lease payments under operating leases in respect of office premises	**–**	2,844
Reversal of impairment of trade receivables	**(2,534)**	(5,342)
Loss on disposal of property, plant and equipment	**20,341**	4,996
Impairment loss on property, plant and equipment on disposal of subsidiaries	**–**	12,495
Research and development expenses	**18,753**	16,259
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**134,838**	103,653

(b) Discontinued operation

On 22 September 2017, the Group entered into a sales and purchase agreement (the "**SPA**") with an independent third party, AMVIG Investment Limited (the "**Purchaser**"), to dispose of its 100% interest in a wholly-owned subsidiary, Outstanding Viewpoint Limited ("**OVL**"), and its subsidiaries (the "**Disposal Group**").

The disposal was completed on 2 January 2018 and the Group discontinued its Packaging Printing Business.

The results and cash flows of the discontinued operations for the years ended 31 December 2017 and 2016, which have been included in the consolidated financial statements, are as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**677,837**	781,023
Cost of sales	**(467,899)**	(542,122)
Gross profit	**209,938**	238,901
Other income	**7,671**	12,811
Distribution and selling expenses	**(4,832)**	(5,685)
Administrative expenses	**(143,442)**	(138,898)
Profit from operations	**69,335**	107,129
Reversal of impairment loss on trade receivables	**2,534**	5,342
Gain on disposal of subsidiaries	**–**	3,480
Profit from operations	**71,869**	115,951
Finance costs	**(6,969)**	(1,230)
Profit before tax	**64,900**	114,721
Income tax	**(13,330)**	(32,365)
Profit for the year	**51,570**	82,356
Operating cash flows	**179,481**	113,559
Investing cash flows	**(181,568)**	(76,104)
Financing cash flows	**16,948**	(19,136)
Total cash flows	**14,861**	18,319

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year of approximately HK$19,096,000 (2016: HK$6,021,000) attributable to owners of the Company and the weighted average number of 1,036,315,700 (2016: 736,932,969) 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 2017 and 2016.

(b) From continuing operation

Basic loss per share

The calculation of basic loss per share from continuing operation attributable to owners of the Company is based on the loss for the year of approximately HK$7,447,000 (2016: HK$33,772,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2017 and 2016.

(c) ***From discontinued operation***

Basic earnings per share

The calculation of basic earnings per share from discontinuing operations attributable to owners of the Company is based on the profit for the year of approximately HK$26,543,000 (2016: HK$39,793,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**218,309**	410,558
Less: impairment losses	**–**	(7,299)
	218,309	403,259
Bills receivable	**163,755**	17,135
Down payment in relation to acquisition of land *(Note 18(b))*	**156,161**	–
Value-added tax receivables	**35,754**	53,051
Prepayment, deposits and other receivables	**30,297**	101,063
	604,276	574,508

No trade receivables of the Group was pledged as at 31 December 2017 (2016: HK$72,936,000). The Group continued to recognise the trade receivables in the statement of financial position as the Group has retained substantially all the risks and rewards of ownership of the trade receivables, including the risks in respect of default payments, at the end of the reporting period. Accordingly, the related advances from the relevant banks of approximately HK$Nil (2016: HK$22,341,000) received by the Group as consideration for the trade receivables at the end of the reporting year were recognised as liabilities and included in bank borrowings (see Note 14 below).

Trade and bills receivable

The Group allows an average credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the years:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**129,306**	284,299
61 to 90 days	**55,829**	101,646
Over 90 days	**196,929**	34,449
	382,064	420,394

Impairment of trade receivables

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

	2017	2016
	HKD'000	*HKD'000*
At beginning of the year	**7,299**	19,593
Reversal of impairment loss on trade receivables	**(2,534)**	(5,342)
Disposal of subsidiaries	**–**	(5,764)
Currency realignment	**–**	(1,188)
Reclassified to assets held for sale	**(4,765)**	–
At the end of the year	**–**	7,299

There is no provision for individually impaired trade receivables (2016: HK$7,299,000) 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:

	2017	2016
	HKD'000	*HKD'000*
Neither past due nor impaired	**102,202**	292,745
Less than 60 days past due	**55,829**	107,348
Over 60 days past due	**60,278**	3,166
	218,309	403,259

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.

12. ASSETS HELD FOR SALE

As detailed in notes 8(b) and 18(a) of this announcement, as at 31 December 2017, since the Disposal Group is expected to be sold within twelve months, the assets and liabilities of the Disposal Group are classified as assets held for sale and liabilities directly associated with assets held for sale, and are presented separately in the consolidated statement of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities of the Disposal Group classified as held for sale at 31 December 2017 are as follows:

	HKD'000
Property, plant and equipment	615,165
Prepaid land lease payments	47,027
Deposits paid for acquisition of property, plant and equipment	16,251
Available-for-sale financial assets	18,019
Inventories	177,027
Trade and other receivables, deposits and prepayments	379,543
Bank and cash balances	83,055
Total assets classified as held for sale	1,336,087
Trade and other payables	240,329
Tax payables	15,878
Borrowings	104,075
Deferred tax liabilities	32,133
Total liabilities associated with assets classified as held for sale	392,415
Net assets of the Disposal Group	943,672

13. TRADE AND OTHER PAYABLES

	2017	2016
	HKD'000	*HKD'000*
Trade payables	**81,178**	174,629
Bills payable	**34,294**	77,236
Amounts payable on acquisition of property, plant and equipment	**189,176**	70,265
Deposits received for disposal of subsidiaries *(Note 18(a))*	**30,000**	–
Accruals and other payables	**49,364**	104,311
	384,012	426,441

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

At 31 December 2017, bills payable totalling HK$34,294,000 (2016: HK$77,236,000) were secured by pledged bank deposits of HK$34,294,000 (2016: HK$77,249,000).

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

	2017	2016
	HKD'000	*HKD'000*
0 to 60 days	**51,013**	104,027
61 to 90 days	**16,437**	26,718
Over 90 days	**20,108**	43,884
	87,558	174,629

14. BORROWINGS

	2017	2016
	HKD'000	*HKD'000*
Bank loans	**9,850**	87,128
Obligation under finance lease	**10,571**	–
Other borrowing	**120,124**	–
	140,545	87,128
Analysed as:		
Secured	**10,571**	67,022
Unsecured	**129,974**	20,106
	140,545	87,128

At 31 December 2017, obligation under finance lease is secured by certain equipments with an aggregate carrying amount of HK$65,847,000, the remaining borrowings are unsecured. At 31 December 2016, the secured bank borrowings of the Group were secured by (i) pledged inventories with an aggregate carrying amount of approximately HK$46,302,000; and (ii) assignment of trade receivable of approximately HK$72,963,000.

Other borrowing of approximately HK$120,124,000 represented advance from the Weinan government for the purpose of development of the Lithium Ion Motive Battery Business.

As at 31 December 2017 and 2016, all borrowings are denominated in Renminbi ("**RMB**").

The effective interest rates per annum at the end of the year were as follows:

	2017	2016
Borrowings:		
fixed-rate	**3%-5.87%**	4.42%

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

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 16 in this announcement.

As at 31 December 2017, amount due to the Controlling Shareholder of approximately HK$78,662,000, and principal amount of approximately HK$19,669,000 due to a 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 together with the related interests thereon. 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.

As at 31 December 2016, amount due to a related company is unsecured, interest bearing at 8% per annum, and repayable by annual equal instalments from 30 June 2017 to 30 June 2036. Amount due to the Controlling Shareholder is unsecured, non-interest bearing, and had no fixed term of repayment.

16. 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, payable quarterly in arrears. The Convertible Bonds will mature from the date of issue to 30 June 2036 representing maturity period of 19.3 years, 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 consolidated statement of financial position had been split between liability element and equity component, and are calculated as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 28 February 2017	215,012	80,165	295,177
Transaction costs	(668)	(249)	(917)
	214,344	79,916	294,260
Imputed interest expense	9,707	–	9,707
Interest payable	(7,545)	–	(7,545)
At 31 December 2017	216,506	79,916	296,422

The interest charged for the year is calculated by applying an effective interest rate of 5.36 per cent to the liability component for the 10 month period since the bonds were issued.

The directors estimate the fair value of the equity and liability components of the convertible bonds at the issuance date with reference to the independent valuation performed by an independent valuer, Ascent Partners Valuation Services Limited by discounting the future cash flows at the specific discount rate under level 2 fair value measurement.

17. CAPITAL COMMITMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for		
– Property, plant and equipment	**74,236**	382,821

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 September 2017, the Company and the Purchaser entered into the SPA pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 100% interest of OVL, and all the debts owed and payable by the Disposal Group to the Group which remain outstanding on or at any time prior to completion of the disposal, at the consideration of HK$700,000,000 payable by the Purchaser in accordance with the terms and conditions of the SPA. All conditions precedent to the SPA have been fulfilled and completion took place on 2 January 2018. Upon completion, the Company has ceased to hold any equity interest in OVL, and accordingly the Disposal Group has ceased to be subsidiaries and/or associated companies of the Company.

(b) On 29 December 2017, the Group had paid RMB130,000,000 (approximately HK$156,161,000) deposit to the Nanjing government for bidding a piece of land in Lishui, Nanjing. As at the date of this announcement, no agreement had been entered into between the Group and the Nanjing government.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2017, with the recovery of global economy, economic operation in the PRC was maintained within a reasonable range. Benefiting from the continuous release of bonus from supply-side structural reform, during the year, the gross domestic product ("**GDP**") in the PRC registered a historical record of RMB82.7 trillion, representing a year-on-year increase of 6.9%[1], which marked the first increase in growth rate since 2011. During the year, benefiting from the meticulous implementation of the national policy《中國製造2025》(China Manufacturing 2025*) and the accelerated green innovation and development, new energy vehicles that involve national energy security, environmental protection and reshaping of automotive industry chain are enjoying increasingly explicit long-term development prospects. According to statistics from the China Association of Automobile Manufacturers, in 2017, 794,000 new energy vehicles were produced and 777,000 vehicles were sold, representing an increase of 53.8% and 53.3% respectively from the same period of last year. In 2017, the penetration rate of new energy vehicles in the PRC was about 2% to 3%, while the target penetration rate in 2020 is 7%, presenting huge room for development in the medium and long term.

The update of battery technology is the core driving force of the trend of automobiles. Technological breakthroughs in areas including endurability, charging efficiency, cost and safety have become the key to the industrialization of new energy vehicles. During the year, lithium battery market in the PRC continued to accelerate the transition from lithium ferrous phosphate batteries to ternary lithium batteries. Ternary materials featuring high energy density and good cycle performance have gradually gained a dominant position in the passenger vehicle industry. In the future, with the gradual advancement of the nickelic application, the energy density will further increase. With the fact that the ternary lithium battery bus can apply for listing in the《新能源汽車推廣應用推薦車型目錄》(catalogue of Recommended Models for the Application and Promotion of New Energy Vehicles*) since 2017, the restrictions on the use of ternary materials on buses have been cancelled, and Chinese government released preferential subsidy policy for high-energy batteries, the market for ternary material batteries was once in short supply, future expansion of applications is promising.

BUSINESS REVIEW

During the year, the Group was principally engaged in the Packaging Printing Business as well as Lithium Ion Motive Battery Business.

Packaging Printing Business

As the market share of the Packaging Printing Business continued to drop and the development encountered bottleneck, during the year, the Group disposed the entire Packaging Printing Business to an independent third party at a consideration of HK$700,000,000. The transaction was officially completed on 2 January 2018. The disposal led to a significant increase in cash flow of the Group and a gain of approximately HK$253,775,000 is expected. During the year, the Group was committed to promoting business transformation and sought to comply with the industry entry requirements for the Lithium Ion Motive Battery Business formulated by the Chinese government, to grasp the huge market opportunities for the Lithium Ion Motive Battery Business, and to maximize shareholder returns in the long run.

Lithium Ion Motive Battery Business

Since the official launch of the Lithium Ion Motive Battery Business in 2015, the Group has continued to make breakthroughs in the lithium battery business. During the year, it achieved sales of approximately HK$390,762,000 (2016: HK$18,038,000) and EBITDA of approximately HK$84,423,000, indicating an encouraging result. The Group actively and systematically promoted the overall development of the ternary lithium battery business and research and development ("**R&D**") of related products, strengthened its strategic layout and established an industrial quality resource integration platform which had formed an integrated motive ternary lithium battery industry chain integrating R&D, production, sales and service.

In order to focus on the R&D and production of battery packs and battery management systems (BMS) to expand the Group's capacity on the Lithium Ion Motive Battery Business, during the year, 天臣新能源(深圳)有限公司 (Tesson New Energy (Shenzhen) Limited*) ("**Tesson Shenzhen**"), a subsidiary of the Group, established a joint venture company 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**"). All research and production capabilities of the Nanjing Research Institute for BMS and battery packs are planning to be transferred to the joint venture company; the Lishui government of Nanjing had granted permission to the joint venture company to temporarily lease a plant property located in Nanjing Lishui Economic Development Zone.

The plant was officially launched in December 2017. The factory covers a total area of approximately 13,000 square meters with two battery pack production lines and a BMS production line. It is equipped with thermal simulation test experiment room, BMS test laboratory, battery test laboratory, test production line of battery packs test sample, and other R&D test conditions.

In order to grasp the opportunities of high-speed penetration and development of new energy automotive market in the PRC, the Group actively expanded its production capacity during the year. Phase I and phase II production bases in Weinan, Shaanxi, the PRC have been operated. The Group is planning to commence the construction of phase III production base in Weinan, Shaanxi, and the first production base for manufacturing of battery packs in Lishui, Nanjing in 2018.

In the long run, the Group intends to expand its production capacity through the production of high-quality motive battery and the establishment of phase III production base until it is officially recognized as being in compliance with automobile battery specifications. Once achieved, the Group will become one of the major suppliers of motive battery for Chinese auto manufacturers, which enables us to grasp the strong growth of the Chinese electric vehicle market. With the competitive advantage of the Group and the proposed construction and development of phase III production base, the Group has grasped potential sales opportunities with auto manufacturers to timely expand the Lithium Ion Motive Battery Business and bring better profits to the overall business.

* *for identification purpose only*

PROSPECT

Looking into 2018, the Group will continue to expedite the deployment of full-scale industrial chain of new energy lithium battery, including deploying more resources to research and develop new lithium ion batteries, battery packs and battery management systems. Among them, battery management is an important part of the motive battery system, accounting for nearly 20% of the total cost of the battery pack. By estimating the remaining battery power, dynamically monitoring the battery status, and identifying faulty batteries, it can effectively improve the battery utilization rate and prevent the battery from overcharging. The market predicts that the market size of China's motive battery system will reach RMB15.7 billion by 2020, and the battery pack market will also grow. In the face of the huge potential of the ternary motive battery market, the Group's research center in Nanjing will more actively cooperate with outstanding universities and scientific research institutes at home and abroad, enabling the Group to always develop battery products with higher technological content in the ternary battery market to always stay one step ahead of peers.

In the meanwhile, the Group is committed to the direct conversion of advanced products into the driving force for sales growth. In terms of sales network, the Group will employ more sales team employees and expand the scope of target sales network in 2018, and gradually establish a formal partnership with a number of domestic auto manufacturers to develop new automaker customer base. The establishment of a stable customer base will benefit the Group's production line to reach maximum production capacity and meet the national requirements for industry access standards.

In addition to promoting the development of core businesses, the Group plans to actively seek quality investment opportunities in the cultural and creative industries. The cultural and creative industries are the commanding heights of the 21st century national soft power competition. The Cultural Industry Development Plan of Ministry of Culture during 13th Five-Year Plan period[2] pointed out that it is clear that the cultural industry will become a pillar industry of the national economy by 2020. Relying on the national policy, it is expected that the market will usher in flourishing development. The Group's investments in cultural and creative businesses endeavor to diversify the Group's sources of income. It is believed that this move will enhance the Group's ability to resist risks and bring additional investment returns.

With regard to the prospects of the ternary lithium battery industry and the Company, the Group is full of confidence that with its continuously optimized development strategy and intensified management team, the Group will be able to gain a foothold among new energy battery manufacturing enterprises and bring quality returns for shareholders.

[1] *State Statistics Bureau: http://www.stats.gov.cn/tjsj/zxfb/201801/t20180119_1575351.html*

[2] *Central People's Government: http://www.gov.cn/xinwen/2017-04/20/content_5187654.htm*

FINANCIAL REVIEW

Operating profit and EBITDA of the Lithium Ion Motive Battery Business

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**47,295**	39,428
Less: Profit from discontinued operations	**(51,570)**	(82,356)
Adjustments for continuing operations:		
Add: Equity settled share-based payment expenses	**5,522**	846
Add: Interest expenses on amounts due to a related company and the Controlling Shareholder	**12,071**	16,571
Add: Imputed interest expense on convertibles bonds	**9,707**	–
Add: Loss from the Company and non-operating subsidiaries	**19,037**	15,389
Less: Gain on settlement of amount due to the Controlling Shareholder	**(4,823)**	–
Less: Gain on bargain purchase	**–**	(17,489)
Operating profit/(loss) of the Lithium Ion Motive Battery Business	**37,239**	(27,611)
Add: Finance costs	**2,418**	–
Add: Depreciation	**42,064**	9,397
Add: Amortisation of prepaid land lease payments	**750**	1,743
Add: Amortisation of intangible assets	**1,952**	1,819
EBITDA of the Lithium Ion Motive Battery Business	**84,423**	(14,652)

Notwithstanding that the Group recorded a loss for the year from continuing operations of HK$4,275,000 (2016: HK$42,928,000), excluding the effect of non-operating items, operating profit and EBITDA of the Lithium Ion Motive Battery Business were approximately HK$37,239,000 (2016: loss of approximately HK$27,611,000) and approximately HK$84,423,000 (2016: loss of approximately HK$14,652,000), which had been increased by HK$64,850,000 and HK$99,075,000 respectively.

Profit of the Packaging Printing Business

In accordance to《中國煙草2017發展報告》(China Tobacco 2017 Development Report*) issued by the China Tobacco Group, emphasis was placed on destocking and implementation of production control on tobacco products during the year. Eventually, China Tobacco Group had reduced its stock level by more than 10%. Turnover of the Packaging Printing Business was affected and reduced to approximately HK$677,837,000 from approximately HK$781,023,000, leading to a drop in gross profit from approximately HK$238,901,000 to approximately HK$209,938,000 during the year. Besides, a gain on disposal of subsidiaries was recorded in 2016 at HK$3,480,000 which is not recurring in current year. As a result, profit of the Packaging Printing Business decreased from HK$82,356,000 to HK$51,570,000.

Continuing Operations

Revenue and gross profit ratio

Revenue of the continuing operations was primarily from the Lithium Ion Motive Battery Business which was amounted to approximately HK$390,762,000 (2016: approximately HK$18,038,000), representing significant increase of approximately HK$372,724,000. Since 2016 was the investment year for the Lithium Ion Motive Battery Business, revenue from this segment was not significant to the Group. The increasing production scale and advancement in our products brought significant increase in revenue in 2017. Benefited from economies of scales, gross profit margin increased from gross loss of 26.6% to gross profit of 24.5%.

Administrative expenses

Followed by the increase in production scale and establishment of a subsidiary in Nanjing, administrative expenses for the year ended 31 December 2017 increased to approximately HK$79,646,000 from HK$41,496,000 in 2016, which mainly consisted of research and development expenses of approximately HK$13,392,000 (2016: HK$700,000), staff costs (including directors' remuneration) of approximately HK$20,776,000 (2016: HK$14,110,000), depreciation of approximately HK$5,952,000 (2016: HK$693,000) and equity settled share-based payment expenses of approximately HK$5,522,000 (2016: HK$846,000).

Distribution and selling expenses

The distribution and selling expenses had been increased to approximately HK$10,062,000 (2016: approximately HK$1,364,000) mainly due to the increase in transportation cost and commission fee.

Other income

Other income for the year ended 31 December 2017 was approximately HK$12,136,000 (2016: approximately HK$20,071,000), mainly comprised of gain from settlement of amount due to a related company at HK$4,823,000 (2016: Nil) and government grant of approximately HK$5,486,000 (2016: HK$1,928,000). In 2016, it mainly represented gain from bargain purchase of HK$17,489,000 which was not recurring in 2017.

Finance costs

Finance costs for the year ended 31 December 2017 had been increased to approximately HK$22,623,000 (2016: approximately HK$15,341,000) primarily because of interest charged on convertible bonds issued on 28 February 2018 at 3% per annum, and interest charged on the amounts due to a related company and the Controlling Shareholder since 1 July 2016 at 8% per annum.

Basic and diluted earnings per share

Basic and diluted earnings per share of continuing operations in the year ended 31 December 2017 were 0.72 cents (2016: 4.58 cents).

Basic and diluted earnings per share of discontinued operations in the year ended 31 December 2017 were 2.41 cents (2016: 5.40 cents).

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 2017 with net current assets of approximately HK$1,264,838,000 (31 December 2016: approximately HK$423,706,000) and pledged bank deposits and bank and cash balances in aggregate of approximately HK$75,308,000 (31 December 2016: approximately HK$210,026,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings excluding the liabilities portion of the convertible bonds over total equity) was about 10.2% as at 31 December 2017 (31 December 2016: 8.67%).

EMPLOYMENT

As at 31 December 2017, the Group had approximately 639 employees for its continuing operations (2016: approximately 510), most of whom were working in the Company's subsidiaries in the PRC. During the year, the total employees' costs including directors' remuneration from continuing operations were approximately HK$71,931,000 (2016: HK$26,648,000).

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 Lithium Ion Motive Battery Business and the Packaging Printing Business are denominated in 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 Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2017 are set out in Note 14 in this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 2017, 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. All 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 of the Company. However, one independent non-executive Director was absent from the annual general meeting held on 28 June 2017 and two independent non-executive Directors were absent from the special general meetings of the Company held on 28 February 2017, 29 August 2017 and 23 November 2017 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.

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 2017. 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 2017.

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 2017 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 2017. 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, 27 March 2018

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*