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 2018

The board of directors (the "**Board**") of Tesson Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Continuing operations			
Revenue	*3*	**362,208**	390,762
Cost of sales		**(336,141)**	(294,842)
Gross profit		**26,067**	95,920
Other income	*4*	**28,722**	12,136
Distribution and selling expenses		**(10,085)**	(10,062)
Administrative expenses		**(248,675)**	(79,646)
(Loss)/profit from operations		**(203,971)**	18,348
Finance costs	*6*	**(13,281)**	(22,623)
Loss before tax		**(217,252)**	(4,275)
Income tax	*7*	**171**	–

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Loss for the year from continuing operations	*8*	**(217,081)**	(4,275)
Discontinued operations			
Profit for the year from discontinued operations	*8*	**241,318**	51,570
Profit for the year		**24,237**	47,295
Other comprehensive (expenses)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(82,511)**	94,589
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**(87,007)**	–
Total comprehensive (expenses)/income for the year		**(145,281)**	141,884
Profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(182,155)**	(7,447)
Profit from discontinued operations		**241,318**	26,543
Profit attributable to owners of the Company		**59,163**	19,096
Non-controlling interests			
(Loss)/profit from continuing operations		**(34,926)**	3,172
Profit from discontinued operations		**–**	25,027
(Loss)/profit attributable to non-controlling interests		**(34,926)**	28,199
		24,237	47,295
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(84,589)**	76,973
Non-controlling interests		**(60,692)**	64,911
		(145,281)	141,884
Earnings per share from continuing and discontinued operations	*10*		
Basic *(cents per share)*		**5.18**	1.84
Diluted *(cents per share)*		**5.16**	1.84
Loss per share from continuing operations			
Basic *(cents per share)*		**(15.93)**	(0.72)
Diluted *(cents per share)*		**(15.89)**	(0.72)
Earnings per share from discontinued operations			
Basic *(cents per share)*		**21.11**	2.56
Diluted *(cents per share)*		**21.05**	2.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**447,846**	499,669
Prepaid land lease payments		**98,665**	30,550
Deposits paid for acquisition of property, plant and equipment		**1,905**	6,260
Investment property		**9,610**	–
Goodwill	*11*	**211,617**	–
Intangible assets		**–**	15,082
Interests in joint venture		**10,253**	–
		779,896	551,561
Current assets			
Inventories		**59,667**	61,088
Properties for sale under development	*12*	**2,168,976**	–
Trade, bills and other receivables, deposits and prepayments	*13*	**347,593**	604,276
Prepaid land lease payments		**2,178**	782
Financial assets at fair value through profit or loss		**136**	230
Amount due from a non-controlling shareholder	*14*	**569,250**	–
Pledged bank deposits		**610**	34,294
Restricted bank deposits		**38,525**	–
Bank and cash balances		**16,154**	41,014
		3,203,089	741,684
Assets held for sale	*15*	**–**	1,336,087
		3,203,089	2,077,771
Current liabilities			
Trade, bills and other payables	*16*	**434,382**	375,757
Contract liabilities	*17*	**2,013,438**	8,255
Borrowings	*18*	**68,310**	20,421
Amount due to a related company	*19*	**–**	4,334
Amount due to the Controlling Shareholder	*19*	**2,821**	11,751
		2,518,951	420,518

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Liabilities directly associated with assets held for sale	*15*	**–**	392,415
		2,518,951	812,933
Net current assets		**684,138**	1,264,838
Total assets less current liabilities		**1,464,034**	1,816,399
Non-current liabilities			
Amount due to a related company	*19*	**–**	17,702
Amount due to the Controlling Shareholder	*19*	**44,657**	74,456
Convertible bonds	*20*	**43,308**	216,506
Borrowings	*18*	**–**	120,124
Deferred tax liabilities		**151,664**	3,798
		239,629	432,586
NET ASSETS		**1,224,405**	1,383,813
Capital and reserves			
Share capital		**118,632**	103,632
Reserves		**928,686**	631,025
Equity attributable to owners of the Company		**1,047,318**	734,657
Non-controlling interests		**177,087**	649,156
TOTAL EQUITY		**1,224,405**	1,383,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 had discontinued its business of printing and manufacturing of packaging products (the "**Packaging Printing Business**"), and principally engaged in 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**"), and commenced its property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Property and Cultural Business**").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (herein after collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants, 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 2018

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

Annual improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1 First-time adoption of Hong Kong Financial Reporting Standards and HKAS 28, Investments in associates and joint ventures
HKAS 28	Measuring an associate or joint venture at fair value
HKFRS 1	Deletion of short-term exemptions for first-time adopters
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKFRS 15	Revenue from contracts with customers (clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration

The adoption of these amendments did not have significant impact to the results and financial position of the Group except as described below:

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

HKFRS 9 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017	1 January 2017
	HK$'000	*HK$'000*
Decrease in held-for-trading investments	**230**	393
Increase in financial assets at fair value through profit or loss	**230**	393

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.

HKFRS 15 Revenue from contracts with customers

The Group has applied HKFRS 15 for the first time in the current year, which had superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and the revenue-related interpretations.

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	31 December 2017	1 January 2017
	HK$'000	*HK$'000*
At 31 December 2018:		
Increase in contract liabilities	**8,255**	2,191
Decrease in trade and other payables	**8,255**	2,191

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.

(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 2018, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements to HKFRSs 2015–2017 Cycle	1 January 2019

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 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$43,446,000 as at 31 December 2018, the amount may therefore need to be recognised as lease liabilities, with corresponding right-of-use, once HKFRS is adopted.

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 lithium ion motive battery products sold, property development and cultural service rendered during the year. Disaggregation of revenue from contracts with customers is set out as below. For both years, all revenue generated by the Group were derived from the PRC and recognised at a point in time when the customers obtain control of the goods or services.

	2018	2017
	HK$'000	*HK$'000*
Packaging printing products	**–**	677,837
Lithium ion motive battery products	**83,516**	390,762
Property development and cultural service	**278,692**	–
	362,208	1,068,599
Representing		
Continuing operations	**362,208**	390,762
Discontinued operations *(Note 8(b))*	**–**	677,837
	362,208	1,068,599

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Net exchange gains	**–**	299
Interest income	**1,655**	905
Government grants	**9,274**	8,497
Dividend income	**–**	760
Gain on disposal of a subsidiary	**16,186**	–
Gain on settlement of amount due to the Controlling Shareholder	**–**	4,823
Rental income	**185**	–
Others	**1,422**	4,523
	28,722	19,807
Representing		
Continuing operations	**28,722**	12,136
Discontinued operations *(Note 8(b))*	**–**	7,671
	28,722	19,807

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business unit requires different technology and marketing strategies. During the year, the Group's revenue was derived from the Lithium Ion Motive Battery Business and the Property and Cultural Business (2017: from the Lithium Ion Motive Battery Business and the Packaging Printing Business, the discontinued operations).

Segment profits or losses do not include 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:

	Continuing operations			Discontinued operations	
	Lithium Ion Motive Battery Business	**Property and Cultural Business**	**Total**	**Packaging Printing Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018					
Revenue from external customers	**83,516**	**278,692**	**362,208**	**–**	**362,208**
Segment profit/(loss)	**(182,091)**	**2,106**	**179,985**	**241,318**	**61,333**
Depreciation	**49,696**	**687**	**50,383**	**–**	**50,383**
Amortisation of prepaid land lease payments	**770**	**–**	**770**	**–**	**770**
Other material non-cash item:					
Written-off of inventory	**92,811**	**–**	**92,811**	**–**	**92,811**
Additions to segment non-current assets	**113,026**	**1,507**	**114,533**	**–**	**114,533**
At 31 December 2018					
Segment assets	**764,542**	**3,213,582**	**3,978,124**	**–**	**3,978,124**
Segment liabilities	**395,581**	**2,228,999**	**2,624,580**	**–**	**2,624,580**
Year ended 31 December 2017					
Revenue from external customers	390,762	–	390,762	677,837	1,068,599
Segment profit	37,239	–	37,239	56,843	94,082
Depreciation	42,064	–	42,064	43,866	85,930
Amortisation of prepaid land lease payments	750	–	750	1,048	1,798
Other material non-cash item:					
Reversal of impairment of trade receivables	–	–	–	2,534	2,534
Additions to segment non-current assets	280,470	–	280,470	121,955	402,425
At 31 December 2017					
Segment assets	1,092,088	–	1,092,088	1,336,081	2,428,169
Segment liabilities	494,492	–	494,492	392,415	886,907

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**362,208**	1,068,599
Reclassification of discontinued operations	**–**	(677,837)
Consolidated revenue from continuing operations for the year	**362,208**	390,762
Profit or loss		
Total profit of reportable segments	**61,333**	94,082
Corporate and unallocated loss	**(37,096)**	(46,787)
Reclassification of discontinued operations	**(241,318)**	(51,570)
Consolidated loss from continuing operations for the year	**(217,081)**	(4,275)
Assets		
Total assets of reportable segments	**3,978,124**	2,428,169
Corporate and unallocated assets	**4,861**	201,163
Consolidated total assets	**3,982,985**	2,629,332
Liabilities		
Total liabilities of reportable segments	**2,624,580**	886,907
Corporate and unallocated liabilities	**134,000**	358,612
Consolidated total liabilities	**2,758,580**	1,245,519

Geographical information

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

No (2017: one) customer individually contributed over 10% of total revenue of the Group as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A (belong to the Packaging Printing Business)	**N/A**	227,587

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 were located as follows:

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**2,732**	1,722
The PRC	**777,164**	549,839
	779,896	551,561

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank loans	**3,191**	5,901
Imputed interest expense on convertible bonds	**5,066**	9,707
Interest expenses on amounts due to a related company and the Controlling Shareholder	**4,434**	12,071
Finance lease charge	**590**	1,913
	13,281	29,592
Representing		
Continuing operations	**13,281**	22,623
Discontinued operations *(Note 8(b))*	**–**	6,969
	13,281	29,592

7. INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the year	**26,725**	12,821
Under-provision of PRC Enterprise Income Tax in prior year	**–**	1,410
	26,725	14,231
Deferred tax	**(26,896)**	(901)
	(171)	13,330
Representing		
Continuing operations	**(171)**	–
Discontinued operations *(Note 8(b))*	–	13,330
	(171)	13,330

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, all group companies operating in the PRC are subject to the applicable tax rate of 25%, except for certain subsidiaries that are qualified for the tax benefit of being the National High-tech Enterprise, that are entitled to a preferential tax rate of 15% during the reporting years.

8. PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration	**1,680**	1,810
Cost of sales	**336,141**	294,842
Depreciation	**51,205**	42,365
Amortisation of prepaid land lease payments	**770**	750
Amortisation of intangible assets	**1,837**	1,952
Written-off of Inventories	**92,811**	–
Impairment of property, plant and equipment	**3,247**	–
Minimum lease payments under operating leases in respect of office premises	**9,293**	2,780
Research and development expenses (including depreciation and staff costs)	**36,069**	13,392
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**69,280**	71,931
Equity-settled share-based payment expenses	**2,079**	5,522

	2018	2017
	HK$'000	*HK$'000*
Discontinued operations		
Cost of sales	**–**	467,899
Depreciation	**–**	43,866
Amortisation of prepaid land lease payments	**–**	1,048
Reversal of impairment of trade receivables	**–**	(2,534)
Loss on disposal of property, plant and equipment	**–**	20,341
Research and development expenses (including depreciation and staff costs)	**–**	18,753
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**–**	134,838

(b) Discontinued operations

On 22 September 2017, the Group entered into a sales and purchase agreement with an independent third party, AMVIG Investment Limited, to dispose of its 100% interest in a wholly-owned subsidiary, Outstanding Viewpoint Limited, and its subsidiaries (the "**Disposal Group**") at cash consideration of HK$700,000,000. The disposal was completed on 2 January 2018, and since then the Group's Packaging Printing Business was discontinued.

The results and cash flows of the discontinued operations for the years ended 31 December 2018 and 2017 were detailed in Note 22(a) and as follows:

	2017
	HK$'000
Revenue	677,837
Cost of sales	(467,899)
Gross profit	209,938
Other income	7,671
Distribution and selling expenses	(4,832)
Administrative expenses	(143,442)
	69,335
Reversal of impairment loss on trade receivables	2,534
Profit from operations	71,869
Finance costs	(6,969)
Profit before tax	64,900
Income tax	(13,330)
Profit for the year	51,570
Operating cash flows	179,481
Investing cash flows	(181,568)
Financing cash flows	16,948
Total cash flows	14,861

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$59,163,000 (2017: HK$19,096,000), and the weighted average number of 1,143,165,015 (2017: 1,036,315,700) ordinary shares in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the following:

	2018 Number of shares
Weighted average number of ordinary shares in issue	**1,143,165,015**
Effect of dilutive potential ordinary share:	
Share options	**3,024,973**
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,146,189,988**
Diluted earnings per share *(cents per share)*	**5.16**

No diluted earnings per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

(b) From continuing operations

The calculation of basic and diluted loss per share from continuing operations is based on the loss attributable to owners of the Company of approximately HK$182,155,000 (2017: HK$7,447,000). The denominator used is the same as that detailed above for basic earnings per share.

No diluted loss per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

(c) **From discontinued operations**

The calculation of basic and diluted earnings per share from discontinued operations is based on the profit attributable to owners of the Company of approximately HK$241,318,000 (2017: HK$26,543,000). The denominator used is the same as that detailed above for basic earnings per share.

No diluted earnings per share is presented in 2017 as the Company did not have any dilutive potential ordinary shares.

11. GOODWILL

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	**–**
Arising on acquisition of subsidiaries *(Note 21)*	**213,044**
Currency realignment	**(1,427)**
At 31 December 2018	**211,617**

12. PROPERTIES FOR SALE UNDER DEVELOPMENT

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	**–**
Addition through acquisition of a subsidiary *(Note 21(b))*	**1,242,298**
Additions	**900,847**
Transfer from investment property	**265,270**
Properties completed and sold	**(261,014)**
Currency realignment	**21,575**
At 31 December 2018	**2,168,976**

All the properties under development were located in the PRC.

13. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**49,927**	218,309
Bills receivable	**332**	163,755
Down payment in relation to acquisition of land	**–**	156,161
Value-added tax receivables	**176,008**	35,754
Tax recoverable	**66,723**	–
Other receivables, prepayment and deposits	**54,603**	30,297
	347,593	604,276

Trade and bills receivables

The ageing of bills receivable at the end of the years are falling within 60 days.

The Group allows an average credit period of 30 to 60 days to its customers which are state-owned enterprise or those with guarantee provided, and cash on delivery for all other customers (2017: 30 to 180 days for all customers). The following is an aging analysis of trade and bills receivables, presented based on the invoice date at the end of the years:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**4,972**	129,306
61 to 90 days	**65**	55,829
Over 90 days	**45,222**	196,929
	50,259	382,064

Impairment of trade receivables

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

	HKD'000
At 1 January 2017	7,299
Reversal of impairment loss on trade receivables	(2,534)
Reclassified to assets held for sale	(4,765)
At 31 December 2017, 1 January 2018 and 31 December 2018	–

Trade receivables that are not impaired

The Group applies the simplified approach under HKFRS 9 Financial Instrument to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current ***HK$'000***	**Less than 60 days past due** ***HK$'000***	**Over 60 days and less than 1 year** ***HK$'000***	**Over 1 year** ***HK$'000***	**Total** ***HK$'000***
At 31 December 2018					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**
Receivable amount	**3,840**	**865**	**43,457**	**1,765**	**49,927**
Loss allowance	**–**	**–**	**–**	**–**	**–**
At 31 December 2017					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivable amount	102,202	55,829	60,220	58	218,309
Loss allowance	–	–	–	–	–

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

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

14. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER

The amount represented financial assistance provided by Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）("**Nanchang Investment**") to its shareholder before the completion of the capital contribution as detailed in Note 21(b).

15. ASSETS OF AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS 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

16. TRADE, BILLS AND OTHER PAYABLES

	2018	2017
	HKD'000	*HKD'000*
		(Restated)
Trade payables	**108,819**	81,178
Bills payable	**610**	34,294
Amounts payable on acquisition of property, plant and equipment	**220,886**	189,176
Deposits received for disposal of subsidiaries *(Note 22(a))*	**–**	30,000
Accruals and other payables	**104,067**	41,109
	434,382	375,757

The aging of bills payable at the end of the year falls within 180 days (2017: 60 days).

At 31 December 2018, bills payable totalling HK$610,000 (2017: HK$34,294,000) were secured by pledged bank deposits of HK$610,000 (2017: HK$34,294,000).

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

	2018	2017
	HKD'000	*HKD'000*
0 to 60 days	**48,323**	55,433
61 to 90 days	**1,437**	16,215
Over 90 days	**59,059**	9,530
	108,819	81,178

17. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
	HK$'000	*HK$'000*	*HK$'000*
Total contract liabilities	**2,013,438**	8,255	2,191
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2018	**–**	6,047	
– 2019	**1,372,295**	–	
– 2020	**259,348**	–	
– 2021	**379,363**	–	
	2,011,006	6,047	

	2018	2017
	HKD'000	*HKD'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	**4,149**	1,536

Significant changes in contract liabilities during the year:

Increase due to operations	**158,463**	7,200
Increase due to acquisition of a subsidiary	**2,110,127**	–
Decrease due to disposal of a subsidiary	**(1,072)**	–
Transfer of contract liabilities to revenue	**(292,910)**	(1,536)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration from the customer.

18. BORROWINGS

	2018	2017
	HKD'000	*HKD'000*
Bank loans	**68,310**	9,850
Obligation under finance lease	**–**	10,571
Other borrowing	**–**	120,124
	68,310	140,545
Analysed as:		
Secured	**68,310**	10,571
Unsecured	**–**	129,974
	68,310	140,545

At 31 December 2018, bank loans were secured by a parcel of land held by the Group located in Weinan, Shaanxi with carrying value of approximately HK$11,254,000 (2017: HK$12,205,000), the remaining borrowings were unsecured.

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.

Other borrowing of approximately HK$120,124,000 in 2017 represented advance from the Weinan government for the purpose of development of the Lithium Ion Motive Battery Business.

All borrowings for the years presented are denominated in Renminbi ("**RMB**").

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

	2018	2017
Borrowings:		
Fixed-rate	**6.09%**	3%-5.87%

19. AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER/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 20 to replace the loan amounting to HK$300,000,000.

As at 31 December 2018, the amount due to the Controlling Shareholder of approximately HK$47,284,000 (2017: HK$78,662,000), and principal amount of HK$nil (2017: 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. The remaining amounts are unsecured, non-interest bearing and has no fixed repayment terms.

20. 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 19 payable quarterly in arrears, no proceeds were raised on the issue of the Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036, representing maturity period of 18.3 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. On 16 April 2018, 150,000,000 conversion shares were alloted and issued, representing conversion of Convertible Bonds at the principal amount of HK$240,000,000.

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 *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 28 February 2017	215,012	80,165	295,177
Transaction costs	(668)	(249)	(917)
Issue of Convertible Bonds	214,344	79,916	294,260
Imputed interest expense	9,707	–	9,707
Interest payable	(7,545)	–	(7,545)
At 31 December 2017 and 1 January 2018	216,506	79,916	296,422
Conversion	(174,137)	(63,933)	(238,070)
Imputed interest expense	5,066	–	5,066
Interest paid/payable	(4,127)	–	(4,127)
At 31 December 2018	43,308	15,983	59,291

The interest charged for the year is calculated by applying an effective interest rate of 5.46% (2017: 5.36%) to the liability component for the 8 months 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.

21. ACQUISITION OF SUBSIDIARIES

(a) Pursuant to a capital increase agreement dated 9 May 2018, a subsidiary of the Group, by way of a capital contribution, acquired 95% equity interest of Nanning Rongzhou Cultural Broadcasting Company Limited*（南寧容州文化傳播有限公司）(the "**Nanning Culture**" together with its subsidiaries, the "**Nanning Culture Group**"). The capital contribution was made in the form of cash in the amount of RMB19,000,000 (equivalent to approximately HK$22,515,000). Following the capital contribution, the registered capital of Nanning Culture has been increased to RMB20,00,000, and the immediate holding company became interested in 95% equity interest in Nanning Culture.

The Nanning Culture Group is principally engaged in cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering. The Directors believe that the capital contribution will enable the Group to engage in the cultural and creative industries, so as to diversify the income streams of the Group and broaden its revenue base with a view to generate higher investment returns. For details, please refer to the announcement of the Company dated 9 May 2018.

The fair value of the identifiable assets and liabilities of the Nanning Culture Group with reference to the independent valuation as at its date of acquisition was as follows:

	HK$'000
Net assets acquired	
Property, plant and equipment	1,655
Investment property	276,105
Inventories	1,653
Trade and other receivables, and prepayments	12,753
Bank and cash balances	29,110
Trade and other payables, and accruals	(19,378)
Amount due to the shareholder	(319,586)
Deferred tax liabilities	(44,323)
Total identifiable net assets at fair value	(62,011)
Goodwill arising from acquisition	
Consideration transferred	22,515
Add: Non-controlling interests	(6,076)
Less: Fair value of identifiable net assets acquired	62,011
Goodwill	78,450
Net cash inflow on acquisition of subsidiaries	
Bank and cash balances acquired	6,595

Goodwill arising from the acquisition of Nanning Culture Group, which is not deductible for tax purposes, is attributable to the anticipated profitability of the Property and Cultural Business.

If the capital contribution had been completed on 1 January 2018, revenue of the Group for the year would have been approximately HK$363,628,000 and profit for the year would have been approximately HK$22,644,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the capital contribution been completed on 1 January 2018, nor is it intended to be a projection of future results. The cost in relation to the capital contribution was approximately HK$140,000.

(b) Pursuant to a capital increase agreement dated 26 October 2018, a subsidiary of the Group, by way of a capital contribution, acquired approximately 67% equity interest of Nanchang Investment. The capital contribution was made in the form of cash in the amount of RMB20,000,000 (equivalent to approximately HK$22,494,000). Following the capital contribution, the registered capital of Nanchang Investment increased to RMB30,000,000, and the immediate holding company became interested in approximately 67% equity interest in Nanchang Investment.

Nanchang Investment is principally engaged in investment, development, and management of property in Nanchang, Jiangxi. The Directors believe that the capital contribution will enable the Group to engage in the property development industries and to complement current development of the Group's other business segment. For details, please refer to the announcement of the Company dated 26 October 2018.

The fair value of the identifiable assets and liabilities of Nanchang Investment with reference to the independent valuation as at its date of acquisition was as follows:

	HK$'000
Net assets acquired	
Property, plant and equipment	538
Investment property	9,493
Properties held under development	1,242,298
Other receivables	185,994
Bank and cash balances	70,734
Trade and other payables	(14,466)
Amount due from a shareholder	562,350
Receipt in advance	(2,110,127)
Deferred tax liabilities	(130,776)
Total identifiable net assets at fair value	(183,962)
Goodwill arising from acquisition	
Consideration transferred	22,494
Add: Non-controlling interests	(71,862)
Less: Fair value of identifiable net assets acquired	183,962
Goodwill	134,594
Net cash inflow on acquisition of subsidiaries	
Bank and cash balances acquired	48,240

Goodwill arising from the acquisition of Nanchang Investment, which is not deductible for tax purposes, is attributable to the anticipated profitability of the Property and Cultural Business.

If the capital contribution had been completed on 1 January 2018, revenue of the Group for the year would have been approximately HK$362,208,000 and profit for the year would have been approximately HK$12,153,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the capital contribution been completed on 1 January 2018, nor is it intended to be a projection of future results. The cost in relation to the capital contribution was approximately HK$302,000.

22. DISPOSAL OF SUBSIDIARIES

(a) As detailed in Note 8(b), disposal of the Disposal Group was completed on 2 January 2018.

Net assets at the date of disposal were as follows:

	HK$'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
Trade and other payables	(240,329)
Tax payables	(15,878)
Borrowings	(104,075)
Deferred tax liabilities	(32,133)
Amount due to the remaining group	(182,271)
Net assets disposed of	761,401
Release of foreign currency translation reserve	(88,037)
Non-controlling interests	(409,475)
	263,889
Waiver of amount due from the Disposal Group	182,271
Direct transaction costs incurred	12,522
Gain on disposal of subsidiaries	241,318
Consideration	700,000
Consideration	700,000
Deposit received in the year ended 31 December 2017	(30,000)
Consideration received during the year	670,000
Bank and cash balances disposed of	(83,055)
Direct transaction costs incurred	(12,522)
Net cash inflow arising on disposal	574,423

(b) On 30 November 2018, the Group disposed 100% of the issued share capital of Shaanxi Leaders Battery Co. Ltd.*（陝西力度電池有限公司）at cash consideration of RMB1 (equivalent to approximately HK$1) to an independent third party.

Net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	9,359
Intangible assets	12,528
Inventories	1,192
Trade and other receivables	1,458
Bank and cash balances	136
Trade and other payables	(25,871)
Net liabilities disposed of	(1,198)
Release of foreign currency translation reserve	1,030
Non-controlling interests	(16,018)
Gain on disposal of a subsidiary	(16,186)
Net cash outflow arising on disposal	
Bank and cash balances disposed of	136

23. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for		
– Property, plant and equipment	**41,785**	74,236

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC DEVELOPMENT REVIEW

Since the development of the Lithium Ion Motive Battery Business, the Group has faced many challenges, including changes in the general environment of China such as the risks of economic downturn, deleveraging and policy changes, but the Group remains steadfast in its belief that the electric vehicles and lithium-ion motive battery market will revolutionize, where fuel-powered vehicles will one day be eliminated in the market and gas stations will be replaced by charging stations.

Investment of Capital and Talents

Since 2016, the Group has continuously increased its investment, including upgrading the production base of Weinan Phase I, constructing phase II production base, purchasing new equipment, expanding production capacity and improving production quality to meet the needs of electric vehicles. The Group has also penetrated the industry chain, and set up a research institute in Nanjing to recruit relevant PhD experts and introduce overseas battery experts so as to lay the foundation for the future technical development of the Group. In addition, the Group invested in the construction of battery pack manufacturing base in Nanjing and obtained a parcel of industrial land from the local government, in order to be well-prepared for potential cooperation with electric vehicle manufacturers. Phase III of the battery production base in Weinan, Shannxi of the Group is under construction. Upon completion of such construction process, the Group will be put in a better position to optimise production and to respond to market demand.

Strategic Cooperation

In 2018, the Group actively expanded its strategic partnerships and cooperation arrangements with electric vehicle manufacturers, automotive battery manufacturers, and research institutes, such as cooperation with 蘇州紫荊清遠新能源汽車技術有限公司 (Suzhou Zijing Qingyuan New Energy Automobile Technology Co., Ltd.*) ("**Suzhou Zijing**") and K2 Energy Solutions, Inc. ("**K2 USA**"), to (a) conduct research and develop electric vehicle power systems and related components for major and reputable automobile manufacturers; (b) develop a commercial vehicle power system; and (c) explore business opportunities for sale of the Group's automotive battery products to overseas markets.

In relation to the above:

(a) 渭南天臣威晟新能源汽車有限公司 (Weinan Tesson Weicheng New Energy Automobile Co., Ltd.*) was established in cooperation with 渭南高新區產業發展有限公司(Weinan Hi-tech Industrial Development Co., Ltd.*) and Suzhou Zijing. The research and development of the electric vehicle power system and related components for the major and reputable electric vehicle manufacturers will further enhance the Group's market brand awareness, enhance its competitive edge and enhance its profitability.

(b) The technical strategic cooperation between the Group and K2 USA was established for the purpose of developing commercial vehicle power systems, which could enhance the quality, reliability and stability of the Group's battery products, power systems and battery management systems. K2 USA is mainly engaged in the design, development and manufacture of lithium ion battery products at different application levels, including marine batteries and starter batteries. It works with different industrial and commercial institutions and government agencies, including the Office of Naval Research. The cooperation of the Group with K2 USA aims at exploring the opportunities to sell the Group's automobile battery products to overseas markets. Such partnerships and arrangements can bring about synergies and contribute to sustainable development.

Diversification into Other Businesses

The Group takes the Lithium Ion Motive Battery Business as its core business, and has also diversified into other businesses so as to support the future development of the Group. The Group acquired a parcel of commercial and residential land for the development of the urban commercial and residential buildings. Part of the residential units to be constructed will be sold to the Group's staff or retained as talent housing with a view to attracting and retaining highly skilled and/or core technical personnel. Meanwhile, in order to meet the construction needs of production bases in Nanjing and Weinan, including production plants, research and development centers, comprehensive buildings and commercial and residential quarters, the Group acquired (by way of making a capital contribution) a majority equity interest in a property development company and gained access to its professional property development team to control the progress, cost and other aspects of the Group's property/production base projects.

In 2018, the Group also diversified into the cultural industry by acquiring (by way of making a capital contribution) a majority equity interest in Nanning Culture Group, which are mainly engaged in cultural industry related business, including large-scale event production, themed museums, and architectural design and engineering.

BUSINESS REVIEW

Lithium Ion Motive Battery Business

The year 2018 was a tough year. The macroeconomic conditions, including China's deleveraging and economic downturn in the first half of the year and the trade war between China and the United States in the second half of the year, seriously affected market atmosphere and overall consumers' consumption capacity. The performance of the Lithium Ion Motive Battery Business was further aggravated by uncertainties concerning electric vehicle subsidy policy, tight capital chain and other factors in 2018. As a result, the Group's sales and profit performance in 2018 was not satisfactory and did not meet the Group's expectations. The factors which affected the Group's performance in 2018 is summarised below:

- The production and marketing of electric vehicles are affected by the government subsidy policy, and the general economy of China. On 13 February 2018, the relevant government authorities promulgated the Notice on Adjusting and Improving Financial Subsidies for Electric Vehicles* (the "**Notice**")（《關於調整完善新能源汽車推廣應用財政補貼政策的通知》）pursuant to which (a) the amount of subsidy to be granted by the government in 2018 will be reduced compared with 2017; and (b) electric vehicles with higher quality will generally receive more subsidy than electric vehicles with lower quality. The Directors are of the view that such governmental guidance were issued for the purposes of (a) slowing down the rapid development pace of the new energy industry curbing incautious expansion; and (b) guiding the market to develop high quality new energy vehicles. These measures together with the absence of 2019 subsidy policy announcements in 2018 created speculations and anxieties among automobile manufacturers resulting in prudent production plans of the automobile manufacturers and a temporary reduction in the purchase volume of the Group's products. Accordingly, a substantial portion of proposed sale based on letters of intent and/or strategic cooperation did not materialise in 2018;

- Deleveraging and economic downturn resulted in the tight capital chain for the market. As a result, the Group enhanced its credit policies, which include the requirement for cash payments at the time of delivery, and the provision of security and/or guarantees by customers or their shareholders. The implementation of such policies has an impact on sales and selling price;

- One major battery manufacturer in the PRC defaulted in 2018, which led to large scale inventory sale under restructuring or liquidation process creating pricing pressure and resulting in excessive stock in the market;

- decrease in gross profit margin due to decline in selling price, raw material cost inflation and increase in certain operating expenses; and

- substantial write-off of obsolete battery products which are of lower energy capacity.

In view of the business environment of the Group's operation in 2018, the Group has evaluated its business strategy. Following such evaluation, the Group will (a) not only continue to cooperate with its existing strategic partners, but also seek cooperation with electric vehicle manufacturers who manufacture special-purpose vehicles and low-speed vehicles; and (b) develop high-end tool batteries to increase gross margin. The Company expects, with cautious optimism, that the business environment in which the Group operates will improve in the future as and when the PRC government implements market stimulus measures.

Other Businesses

The Group's acquisition of lands (including industrial, commercial and residential), and property development company is complementary to the Lithium Ion Motive Battery Business. In particular, the industrial land is planned to be developed into production and research facilities for the Lithium Ion Motive Battery Business, and the commercial and residential land will be developed into commercial and residential complex comprising, among other things, residential units, part of which will be sold to the Group's staff. Meanwhile, the acquisition of the property development company will allow the Group access to professional property development staff who is expected to assist the Group in its property/production base projects.

During the year, the Group also diversified into the cultural industry business, and undertook and completed various cultural projects, including the design of exhibition booths for Shenzhen Cultural Expo and the design and organisation of the 50th Anniversary Exhibition of the Literary Research Institute. The Group was also engaged in six cultural projects with a total value of about RMB19 million. These six cultural projects will take place in 2019. It is estimated that the six cultural projects will bring profits to the business and will enhance awareness of the Group's brand in this space.

FUTURE PROSPECTS

The Group will continue to develop the Lithium Ion Motive Battery Business, and will complete the construction of Shaanxi Weinan Phase III Battery Plant and Nanjing Battery Plant. Meanwhile, the Group will actively look for opportunities to cooperate with strategic business partners and establish a mutually beneficial partnership for creating business synergy and achieving sustainable development. In addition, the Group will continue to search for new and suitable development opportunities or businesses.

FINANCIAL REVIEW

Discontinued Operations

During the year, the disposal of the Group's Packaging Printing Business was completed on 2 January 2018, resulting in a gain of HK$241,318,000 as detailed in Notes 8(b), 15 and 22(a) in this announcement.

Continuing Operations

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

The Group's Lithium Ion Motive Battery Business has been substantially impacted by the difficult market conditions and revenue dropped to approximately HK$83,516,000 in 2018 from HK$390,762,000 in 2017. As detailed in section headed "Business Review", the reduction was mainly due to the following factors:

(1) the change in government subsidy policy together with the absence of 2019 subsidy announcements in 2018, which led to new energy vehicle manufacturers' adoption of prudent production plan;

(2) the Group enhanced credit risk management by implementing new credit policy which caused significant decline in sales in the short term; and

(3) decrease in gross profit margin due to decline in selling price, raw material cost inflation and increase in certain operating expenses.

Property and Cultural Business

During the year, the Group acquired (by way of making capital contributions) certain subsidiaries and diversified its business scope to the property development and cultural business. Part of the phase I properties of Rongzhou Gangjiucheng* (容州港九城), which is one of the Group's property development projects, had begun delivery of property units to the customers and contributed to the Group's revenue in the amount of HK$275,001,000 (2017: N/A). The total gross floor area sold was approximately 35,306 sq.m. and 142 units of car parking spaces.

The cultural business contributed to the Group's revenue in the amount of approximately HK$3,691,000 (2017: N/A), mainly from event production and organisation of exhibition in themed museums.

Administrative expenses

Administrative expenses for the year ended 31 December 2018 increased to approximately HK$248,675,000 from HK$79,646,000 in 2017, which mainly consisted of substantial write-off of obsolete battery products with lower energy capacity at approximately HK$92,811,000 (2017: N/A). It also comprised of research and development expenses (including depreciation and staff costs) of approximately HK$36,069,000 (2017: HK$13,392,000), staff costs (including directors' emoluments) of approximately HK$45,308,000 (2017: HK$20,776,000), depreciation of approximately HK$39,983,000 (2017: HK$5,952,000) and equity settled share-based payment expenses of approximately HK$2,079,000 (2017: HK$5,522,000).

Distribution and selling expenses

The distribution and selling expenses amounted to approximately HK$10,085,000 (2017: approximately HK$10,062,000), which was comparable to that in 2017. The expenses mostly represented staff costs at approximately HK$3,713,000 (2017: HK$6,430,000) and travelling and entertainment expenses at approximately HK$1,952,000 (2017: HK$1,407,000).

Other income

Other income for the year ended 31 December 2018 was approximately HK$28,722,000 (2017: approximately HK$12,136,000), mainly comprised of gain on disposal of a subsidiary of approximately HK$16,186,000 (2017: N/A) and government grant of approximately HK$9,274,000 (2017: HK$5,486,000).

Finance costs

Finance costs for the year ended 31 December 2018 had decreased to approximately HK$13,281,000 (2017: approximately HK$22,623,000) primarily because of reduction of interest charged on convertible bonds due to conversion of shares, and interest charged on the amounts due to a related company and the Controlling Shareholder because of repayment of principal during the year.

Basic and diluted earnings per share

Basic and diluted loss per share of continuing operations in the year ended 31 December 2018 were 15.93 cents (2017: 0.72 cents) and 15.89 cents (2017: 0.72), respectively.

Basic and diluted earnings per share of discontinued operations in the year ended 31 December 2018 were 21.11 cents (2017: 2.56 cents) and 21.05 cents (2017: 2.56), respectively.

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 2018 with net current assets of approximately HK$684,138,000 (31 December 2017: approximately HK$1,264,838,000) and pledged bank deposits and bank and cash balances in the aggregate amount of approximately HK$16,764,000 (31 December 2017: approximately HK$75,308,000). 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 5.58% as at 31 December 2018 (31 December 2017: 10.2%).

EMPLOYMENT

As at 31 December 2018, the Group had approximately 612 employees (2017: approximately 639), most of whom were working in the Company's subsidiaries in the PRC. During the year, the total employees' costs including directors' emoluments from continuing operations were approximately HK$69,280,000 (2017: HK$71,931,000).

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 for its management and employees to promote career advancement of the staffs.

FOREIGN EXCHANGE EXPOSURE

Since sales and purchase for the Lithium Ion Motive Battery Business and the Property and Cultural Business are denominated in RMB, the management considers the exposure to exchange risks is minimized. However, the Company faces foreign exchange risk when it conducts fund raising activities in Hong Kong (HK$) and remits funds to its subsidiaries in the PRC (RMB). The Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2018 are set out in Note 18 in this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in 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 2018, save for the deviations disclosed below, the Company had 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 the non-executive Directors 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 should attend general meetings of the Company. However, two independent non-executive Directors were absent from the annual general meeting of the Company held on 11 June 2018 due to other business commitments. To ensure compliance with the CG 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 continue to review and improve the corporate governance practices and standards of the Company to ensure the business activities and decision making processes of the Company 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 had complied with the required standards set out in the Model Code during the year ended 31 December 2018. The Model Code also applies to other specified senior management of the Group.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company 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 including the review of the annual results of the Group for the year ended 31 December 2018.

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 2018 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 2018. 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, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Tin Kong, Ms. Cheng Hung Mui, Mr. Chen Dekun, 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*