

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tesson Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
	Notes	HK\$'000	HK\$'000
Continuing operations			
Revenue	4	891,033	28,723
Cost of sales		<u>(779,296)</u>	<u>(21,979)</u>
Gross profit		111,737	6,744
Other income	5	5,929	7,441
Distribution and selling expenses		(6,746)	(3,642)
Administrative expenses		<u>(75,071)</u>	<u>(49,674)</u>

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
	Notes	HK\$'000	HK\$'000
Profit/(loss) from operation		35,849	(39,131)
Finance costs	6	<u>(6,279)</u>	<u>(8,235)</u>
Profit/(loss) before tax		29,570	(47,366)
Income tax	7	<u>(25,591)</u>	<u>—</u>
Profit/(loss) for the period from continuing operations	8	3,979	(47,366)
Profit for the period from discontinued operations	21	<u>—</u>	<u>241,318</u>
Profit for the period		3,979	193,952
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,359)	(27,682)
Release of foreign currency translation reserve upon disposal of subsidiaries		<u>—</u>	<u>(88,037)</u>
Total comprehensive (loss)/income for the period		<u>(380)</u>	<u>78,233</u>
Profit/(loss) for the period attributable to:			
Owners of the Company			
Loss from continuing operations		(21,639)	(41,806)
Profit from discontinued operations		<u>—</u>	<u>241,318</u>
		(21,639)	199,512
Non-controlling interests			
Profit/(loss) from continuing operations		<u>25,618</u>	<u>(5,560)</u>
		<u>3,979</u>	<u>193,952</u>

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive (loss)/income for the period attributable to:			
	Owners of the Company	(24,962)	89,833
	Non-controlling interests	<u>24,582</u>	<u>(11,600)</u>
		<u>(380)</u>	<u>78,233</u>
(Loss)/earnings per share from continuing and discontinued operations			
	Basic (<i>cents per share</i>)	<u>(1.82)</u>	<u>18.14</u>
	Diluted (<i>cents per share</i>)	<u>(1.82)</u>	<u>16.51</u>
Loss per share from continuing operations			
	Basic (<i>cents per share</i>)	<u>(1.82)</u>	<u>(3.80)</u>
	Diluted (<i>cents per share</i>)	<u>(1.82)</u>	<u>(3.14)</u>
Earnings per share from discontinued operations			
	Basic (<i>cents per share</i>)	<u>–</u>	<u>21.94</u>
	Diluted (<i>cents per share</i>)	<u>–</u>	<u>19.65</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	11	425,693	447,846
Investment property		9,601	9,610
Prepaid land lease payments		–	98,665
Deposits paid for acquisition of property, plant and equipment		8,198	1,905
Goodwill	12	211,412	211,617
Right-of-use assets		131,266	–
Interests in joint venture		10,243	10,253
		<u>796,413</u>	<u>779,896</u>
Current assets			
Inventories		65,092	59,667
Properties for sale under development	13	1,524,422	2,168,976
Trade and other receivables, deposits and prepayments	14	213,347	347,593
Prepaid land lease payments		–	2,178
Financial assets at fair value through profit or loss		178	136
Amount due from a non-controlling shareholder of a subsidiary	15	424,925	569,250
Pledged bank deposits		6,131	610
Restricted bank deposits		38,488	38,525
Bank and cash balances		18,867	16,154
		<u>2,291,450</u>	<u>3,203,089</u>
Current liabilities			
Trade and other payables	16	483,556	434,382
Contract liabilities		1,119,836	2,013,438
Borrowings	17	2,275	68,310
Lease liabilities		8,785	–
Tax payable		37,812	–
Amount due to the controlling shareholder	18	7,702	2,821
		<u>1,659,966</u>	<u>2,518,951</u>

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Net current assets		631,484	684,138
Total assets less current liabilities		1,427,897	1,464,034
Non-current liabilities			
Amount due to the controlling shareholder	18	42,900	44,657
Lease liabilities		23,310	–
Convertible bonds	19	43,594	43,308
Deferred tax liabilities		93,574	151,664
		203,378	239,629
NET ASSETS		1,224,519	1,224,405
Capital and reserves			
Share capital	20	118,632	118,632
Reserves		959,630	928,686
Equity attributable to owners of the Company		1,078,262	1,047,318
Non-controlling interests		146,257	177,087
TOTAL EQUITY		1,224,519	1,224,405

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the Directors, the Company's controlling shareholder is Double Key International Limited (the "**Controlling Shareholder**"), a company incorporated in British Virgin Islands with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Group had discontinued its business of printing and manufacturing of packaging products (the "**Packaging Printing Business**") in 2018. During the period, the Group principally engaged in the (i) 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 (ii) property development business, as well as 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 unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, together with the followings:

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	Over the lease term
Buildings	Over the lease term

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases which have an initial lease term of 12 months or less, and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms.

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

In the current period, the Group has adopted all the new and revised HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior periods except as stated below.

HKFRS 16 Leases ("HKFRS 16")

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as "operating leases" under HKAS 17 "Leases".

HKFRS 16 has been applied retrospectively from 1 January 2019 but the comparative information for 2018 was not restated as permitted under specific transitional provisions in the standard. The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<i>HK\$'000</i> (Unaudited)
Assets	
Increase in right-of-use assets	135,054
Decrease in prepaid land lease payments	<u>(100,843)</u>
	<u><u>34,211</u></u>
Liabilities	
Increase in lease liabilities	36,824
Decrease in other payables	<u>(2,613)</u>
	<u><u>34,211</u></u>

The reconciliation of lease liabilities as at 1 January 2019 and the operating lease commitments as at 31 December 2018 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	43,446
Short-term leases recognised on a straight-line basis as expense	<u>(431)</u>
	43,015
Discounting	<u>(6,191)</u>
Lease liabilities as at 1 January 2019	<u><u>36,824</u></u>

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors do not anticipate that the application of these new or revised standards and amendments will have material impact on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information about reportable segments' profit or loss, assets and liabilities are as follows:

	Lithium Ion Motive Battery Business HK\$'000	Property and Cultural Business HK\$'000	Total HK\$'000
Period ended 30 June 2019 (Unaudited):			
Revenue from external customers	20,096	870,937	891,033
Segment (loss)/profit	(47,660)	64,955	17,295
Depreciation of property, plant and equipment	26,139	647	26,786
Depreciation of right-of-use assets	4,598	776	5,374
Additions to segment non-current assets	7,222	65	7,287
At 30 June 2019 (Unaudited):			
Segment assets	781,750	2,226,143	3,007,893
Segment liabilities	<u>335,229</u>	<u>1,340,746</u>	<u>1,675,975</u>
Period ended 30 June 2018 (Unaudited):			
Revenue from external customers	26,047	2,676	28,723
Segment loss	(27,539)	(1,243)	(28,782)
Depreciation of property, plant and equipment	22,323	118	22,441
Amortisation of prepaid land lease payments	400	—	400
Addition to segment non-current assets	124,167	277,804	401,971
At 31 December 2018 (Audited):			
Segment assets	764,542	3,213,582	3,978,124
Segment liabilities	<u>395,581</u>	<u>2,228,999</u>	<u>2,624,580</u>

Reconciliation of profit or loss is set out below:

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Total profit/(loss) of reportable segments	17,295	(28,782)
Gain on disposal of subsidiaries (<i>Note 21</i>)	–	241,318
Corporate and unallocated loss	(13,316)	(18,584)
Profit for the period	3,979	193,952

All revenue generated by the Group were derived from the People's Republic of China (the "PRC") and recognised at a point in time. Segment revenue are mainly generated from (i) sales of batteries products for the Lithium Ion Motive Battery Business; and (ii) sales of properties and provision of event production service for the Property and Cultural Business.

5. OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest income	621	1,103
Government grants	4,315	1,616
Refund of value-added tax in the PRC	–	4,467
Rental income	362	–
Others	631	255
	5,929	7,441

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest expenses on bank loans	2,186	1,278
Interest expenses on amounts due to a related company and/or the Controlling Shareholder	1,830	2,469
Imputed interest expense on Convertible Bonds	1,179	3,875
Finance lease charge	–	613
Lease interests	1,084	–
	<u>6,279</u>	<u>8,235</u>

7. INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the period	87,929	–
Deferred tax	(62,338)	–
	<u>25,591</u>	<u>–</u>

No provision for Hong Kong profits tax was required since the Group has no assessable profits in Hong Kong for the periods 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 or under the Western Campaign in the PRC, that are entitled to a preferential tax rate of 15% during year of 2019.

8. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cost of sales	779,296	21,979
Depreciation of property, plant and equipment	27,169	22,824
Depreciation of right-of-use assets	5,936	–
Amortisation of prepaid land lease payments	–	400
Amortisation of intangible assets	–	1,041
Minimum lease payments under operating leases in respect of office premises	–	4,033
Research and development expenses (including depreciation and staff costs)	15,421	6,030
Directors' emoluments	3,258	3,978
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	35,223	28,749
Retirement benefits scheme contributions	2,655	2,814

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2018: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$21,639,000 (six months ended 30 June 2018: profit of HK\$199,512,000) and the weighted average number of 1,186,315,700 (six months ended 30 June 2018: 1,099,649,033) ordinary shares in issue during the period.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the Reporting Period. The calculation of diluted earnings per share for the six months ended 30 June 2018 is based on the following data.

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to the owners of the Company	(21,639)	199,512
Effect of dilutive potential ordinary shares:		
Interest on Convertible Bonds (net of tax)	—	3,235
(Loss)/earnings for purpose of diluted earnings per share	<u>(21,639)</u>	<u>202,747</u>
	Number of shares	
	Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares in issue	1,186,315,700	1,099,649,033
Effect of dilutive potential ordinary shares:		
Share options	—	3,523,226
Convertible Bonds	—	124,516,574
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>1,186,315,700</u>	<u>1,227,688,833</u>
Diluted (loss)/earnings per share (cents per shares)	<u>(1.82)</u>	<u>16.51</u>

(b) From continuing operations

Loss for the purposes of basic and diluted loss per share from continuing operations is based on the loss for the Reporting Period of approximately HK\$21,639,000 (Six months ended 30 June 2018: HK\$41,806,000 and HK\$38,571,000 respectively) attributable to owners of the Company. Denominators used for basic and diluted loss per share are same as those detailed above.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has acquired property, plant and equipment of approximately HK\$5,065,000.

12. GOODWILL

	<i>HK\$'000</i> (Unaudited)
At 1 January 2018	–
Arising on acquisition of subsidiaries	213,044
Currency realignment	<u>(1,427)</u>
At 31 December 2018 and 1 January 2019	211,617
Currency realignment	<u>(205)</u>
At 30 June 2019	<u><u>211,412</u></u>

13. PROPERTIES FOR SALE UNDER DEVELOPMENT

	<i>HK\$'000</i> (Unaudited)
At 1 January 2018	–
Addition through acquisition of a subsidiary	1,242,298
Additions	900,847
Transfer from investment property	265,270
Properties completed and sold	(261,014)
Currency realignment	<u>21,575</u>
At 31 December 2018 and 1 January 2019	2,168,976
Additions	98,885
Properties completed and sold	(753,228)
Currency realignment	<u>9,789</u>
At 30 June 2019	<u><u>1,524,422</u></u>

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Trade receivables	50,746	49,927
Bills receivable	–	332
Value-added tax receivables	117,155	176,008
Tax recoverable	–	66,723
Other receivables, deposits and prepayments	45,446	54,603
	<u>213,347</u>	<u>347,593</u>

Trade and bills receivables

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 other customers. The following is an aging analysis of trade and bills receivables, presented based on the invoice date at the end of the periods.

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
0 to 60 days	12,862	4,972
61 to 90 days	63	65
Over 90 days	37,821	45,222
	<u>50,746</u>	<u>50,259</u>

15. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount represented financial assistance provided by Nanchang Rongzhou Investment Company Limited* (南昌市容州投資有限公司) to its shareholder before the completion of the capital contribution in 2018. The amount due from a non-controlling shareholder of a subsidiary is secured by its assets and undistributed earnings, non-interest bearing, and had no fixed term of repayment.

16. TRADE AND OTHER PAYABLES

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Trade payables	108,821	108,819
Bills payable	6,131	610
Amounts payable on acquisition of property, plant and equipment	219,152	220,886
Accruals and other payables	149,452	104,067
	<u>483,556</u>	<u>434,382</u>

The aging of bills payable at the end of the period falls within 180 days (31 December 2018: 180 days).

At 30 June 2019, bills payable totaling HK\$6,131,000 (31 December 2018: HK\$610,000) were secured by pledged bank deposits of HK\$6,131,000 (31 December 2018: HK\$610,000).

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

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
0 to 60 days	5,306	48,323
61 to 90 days	6,291	1,437
Over 90 days	97,224	59,059
	<u>108,821</u>	<u>108,819</u>

17. BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank loans - secured	<u>2,275</u>	<u>68,310</u>

At 30 June 2019, bank loans were secured by a parcel of land held by the Group located in Weinan, Shaanxi with carrying value of approximately HK\$11,087,000 (31 December 2018: HK\$11,877,000).

All borrowings for the periods presented are denominated in Renminbi (“RMB”).

18. AMOUNT DUE TO 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 19 to replace the loan amounting to HK\$300,000,000.

At 30 June 2019, the amount due to the Controlling Shareholder of approximately HK\$45,581,000 (31 December 2018: approximately HK\$47,284,000) was unsecured, interest bearing at 8% per annum, and was 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 were unsecured, non-interest bearing and has no fixed repayment terms.

19. 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 18 payable quarterly in arrears, no proceeds were raised on the issue of Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036, representing maturity period of 17.8 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 allotted and issued, representing conversion of Convertible Bonds at principal amount of HK\$240,000,000.

The Convertible Bonds recognised in the condensed consolidated statement of financial position had been split between liability and equity components, and are calculated as follows:

	(Unaudited)		
	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 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 and 1 January 2019	43,308	15,983	59,291
Imputed interest expense	1,179	–	1,179
Interest paid/payable	(893)	–	(893)
At 30 June 2019	<u>43,594</u>	<u>15,983</u>	<u>59,577</u>

20. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each		
at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2018	1,036,315,700	103,632
Issue of shares upon conversion of Convertible Bonds (Note 19)	<u>150,000,000</u>	<u>15,000</u>
At 31 December 2018, 1 January 2019 and 30 June 2019	<u>1,186,315,700</u>	<u>118,632</u>

21. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

On 22 September 2017, the Group entered into a sale and purchase agreement with 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 the Group’s Packaging Printing Business was discontinued.

No results and cash flows were arisen from the Packaging Printing Business in the Reporting Period.

Financial information relating to the comparative period is extracted from the Company’s consolidated financial statements for the year ended 31 December 2018 as below.

	2018 HK\$'000 (Audited)
Profit of discounted operations	–
Gain on disposal of subsidiaries	<u>241,318</u>
	<u>241,318</u>

Gain on disposal of subsidiaries is analysed as follows:

	2018 <i>HK\$'000</i> (Audited)
Net assets disposed of	761,401
Release of foreign currency translation reserve	(88,037)
Non-controlling interests	<u>(409,475)</u>
	263,889
Waiver of amount due from the Disposal Group	182,271
Direct transaction costs incurred	12,522
Gain on disposal of subsidiaries	<u>241,318</u>
Consideration	<u><u>700,000</u></u>
From discontinued operations (Unaudited):	
Basic earnings per share (cents per share)	21.94
Diluted earnings per share (cents per share)	<u><u>19.65</u></u>

22. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2018: nil).

23. LEASE COMMITMENTS

The Group as Lessor

At the end of the Reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Within one year	746	747
In the second to fifth year inclusive	3,122	3,106
After five years	<u>13,864</u>	<u>14,289</u>
	<u><u>17,732</u></u>	<u><u>18,142</u></u>

24. CAPITAL COMMITMENTS

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

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted but not provided for:		
– Property, plant and equipment	38,554	41,785

25. RELATED PARTY TRANSACTIONS

	(Unaudited)	
	Six month ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest expenses on amount due to a related company (<i>Note 6</i>)	–	90
Interest expenses on Convertible Bonds and amount due to the Controlling Shareholder (<i>Note 6</i>)	3,009	6,254

Key management personnel remuneration

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in Note 8.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 30 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

During the Reporting Period, the prolonged rapid changes in the market since 2018, the escalation of Sino-US trade frictions, the geopolitical risks and other factors dragged down the global economic growth. However, despite the impacts of various external uncertainties on the economy of the PRC, the macro-economy and the consumer demand of the PRC had maintained steady growth with a growth of 6.3% in its gross domestic product.

During the Reporting Period, the automotive industry continued to experience negative growth. According to the statistical analysis of China Association of Automobile Manufacturers, sales of passenger vehicles in the PRC amounted to 10,127,000 units during the Reporting Period, down 14.0% year-on-year. Although the new energy vehicles sector bucked the trend and maintained growth, four ministries and commissions jointly issued the Notice on Further Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles* (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), which was officially implemented on 26 March 2019 with an aim to reduce new energy vehicle subsidies in stages. Such subsidy policy was implemented as a transitional measure, which ended on 25 June 2019. The decline in subsidies placed great pressure on the profitability of the automotive industry and industry-related enterprises, resulting in a year-on-year decrease of 22.9% in the sales of the Group's Lithium Ion Motive Battery Business during the Reporting Period.

As new energy vehicle technologies have gained popularity, market demand for lithium ion motive batteries has been increasing. Enterprises that lack competitive advantages in terms of technologies or costs will be eliminated or marginalised in the market, and only by conducting risk assessments and control can they secure a firm footing. As such, the Group prioritises risk control when making business decisions. The capital chain of the entire industry is still under strain, and the Group strikes a balance between sales and credit risks, and has strictly followed its credit policy. As a result, the performance of the Group's Lithium Ion Motive Battery Business faced greater pressure in the Reporting Period.

Property and Cultural Business

For the Group's property development project of Rongzhou Gangjiucheng* (容州港九城) located in Nanchang, Jiangxi, some units went through the acceptance inspection and were delivered to customers in the first half of 2019, while the remaining units would be completed soon. With respect to the property development project located in Fengling Section, Nanning, Guangxi, it is expected to commence pre-sale in late 2019. In response to the demands of the Group for various production bases and housing projects for talents, the staff dormitory project in Lishui, Nanjing is scheduled to commence at the end of 2019 or next year in order to match the completion date of the construction of the factory that manufactures battery packs in Nanjing, Jiangsu.

FUTURE PROSPECTS

The Group continued to concentrate its efforts on expanding the production of lithium ion motive battery products in the year of 2019. For the second half of 2019, the Group will invest resources in high-end tool batteries to explore new market segments in response to changes in market conditions, and will also enrich the offerings of lithium ion motive battery products to increase the products' gross profit. In addition, the Group has received full support from the governments of Weinan, Shaanxi and Nanjing, Jiangsu, and will continue to complete the construction of the phase III production base in Weinan, Shaanxi and the factory for battery packs in Nanjing, Jiangsu, so as to prepare for the Group's future development.

The significant reduction in subsidies for new energy vehicles will help optimise the structure of the new energy vehicles sector and related products, promote the natural selection in the industry, and ultimately advance the healthy development of new energy vehicles and the related industries in the long run. The development of new energy vehicle battery manufacturers will become more market-oriented. Manufacturers with leading technology advantages, reliable quality verification procedures and good market reputation are expected to further increase their market shares and consolidate their leading positions. The Group will continue to actively move forward in this direction.

As stated in the 2018 Annual Report, the Group had cooperated with K2 Energy Solutions, Inc. to explore overseas markets and usher in more development opportunities. The Group expects sales of lithium ion motive battery products and related components to increase significantly in the coming years, which will bring benefits to the Group.

FINANCIAL REVIEW

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 the revenue dropped to approximately HK\$20,096,000 from approximately HK\$26,047,000 during the Reporting Period. The downward adjustment of the subsidy policy for the new energy vehicles in the PRC brought uncertainties and slowed down the production in the new energy vehicle industry, eventually affecting the demand for lithium ion motive batteries and related products in the short run. Moreover, the Group tightened credit policy in 2018 to eliminate prolonged trade receivables, which has improved cash flows of the Group, but has affected the sales activities of the Group in the Reporting Period. As a result, the Group's revenue declined and profit margin narrowed. In the long run, the management believes that due to the favourable features of new energy vehicles for being sustainable and environmentally friendly, its market development is promising. The Group will continue to seek possible cooperation opportunities and expand the market for its battery products around the world.

Property and Cultural Business

In 2018, the Group acquired (by way of making capital contributions) certain subsidiaries and diversified its business scope to the Property and Cultural Business. Most of the phase I and part of the phase II properties units of Rongzhou Gangjiucheng*, which is one of the Group's property development projects, had been delivered to the customers and contributed to the Group's revenue in the amount of approximately HK\$860,508,000 (for the six months ended 30 June 2018: nil). The total gross floor area delivered during the Reporting Period was approximately 122,374 square meters and 17 units of car parking spaces.

The cultural business contributed to the Group's revenue in the amount of approximately HK\$10,429,000 (for the six months ended 30 June 2018: approximately HK\$2,676,000), mainly from event production and organisation of exhibitions in themed museums.

Other income

Other income for the Reporting Period was approximately HK\$5,929,000 which mainly consisted of government grant of approximately HK\$4,315,000. For the six months ended 30 June 2018, other income amounted to approximately HK\$7,441,000, which mainly consisted of refund of value-added tax in the PRC at approximately HK\$4,467,000.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period were HK\$6,746,000 (for the six months ended 30 June 2018: approximately HK\$3,642,000). The increase was mainly contributed by the Property and Cultural Business which incurred (i) sales agent fee at approximately HK\$1,296,000 for sales and pre-sales activities of the properties (for the six months ended 30 June 2018: nil); and (ii) staff costs for the sales team at approximately HK\$2,089,000 (for the six months ended 30 June 2018: nil).

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK\$75,071,000 (for the six months ended 30 June 2018: approximately HK\$49,674,000). The increase was mainly due to (i) the general increase in administrative expenses resulting from the expansion of production base and increase in research and development activities of the Lithium Ion Motive Battery Business, which led to an increase in segment expenses from approximately HK\$35,051,000 to approximately HK\$49,623,000; and (ii) the amount attributable by the Property and Cultural Business of approximately HK\$15,154,000 (for the six months ended 30 June 2018: HK\$2,391,000) mainly incurred by a subsidiary acquired in October 2018.

Finance costs

Finance costs for the Reporting Period decreased to approximately HK\$6,279,000 (for the six months ended 30 June 2018: approximately HK\$8,235,000), which was the combined effect of reduced interest charged on the Convertible Bonds from HK\$3,875,000 to HK\$1,179,000 upon its partial conversion in 2018, and increase in lease interests at approximately HK\$1,084,000 (for the six months ended 30 June 2018: nil).

Basic and diluted (loss)/earnings per share

Basic and diluted loss per share for the Reporting Period was HK\$1.82 cents as compared to earnings of HK\$18.14 cents and HK\$16.51 cents per share for the six months ended 30 June 2018.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2019, the Group employed a total of approximately 529 employees (31 December 2018: approximately 612 employees). The Group has provided training to its employees to update their expertise and enhance their skills and development. Competitive remuneration packages and fringe benefits, including provident fund contributions and medical insurance, are provided to attract, retain and motivate the employees of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (for the six months ended 30 June 2018: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2019 with net current assets of approximately HK\$631,484,000 (31 December 2018: approximately HK\$684,138,000) and pledged bank deposits and bank and cash balances in the aggregate amount of approximately HK\$24,998,000 (31 December 2018: approximately HK\$16,764,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings, excluding the liabilities of the Convertible Bonds over total equity) was about 0.19% as at 30 June 2019 (31 December 2018: 5.58%).

BORROWINGS AND PLEDGE OF ASSETS

Details of pledged assets are set out in Note 17.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EXCHANGE EXPOSURE

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

CORPORATE GOVERNANCE

The Company’s corporate governance practices are based on the principles and code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 of the Listing Rules.

The Company and the Directors strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. During the Reporting Period, save for the deviations disclosed below, the Company had complied with all the applicable provision 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. Dr. Ng Ka Wing and Mr. See Tak Wah were appointed as independent non-executive Directors and 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 of the CG Code, 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 10 June 2019 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.

After the end of the Reporting Period and up to the date of this announcement, the Company has deviated from the code provision disclosed below.

Code provision A.2.1 of the CG Code stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tin Kong serves as the chairman and the chief executive officer of the Company following the resignation of Mr. Sheng Siguang as the chief executive officer which was effective from 1 August 2019. Such practice deviates from code provision A.2.1 of the CG Code. The Board will keep reviewing this arrangement from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

REVIEW OF INTERIM REPORT

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

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including the review of the unaudited interim report for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

OTHER SIGNIFICANT EVENTS

On 7 August 2019, the Company entered into a conditional placing agreement (the “**Placing Agreement**”) with Southwest Securities (HK) Brokerage Limited (the “**Placing Agent**”) pursuant to which the Placing Agent conditionally agreed to place, on a best efforts basis, as agent for the Company, up to 15,000,000 new shares of the Company (the “**Placing Shares**”) to the placees at a price of HK\$0.50 per share (the “**Placing**”). Upon fulfilment of all the conditions to the Placing Agreement, completion of the Placing took place on 20 August 2019, and a total of 10,170,000 Placing Shares were allotted and issued, under the general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 10 June 2019, to not less than six placees at HK\$0.5 per share, representing approximately 0.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing.

The gross proceeds from the Placing amounted to approximately HK\$5,100,000, and the net proceeds arising from the Placing amounted to approximately HK\$5,000,000, which is intended to be used for the purpose of general working capital of the Company.

Please refer to the Company’s announcements dated 7 August 2019 and 20 August 2019 for details.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2019 and the corresponding period in 2018 are based on the Group’s internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

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

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

Hong Kong, 30 August 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 Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin as independent non-executive Directors.

* *for identification purpose only*