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TESSON HOLDINGS LIMITED
天 臣 控 股 有 限 公 司

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Tesson Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the audited comparative figures for the corresponding period in 2018 as set forth below. As detailed in the section headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of Group has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Continuing operations			
Revenue	*3*	**903,640**	362,208
Cost of sales		**(808,880)**	(336,141)
Gross profit		**94,760**	26,067
Other income	*4*	**13,468**	28,722
Distribution and selling expenses		**(14,420)**	(10,085)
Administrative expenses		**(170,864)**	(248,675)
Loss from operations		**(77,056)**	(203,971)
Finance costs	*6*	**(10,261)**	(13,281)
Loss before tax		**(87,317)**	(217,252)
Income tax	*7*	**(19,923)**	171

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* (Audited)
Loss for the year from continuing operations	*8*	**(107,240)**	(217,081)
Discontinued operations			
Profit for the year from discontinued operations	*20*	**–**	241,318
(Loss)/profit for the year		**(107,240)**	24,237
Other comprehensive expenses			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		**(27,814)**	(82,511)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**–**	(87,007)
Total comprehensive expenses for the year		**(135,054)**	(145,281)
(Loss)/profit for the year attributable to:			
Owners of the Company			
Loss from continuing operations		**(83,723)**	(182,155)
Profit from discontinued operations		**–**	241,318
(Loss)/profit attributable to owners of the Company		**(83,723)**	59,163
Non-controlling interests			
Loss from continuing operations		**(23,517)**	(34,926)
Profit from discontinued operations		**–**	–
Loss attributable to non-controlling interests		**(23,517)**	(34,926)
		(107,240)	24,237
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(101,305)**	(84,589)
Non-controlling interests		**(33,749)**	(60,692)
		(135,054)	(145,281)
(Loss)/earnings per share from continuing and discontinued operations	*10*		
Basic *(cents per share)*		**(7.04)**	5.18
Diluted *(cents per share)*		**(7.04)**	5.16
Loss per share from continuing operations			
Basic *(cents per share)*		**(7.04)**	(15.93)
Diluted *(cents per share)*		**(7.04)**	(15.89)
Earnings per share from discontinued operations			
Basic *(cents per share)*		**–**	21.11
Diluted *(cents per share)*		**–**	21.05

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**422,358**	447,846
Prepaid land lease payments		**–**	98,665
Deposits paid for acquisition of property, plant and equipment		**6,557**	1,905
Investment property		**24,467**	9,610
Goodwill	*11*	**207,695**	211,617
Right-of-use assets		**123,032**	–
Interests in joint venture		**9,425**	10,253
		793,534	779,896
Current assets			
Inventories		**36,163**	59,667
Properties for sale under development	*12*	**1,575,306**	2,168,976
Properties held for sale		**10,957**	–
Trade, bills and other receivables, deposits and prepayments	*13*	**260,252**	347,593
Prepaid land lease payments		**–**	2,178
Financial assets at fair value through profit or loss		**134**	136
Amount due from a non-controlling shareholder of a subsidiary	*14*	**415,118**	569,250
Pledged bank deposits		**1,341**	610
Restricted bank deposits		**38,159**	38,525
Bank and cash balances		**35,389**	16,154
		2,372,819	3,203,089
Current liabilities			
Trade, bills and other payables	*15*	**331,212**	434,382
Contract liabilities	*16*	**1,228,995**	2,013,438
Borrowings	*17*	**263,784**	68,310
Lease liabilities		**8,417**	–
Tax payable		**33,446**	–
Amount due to the Controlling Shareholder	*18*	**9,595**	2,821
		1,875,449	2,518,951

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Net current assets		**497,370**	684,138
Total assets less current liabilities		**1,290,904**	1,464,034
Non-current liabilities			
Amount due to the Controlling Shareholder	*18*	**42,900**	44,657
Convertible bonds	*19*	**43,893**	43,308
Lease liabilities		**18,321**	–
Deferred tax liabilities		**90,533**	151,664
		195,647	239,629
NET ASSETS		**1,095,257**	1,224,405
Capital and reserves			
Share capital		**119,649**	118,632
Reserves		**887,682**	928,686
Equity attributable to owners of the Company		**1,007,331**	1,047,318
Non-controlling interests		**87,926**	177,087
TOTAL EQUITY		**1,095,257**	1,224,405

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 addresses 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 year, the Group principally engaged in (i) 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 (ii) the 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 unaudited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter 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 (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Group's unaudited 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 unaudited 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 unaudited 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 2019

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over income tax treatments
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Lease ("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:

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

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

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

(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 2019, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020

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 People's Republic of China (the "**PRC**") and recognised at a point in time when the customers obtain control of the goods or services.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Lithium ion motive battery products	**53,438**	83,516
Property development and cultural service	**850,202**	278,692
	903,640	362,208

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income	**1,304**	1,655
Government grants	**11,147**	9,274
Gain on disposal of a subsidiary	**–**	16,186
Rental income	**990**	185
Others	**27**	1,422
	13,468	28,722

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 current and prior year, the Group's revenue was derived from the Lithium Ion Motive Battery Business and the Property and Cultural Business.

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:

	Lithium Ion Motive Battery Business	Property and Cultural Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2019 (Unaudited)			
Revenue from external customers	**53,438**	**850,202**	**903,640**
Segment profit/(loss)	**(124,533)**	**46,642**	**(77,891)**
Depreciation of property, plant and equipment	**43,219**	**1,151**	**44,370**
Depreciation of right-of-use assets	**8,727**	**1,521**	**10,248**
Other material non-cash item:			
Written-off of inventory	**46,748**	**–**	**46,748**
Additions to segment non-current assets	**34,448**	**177**	**34,625**
At 31 December 2019 (Unaudited)			
Segment assets	**764,141**	**2,398,347**	**3,162,488**
Segment liabilities	**284,082**	**1,583,794**	**1,867,876**
Year ended 31 December 2018 (Audited)			
Revenue from external customers	83,516	278,692	362,208
Segment profit/(loss)	(182,091)	2,106	(179,985)
Depreciation	49,696	687	50,383
Amortisation of prepaid land lease payments	770	–	770
Other material non-cash item:			
Written-off of inventory	92,811	–	92,811
Additions to segment non-current assets	113,026	1,507	114,533
At 31 December 2018 (Audited)			
Segment assets	764,542	3,213,582	3,978,124
Segment liabilities	395,581	2,228,999	2,624,580

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit or loss		
Total loss of reportable segments	**(77,891)**	(179,985)
Corporate and unallocated loss	**(29,349)**	(37,096)
Gain on disposal of subsidiaries *(Note 20)*	**–**	241,318
Consolidated (loss)/profit for the year	**(107,240)**	24,237
Assets		
Total assets of reportable segments	**3,162,488**	3,978,124
Corporate and unallocated assets	**3,865**	4,861
Consolidated total assets	**3,166,353**	3,982,985
Liabilities		
Total liabilities of reportable segments	**1,867,876**	2,624,580
Corporate and unallocated liabilities	**203,220**	134,000
Consolidated total liabilities	**2,071,096**	2,758,580

Geographical information

All revenue generated by the Group were derived from the PRC.

No customer individually contributed over 10% of total revenue of the Group for both years.

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Hong Kong	**2,762**	2,732
The PRC	**790,772**	777,164
	793,534	779,896

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest expenses on bank loans	**2,185**	3,191
Imputed interest expense on convertible bonds	**2,385**	5,066
Interest expenses on amounts due to a related company and the Controlling Shareholder	**3,669**	4,434
Finance lease charge	**–**	590
Lease interests	**2,022**	–
	10,261	13,281

7. INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
PRC Enterprise Income Tax for the year	**82,433**	26,725
Deferred tax	**(62,510)**	(26,896)
	19,923	(171)

No provision for Hong Kong profits tax was required since the Group had no assessable profit in Hong Kong for the years presented.

According to the Laws 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. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Auditor's remuneration	**1,380**	1,680
Cost of sales	**808,880**	336,141
Depreciation of property, plant and equipment	**45,183**	51,205
Depreciation of righ-of-use assets	**11,373**	–
Amortisation of prepaid land lease payments	**2,033**	770
Amortisation of intangible assets	**–**	1,837
Written-off of inventories	**46,748**	92,811
Impairment of property, plant and equipment	**–**	3,247
Minimum lease payments for leases previously classified as operating leases under HKAS 17 in respect of office premises #	**–**	9,293
Research and development expenses (including depreciation and staff costs)	**12,289**	36,069
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**68,710**	69,280
Equity-settled share-based payment expenses	**821**	2,079

After initial recognition of right-of-use assets at 1 January 2019 as detailed in Note 2(a), the Group as a lessee, is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (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$83,723,000 (2018: profit of HK$59,163,000), and the weighted average number of 1,190,021,481 (2018: 1,143,165,015) ordinary shares in issue during the year.

Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented in 2019 as the Company did not have any dilutive potential ordinary shares. The calculation of diluted earnings per share for 2018 is based on the following:

	2018 Number of shares (Audited)
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**

(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$83,723,000 (2018: HK$182,155,000). The denominator used is the same as that detailed above for basic earnings per share.

No diluted loss per share is presented in 2019 as the Company did not have any dilutive potential ordinary shares.

11. GOODWILL

	HK$'000
At 1 January 2018	–
Arising on acquisition of subsidiaries	**213,044**
Currency realignment	**(1,427)**
At 31 December 2018 and 1 January 2019 (Audited)	**211,617**
Currency realignment	**(3,922)**
At 31 December 2019 (Unaudited)	**207,695**

12. PROPERTIES FOR SALE UNDER DEVELOPMENT

	HK$'000
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	**21,575**
At 31 December 2018 and 1 January 2019 (Audited)	**2,168,976**
Additions	**207,911**
Transfer to investment property	**(15,275)**
Transfer to properties held for sale	**(10,957)**
Properties completed and sold	**(743,793)**
Currency realignment	**(31,556)**
At 31 December 2019 (Unaudited)	**1,575,306**

All the properties under development were located in the PRC.

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**69,223**	49,927
Bills receivable	**–**	332
Value-added tax receivables	**124,654**	176,008
Tax recoverable	**–**	66,723
Other receivables, prepayment and deposits	**66,375**	54,603
	260,252	347,593

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**14,196**	4,972
61 to 90 days	**1,579**	65
Over 90 days	**53,448**	45,222
	69,223	50,259

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 2019 (Unaudited)					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**
Receivable amount	**14,913**	**2,373**	**4,967**	**46,970**	**69,223**
Loss allowance	**–**	**–**	**–**	**–**	**–**
At 31 December 2018 (Audited)					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivable amount	3,840	865	43,457	1,765	49,927
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 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.

15. TRADE, BILLS AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**81,803**	108,819
Bills payable	**1,341**	610
Amounts payable on acquisition of property, plant and equipment	**164,108**	220,886
Accruals and other payables	**83,960**	104,067
	331,212	434,382

The aging of bills payable at the end of the year falls within 30 days (2018: 180 days).

At 31 December 2019, bills payable totalling HK$1,341,000 (2018: HK$610,000) were secured by pledged bank deposits of HK$1,341,000 (2018: HK$610,000).

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**20,054**	48,323
61 to 90 days	**5,131**	1,437
Over 90 days	**56,618**	59,059
	81,803	108,819

16. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)	As at 1 January 2018 *HK$'000* (Audited)
Total contract liabilities	**1,228,995**	2,013,438	8,255
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	**696,772**	259,348	–
– 2021	**386,871**	379,363	–
– 2022	**–**	–	–
– 2023	**261,851**	–	–
	1,345,494	2,011,006	6,047

	2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue recognised in the year that was included in contract liabilities at beginning of year	**847,479**	4,149

Significant changes in contract liabilities during the year:

Increase due to operations	**173,187**	158,463
Increase due to acquisition of a subsidiary	**–**	2,110,127
Transfer of contract liabilities to revenue	**(847,479)**	(292,910)

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.

17. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank Loans		
– secured	**178,784**	68,310
Other borrowings		
– unsecured	**85,000**	–
	263,784	68,310

At 31 December 2019, bank loans were secured by a parcel of land held by the Group located in Nanning, Guangxi with carrying value of approximately HK$97,603,000 (2018: a parcel of land in Weinan, Shaanxi with carrying value of approximately HK$11,254,000), the remaining borrowings were unsecured.

Bank loans for the years presented are denominated in Renminbi ("**RMB**"). Other borrowings presented are denominated in HK$.

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

	2019	2018
	(Unaudited)	(Audited)
Borrowings:		
Fixed-rate	**8–8.5%**	6.09%

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.

As at 31 December 2019, the amount due to the Controlling Shareholder of approximately HK$45,581,000 (2018: HK$47,284,000) was 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.

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 the Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036, representing maturity period of 17.3 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 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 (Audited)	43,308	15,983	59,291
Imputed interest expense	2,385	–	2,385
Interest paid/payable	(1,800)	–	(1,800)
At 31 December 2019 (Unaudited)	43,893	15,983	59,876

The interest charged for the year is calculated by applying an effective interest rate of 5.46% (2018: 5.46%) to the liability component.

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.

20. DISPOSAL OF SUBSIDIARIES AND 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.

No results and cash flows were arisen from the Packaging Printing Business during the year.

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	241,318
	241,318

Gain on disposal of subsidiaries is analysed as follows:

	2018
	HK$'000
	(Audited)
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

From discontinued operations:	
Basic earnings per share (cents per share)	21.11
Diluted earnings per share (cents per share)	21.05

21. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Property, plant and equipment	**42,757**	41,785

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

The Sino-US trade frictions had persisted in 2019, which had created considerable uncertainties and downward pressure in the global economy. The gloomy outlook for the world's economic growth had adversely affected the Group.

During the year, the automobile industry in the PRC was in the process of transformation and upgrading. In addition to the impact of the Sino-US trade frictions, it was also affected by the change of the national environmental protection standards, as well as the decline in new energy vehicle subsidies. Four ministries and commissions of the PRC 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 and the transition period ended on 25 June 2019. According to the statistical analysis of the China Association of Automobile Manufacturers, in the first half of 2019, new energy vehicle industry was still able to maintain a counter-trend growth. However in the second half of the year, due to the decline in subsidies, the overall sales of new energy vehicles fell sharply by approximately 35% year-on-year, and market competition was intensified. The new energy vehicle industry chain has also been affected. Automobile and power battery manufacturers had weaker development intention, and some of them even experienced short-term capital turnover pressures, resulting in a year-on-year decrease of approximately 56% in the sales of the Group's Lithium Ion Motive Battery Business during the year.

As new energy vehicles can effectively alleviate environmental pollution problems, and are emerging enterprises firmly supported by the government of the PRC, the long-term development advantages of the new vehicle industry are clear. As new energy vehicle technologies have gained popularity, market demand and technical requirements for lithium ion motive batteries are increasing. Enterprises which lack competitive advantages in terms of technology and costs will be eliminated or marginalised in the market. Facing a more challenging market condition, and taking into account the fact that the capital chain of the entire industry is still under strain, the Group believes that it is vital to conduct risk assessments and control in order to secure a firm footing in the industry. As such, the Group prioritises risk control when making business decisions, and strictly follows its credit policy to formulate and implement sales strategies, with a view to striking a balance between sales and credit risks. Therefore, the performance of the Group's Lithium Ion Motive Battery Business faced greater pressure in the year.

Property and Cultural Business

During the year, the overall property market was stable despite ongoing trade tensions between the PRC and the US. The PRC government's restrictive policies for the property market remained generally in place while relaxation had been noted in some cities. Home prices and transaction volumes recorded moderate growth, supported by genuine underlying demand. The Group continued to market the remaining units of Rongzhou Gangjiucheng* (容州港九城) located in Nanchang, Jiangxi. Handover of the majority of the sold units commenced in the first half of 2019 and the corresponding revenue was recognized, and the remaining units of phase II of the project will be completed soon. Pre-sale of the property development project located in Fengling Section, Nanning, Guangxi has also begun in late 2019. However, the commencement of the staff dormitory project in Lishui, Nanjing has been postponed to the end of 2020.

FUTURE PROSPECTS

In response to the recent outbreak of the novel coronavirus disease (the "**COVID-19**") in late 2019, the PRC government implemented a series of precautionary and control measures to maintain public health safety at a national level, including but not limited to, temporary suspension of work and business in various provinces including Shaanxi and Jiangsu Provinces, in which the Group's subsidiaries operate, extension of the lunar new year holiday, quarantine order to restrict entry to and exit from certain cities, etc., and such measures continued to be implemented across the country/region. With the interruption brought by COVID-19, the Group's financial results in 2020 may be affected due to the general market conditions.

The Group's production facilities in the PRC have been affected, which resulted in a temporary decrease in production volume. The Group has taken various precautionary measures to minimise the risks and uncertainties caused by COVID-19 on its business operations and will closely monitor the situation and endeavour to mitigate any adverse impacts on the Group and its customers. In addition, the Group will continue to respond to changes in market conditions and invest resources in high-end tool batteries to explore new market segments, and at the same time, enhance the diversity of lithium ion motive battery product portfolios to increase product gross profit and continue to construct phase III production base in Shaanxi, Weinan, as well as the battery pack factory in Nanjing, Jiangsu in order to lay a solid base for the Group's future development.

Despite the Sino-US trade conflicts and the outbreak of COVID-19, which created considerable challenges in the business environment, the Group remains cautiously optimistic about the PRC property market demand. With our wealth of experience, the Directors believe that the Group will gradually overcome the prevailing challenges and continue to develop its business. The Group will continue to develop our existing projects and to have the projects in our pipeline launched as scheduled. The Group will seize to capture any opportunities in the soft market in the PRC and continue to develop its businesses.

We believe that the outbreak of COVID-19 may only affect the Group temporarily and the operations of the Group will resume to normal over time. The Group endeavours to overcome challenges ahead and realise its value to the shareholders of the Company and business partners of 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 revenue dropped to approximately HK$53,438,000 in 2019 from approximately HK$83,516,000 in 2018. The downward adjustment of the subsidy policy for new energy vehicles in the PRC was implemented in the second quarter of 2019, and automobile manufacturers had correspondingly restructured their production and expansion plans, eventually affecting the demand for lithium ion motive batteries and related products in the short run. Moreover, the Group has tightened its 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 year. As a result, the Group's revenue declined and profit margin narrowed. In the long run, the management believes that taking into account 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 diversified its business scope with respect to the property development and cultural business. During the year, the Property and Cultural Business contributed revenue of approximately HK$850,202,000 (2018: HK$278,692,000) to the Group, of which the property business contributed approximately HK$830,519,000 (2018: 275,001,000) and the cultural business contributed approximately HK$19,683,000 (2018: HK$3,691,000). The increase in revenue in the property business was mainly due to commencement of the hand-over of phase II properties in Rongzhou Gangjiucheng*（容州港九城）, which is one of the Group's property development projects. Total gross floor area delivered during the year was approximately 123,646 sq.m. (2018: 35,306 sq.m.).

With respect to the cultural business, the Group continued to provide services on event production and organisation of exhibition in themed museums. Major projects completed in the year included the organisation of exhibitions in Foshan, Guangdong and Heyuan, Guangdong which altogether contributed approximately 75% revenue of this business.

Administrative expenses

Administrative expenses for the year ended 31 December 2019 decreased to approximately HK$170,864,000 from approximately HK$248,675,000 in 2018, mainly due to the reduction in impairment of obsolete battery products with lower energy capacity to approximately HK$46,748,000 (2018: HK$92,811,000) and reduction in research and development expenses (including depreciation and staff costs) to approximately HK$12,289,000 (2018: HK$36,069,000). Administration expenses also comprised staff costs (including Directors' emoluments) of approximately HK$42,558,000 (2018: HK$45,308,000) and depreciation of approximately HK$32,113,000 (2018: HK$39,983,000).

Distribution and selling expenses

The distribution and selling expenses for the year ended 31 December 2019 increased to approximately HK$14,420,000 (2018: HK$10,085,000), which was mainly due to the launch of pre-sale activities of the property project in Nanning. The expenses mostly represented staff costs of approximately HK$5,654,000 (2018: HK$3,713,000), marketing expenses of approximately HK$4,091,000 (2018: HK$252,000) and travelling and entertainment expenses of approximately HK$1,049,000 (2018: HK$1,952,000).

Other income

Other income for the year ended 31 December 2019 reduced to approximately HK$13,468,000 (2018: HK$28,722,000), mainly due to the non-recurring gain on disposal of a subsidiary of approximately HK$16,186,000 in 2018. Other income for the year mainly comprised government grant of approximately HK$11,147,000 (2018: HK$9,274,000).

Finance costs

Finance costs for the year ended 31 December 2019 decreased to approximately HK$10,261,000 (2018: HK$13,281,000) primarily because of reduction in interest expense on convertible bonds to approximately HK$2,385,000 (2018: HK$5,066,000) upon its partial conversion in 2018.

Basic and diluted (loss)/earnings per share

Basic and diluted loss per share of continuing operations in the year ended 31 December 2019 were HK7.04 cents (2018: HK15.93 cents) and HK7.04 cents (2018: HK15.89 cents), 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 2019 with net current assets of approximately HK$497,370,000 (31 December 2018: HK$684,138,000) and pledged bank deposits and bank and cash balances in the aggregate amount of approximately HK$36,730,000 (31 December 2018: HK$16,764,000). 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 24.08% as at 31 December 2019 (31 December 2018: 5.58%).

EMPLOYMENT

As at 31 December 2019, the Group had approximately 493 employees (2018: 612), 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$68,710,000 (2018: HK$69,280,000).

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 that the Group's exposure to exchange risks is minimal. However, the Company faces foreign exchange risks when it conducts fund raising activities in Hong Kong (in HK$) and remits funds to its subsidiaries in the PRC (in RMB). The Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: Nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2019 are set out in Note 17 in this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, 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 2019, 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. 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, 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.

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 Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions.

Having made specific enquiry with all Directors, the Company is pleased to report that the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2019. The Model Code also applies to other specified senior management of the Group.

REVIEW OF UNAUDITED ANNUAL RESULTS

As a consequence of the COVID-19 outbreak, production bases and office premises of the Group were closed and were unable to resume operation until approval was obtained from the PRC government on late February 2020. As at the date of this announcement, minimal operation of the subsidiaries in the PRC is resumed, however, domestic travel restriction is continued to be implemented across the PRC. The auditors of the Company, ZHONGHUI ANDA CPA Limited, were unable to conduct field works in the PRC. Therefore, the audit work for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement. The Company expects that the audit work will be completed on or before the end of April 2020, subjected to the release of travel restriction, and the resume of normal operation of the business in the PRC in April 2020. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

In order to provide sufficient information to the shareholders of the Company and the potential investors of the Company to make investment decisions, the Board would like to provide the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the audited comparative figures for the corresponding period in 2018. The unaudited annual results contained herein have not been reviewed by the audit committee of the Company.

OTHER INFORMATION

Property, plant and equipment of the Group are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment, while investment property is stated at its fair value after initial recognition. Due to the delay in the Group's normal operation resumption as a result of the COVID-19 outbreak, valuation carried by external valuers had not been finalised as at the date of the announcement. Accordingly, property, plant and equipment and investment property of the Group are stated at cost or past valuation performed in this announcement. Furthermore, the Group's management had performed impairment assessments over the fair value on the items set out in this announcement, however, the Group's management does not rule out the possibility that the fair value will be adjusted during the course of audit.

FURTHER ANNOUNCEMENT(S)

Announcement relating to the audited results will be made upon completion of the audit work performed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, which will contain comparisons on the material differences (if any) between the unaudited and the audited annual results. Further announcement will also be made regarding any other material development in the auditing process.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the respective websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.tessonholdings.com). The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the Company's auditors, and has not been reviewed by the audit committee of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
TESSON HOLDINGS LIMITED
Tin Kong
Chairman and Executive Director

Hong Kong, 31 March 2020

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*