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 2020

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 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(Unaudited) Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**422,562**	891,033
Cost of sales		**(250,732)**	(779,296)
Gross profit		**171,830**	111,737
Other income	*5*	**2,680**	5,929
Distribution and selling expenses		**(6,313)**	(6,746)
Administrative expenses		**(65,181)**	(75,071)

	Notes	(Unaudited) Six months ended 30 June 2020 HK$'000	2019 HK$'000
Profit from operation		**103,016**	35,849
Finance costs	*6*	**(7,214)**	(6,279)
Profit before tax		**95,802**	29,570
Income tax	*7*	**(46,841)**	(25,591)
Profit for the period	*8*	**48,961**	3,979
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(25,264)**	(4,359)
Total comprehensive income/(loss) for the period		**23,697**	(380)
Profit/(loss) for the period attributable to:			
Owners of the Company		**26,720**	(21,639)
Non-controlling interests		**22,241**	25,618
		48,961	3,979
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**17,504**	(24,962)
Non-controlling interests		**6,193**	24,582
		23,697	(380)
Earnings/(loss) per share	*10*		
Basic *(cents per share)*		**2.23**	(1.82)
Diluted *(cents per share)*		**2.23**	(1.82)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**412,102**	456,080
Investment property		**38,141**	38,886
Deposits paid for acquisition of property, plant and equipment		**18,144**	4,917
Goodwill	*12*	**203,717**	207,695
Right-of-use assets	*13*	**115,827**	123,032
Interests in joint venture		**9,245**	9,425
		797,176	840,035
Current assets			
Inventories		**26,395**	36,163
Properties for sale under development	*14*	**1,460,350**	1,579,488
Trade and other receivables, deposits and prepayments	*15*	**227,773**	229,685
Financial assets at fair value through profit or loss		**140**	134
Amount due from a non-controlling shareholder of a subsidiary	*16*	**399,882**	415,118
Pledged bank deposits		**27,400**	1,341
Restricted bank deposits		**37,473**	38,159
Bank and cash balances		**58,770**	35,389
		2,238,183	2,335,477
Current liabilities			
Trade and other payables	*17*	**358,876**	330,978
Contract liabilities		**991,787**	1,228,995
Borrowings	*18*	**260,360**	263,784
Lease liabilities		**6,991**	8,417
Tax payable		**79,553**	24,060
Amount due to the controlling shareholder	*19*	**24,672**	9,595
		1,722,239	1,865,829

	Notes	**30 June 2020** **HK$'000** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Net current assets		**515,944**	469,648
Total assets less current liabilities		**1,313,120**	1,309,683
Non-current liabilities			
Amount due to the controlling shareholder	*19*	**40,218**	42,900
Lease liabilities		**15,610**	18,321
Convertible bonds	*20*	**44,197**	43,893
Deferred tax liabilities		**84,122**	99,293
		184,147	204,407
NET ASSETS		**1,128,973**	1,105,276
Capital and reserves			
Share capital	*21*	**119,649**	119,649
Reserves		**874,595**	857,091
Equity attributable to owners of the Company		**994,244**	976,740
Non-controlling interests		**134,729**	128,536
TOTAL EQUITY		**1,128,973**	1,105,276

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. During the period, the Group principally engaged in 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 2019.

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 2019.

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 2020. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The 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

(a) Disaggregation of revenue

All revenue generated by the Group were derived from the People's Republic of China (the "**PRC**") and recognised at a point in time. Disaggregation of revenue from contracts with customers by major products or service lines is as follows.

	Lithium Ion Motive Battery Business *HK$'000*	Property and Cultural Business *HK$'000*	Total *HK$'000*
Period ended 30 June 2020 (Unaudited):			
Major product/services			
Batteries	**58,852**	**–**	**58,852**
Properties	**–**	**358,004**	**358,004**
Provision of event production service	**–**	**5,706**	**5,706**
	58,852	**363,710**	**422,562**
Period ended 30 June 2019 (Unaudited):			
Major product/services			
Batteries	20,096	–	20,096
Properties	–	860,508	860,508
Provision of event production service	–	10,429	10,429
	20,096	870,937	891,033

(b) **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 2020 (Unaudited):			
Revenue from external customers	**58,852**	**363,710**	**422,562**
Segment (loss)/profit	**(52,415)**	**116,223**	**63,808**
Depreciation of property, plant and equipment	**36,579**	**957**	**37,536**
Depreciation of right-of-use assets	**4,299**	**839**	**5,138**
Additions to segment non-current assets	**15,644**	**867**	**16,511**
At 30 June 2020 (Unaudited):			
Segment assets	**760,219**	**2,198,777**	**2,958,996**
Segment liabilities	**292,039**	**1,396,557**	**1,688,596**
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
Addition to segment non-current assets	7,222	65	7,287
At 31 December 2019 (Audited):			
Segment assets	777,680	2,393,708	3,171,388
Segment liabilities	289,099	1,577,871	1,866,970

Reconciliation of profit or loss is set out below:

	(Unaudited) Six months ended 30 June	
	2020 *HK$'000*	2019 *HK$'000*
Total profit of reportable segments	**63,808**	17,295
Corporate and unallocated loss	**(14,471)**	(13,316)
Profit for the period	**49,337**	3,979

5. OTHER INCOME

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest income	**137**	621
Government grants	**1,694**	4,315
Rental income	**308**	362
Others	**541**	631
	2,680	5,929

6. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest expenses on borrowings	**11,001**	2,186
Interest expenses on amounts due to the Controlling Shareholder	**1,808**	1,830
Imputed interest expense on Convertible Bonds	**1,202**	1,179
Lease interests	**813**	1,084
	14,824	6,279
Less: Interest expenses capitalised into properties under development	**(7,610)**	–
	7,214	6,279

7. INCOME TAX

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the period	**56,407**	87,929
PRC land appreciation tax	**3,762**	–
Deferred tax	**(13,328)**	(62,338)
	46,841	25,591

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 2020.

8. PROFIT FOR THE PERIOD

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

	(Unaudited) Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Cost of sales	**250,732**	779,296
Depreciation of property, plant and equipment	**37,913**	27,169
Depreciation of right-of-use assets	**5,700**	5,936
Research and development expenses (including depreciation and staff costs)	**11,596**	15,421
Directors' emoluments	**3,309**	3,258
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**31,144**	35,223
Retirement benefits scheme contributions	**1,416**	2,655

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2019: nil).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK$26,720,000 (six months ended 30 June 2019: loss of HK$21,639,000) and the weighted average number of 1,196,485,700 (six months ended 30 June 2019: 1,186,315,700) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the current and prior periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has acquired property, plant and equipment of approximately HK$2,472,000.

12. GOODWILL

	(Unaudited) *HK$'000*
At 1 January 2019	211,617
Currency realignment	(3,922)
At 31 December 2019 and 1 January 2020	207,695
Currency realignment	(3,978)
At 30 June 2020	203,717

13. RIGHT-OF-USE ASSETS

During the Reporting Period, the Group entered into certain lease agreements for office premises, and therefore recognised the additions to right-of-use assets of approximately HK$811,000.

14. PROPERTIES FOR SALE UNDER DEVELOPMENT

	(Unaudited) *HK$'000*
At 1 January 2019	2,168,976
Additions	212,093
Transfer to investment property	(15,275)
Properties completed and sold	(754,750)
Currency realignment	(31,556)
At 31 December 2019 and 1 January 2020	1,579,488
Additions	93,194
Properties completed and sold	(182,480)
Currency realignment	(29,852)
At 30 June 2020	1,460,350

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**90,079**	68,985
Less: Impairment losses	**–**	(12,011)
	90,079	56,974
Bills receivable	**373**	–
Value-added tax receivables	**97,723**	124,654
Tax recoverable	**–**	9,207
Other receivables, deposits and prepayments	**39,598**	38,850
	227,773	229,685

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 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**41,459**	14,195
61 to 90 days	**7,831**	1,579
Over 90 days	**41,162**	41,200
	90,452	56,974

16. 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.

17. TRADE AND OTHER PAYABLES

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Trade payables	**80,006**	81,803
Bills payable	**27,400**	1,341
Amounts payable on acquisition of property, plant and equipment	**160,275**	164,108
Accruals and other payables	**91,195**	83,726
	358,876	330,978

The aging of bills payable at the end of the period falls within 180 days (31 December 2019: 180 days).

At 30 June 2020, bills payable totaling HK$27,400,000 (31 December 2019: HK$1,341,000) were secured by pledged bank deposits of HK$27,400,000 (31 December 2019: HK$1,341,000).

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

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
0 to 60 days	**11,433**	20,054
61 to 90 days	**931**	5,131
Over 90 days	**67,642**	56,618
	80,006	81,803

18. BORROWINGS

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Bank loans – secured	**175,360**	178,784
Other borrowings – unsecured	**85,000**	85,000
	260,360	263,784

At 30 June 2020, bank loans were secured by a parcel of land held by the Group located in Nanning with carrying value of approximately HK$94,654,000 (31 December 2019: HK$96,072,000).

Bank loans for the periods presented are denominated in Renminbi ("**RMB**").

Other borrowings for the periods presented are denominated in HK$.

19. 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 20 to replace the loan amounting to HK$300,000,000.

At 30 June 2020, the amount due to the Controlling Shareholder of approximately HK$45,580,000 (31 December 2019: HK$45,580,000) 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.

20. CONVERTIBLE BONDS

On 28 February 2017, the Company issued the Convertible Bonds in an aggregate principal amount of HK$300,000,000 with a coupon rate of 3% to the Controlling Shareholder as detailed in Note 19 payable quarterly in arrears, no proceeds were raised on the issue of Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036, representing maturity period of 18.3 years, and can be converted into a maximum of 187,500,000 conversion shares of the Company at the conversion price of HK$1.6 per conversion shares upon full exercise of the conversion rights by the end on the third anniversary to the date of issue of the Convertible Bonds. On 16 April 2018, 150,000,000 conversion shares were 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	**Equity component**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2019	**43,308**	**15,983**	**59,291**
Imputed interest expense	**2,385**	**–**	**2,385**
Interest paid/payable	**(1,800)**	**–**	**(1,800)**
At 31 December 2019 and 1 January 2020	**43,893**	**15,983**	**59,876**
Imputed interest expense	**1,202**	**–**	**1,202**
Interest paid/payable	**(898)**	**–**	**(898)**
At 30 June 2020	**44,197**	**15,983**	**60,180**

21. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	**2,000,000,000**	**200,000**
Issued and fully paid:		
At 1 January 2019	**1,186,315,700**	**118,632**
Issue of shares upon share placement	**10,170,000**	**1,017**
At 31 December 2019, 1 January 2020 and 30 June 2020	**1,196,485,700**	**119,649**

22. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2019: 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 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Within one year	**1,329**	1,376
In the second to fifth year inclusive	**6,372**	6,418
After five years	**16,404**	17,419
	24,105	25,213

24. CAPITAL COMMITMENTS

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

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Contracted but not provided for:		
– Property, plant and equipment	**41,413**	42,757

25. RELATED PARTY TRANSACTIONS

	(Unaudited) Six month ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest expenses on Convertible Bonds and amount due to the Controlling Shareholder *(Note 6)*	**3,010**	3,009

Key management personnel remuneration

The emoluments of the 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 31 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

The worldwide outbreak of the novel coronavirus disease ("**COVID-19**") in 2020 had affected the macroeconomics as well as the new energy vehicle market in the PRC. According to the statistics from the China Association of Automobile Manufacturers, production and sales of new energy vehicles in the first quarter of 2020 had been dropped by 45% and 43% respectively compared to the same period in 2019. Following the resume of normal operation of general business in the PRC, production and sales showed a recovering growth trend since March 2020. The overall production and sales volume of new energy vehicles in the first half of 2020 had both dropped by 37% compared to the same period in 2019.

In response to the pressure from general economic downturn, the Group had implemented several policies, including re-organisation of human resources, technical enhancement, and replacement of more efficient raw materials, aiming to achieve cost reduction. These policies had effectively reduced production and administrative costs. Meanwhile, the Group successfully reached to operation agreements with several large enterprises, notwithstanding difficult market conditions during the period, sales revenue still increased.

Besides, on April 2020, four ministries and commissions of the PRC jointly issued the Notice on Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles* (《關於完善新能源汽車推廣應用財政補貼政策的通知》), flattening the magnitude and pace of subsidy decline on new energy vehicles by 10%, 20% and 30% on the basis of the previous year, prolonging the subsidy policy to the end of year 2022. In view of the release of this cross-year policy, the Group expects demands of the automobile manufacturers will subject to less fluctuation. In the second half of 2020, the Group will continue to develop its automobile battery products, and expand its market share in the electric motorcycle, sales revenue is expected to increase. With the rise in production volume, the Group may achieve economy of scale, optimise the use of resources and eventually increase the gross profit of the battery products.

Property and Cultural Business

In the first half of 2020, more property units in Rongzhou Gangjiucheng* (容州港九城) which was the main property project of the Group located in Nanchang, Jiangxi, were handed over and contributed a significant portion of revenue to the Group. The Group will continue to accelerate the construction progress of the projects in Nanchang and Nanning in order to catch up with the progress delayed due to the outbreak of the pandemic in first quarter of 2020, and targeted to hand over the other property units in Rongzhou Gangjiucheng* and to commence the staff dormitory project in Lishui, Nanjing by the end of 2020 as scheduled, minimising the impact brought by the pandemic.

PROSPECTS

In response to the outbreak of COVID-19, the Group's production facilities in the PRC had once maintained limited operation in 2020, resulting a temporary decrease in production volume. With the resume of normal operation, the Group will continue to implement new measures to optimise resources allocation, further enhance our product quality, further diversify portfolios of our battery products, and continue to construct phase III production base in Weinan, Shaanxi, as well as the battery pack factory in Nanjing, Jiangsu in order to lay a solid base for the Group's future development.

Under the Sino-US trade conflicts and the outbreak of COVID-19, the business environment is full of challenges. Nonetheless, the Group remains cautiously optimistic about the lithium ion motive battery market as well as the property market in the PRC. With our wealth of experience, the Directors believe that the Group will gradually overcome the prevailing challenges and continue to develop its businesses. The Group will continue to develop our existing projects, and seize to capture any opportunities in new areas or business that create synergy to the Group's existing businesses, including trading of medical equipments and development of education areas. The Group will endeavour to overcome challenges ahead, and realise its value to the Shareholders and business partners of the Group as always.

FINANCIAL REVIEW

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

During the period, under the pressure of global economic downturn derived from the COVID-19 outbreak, revenue contributed from the Lithium Ion Motive Battery Business still increased to approximately HK$58,852,000 (for the six months ended 30 June 2019: HK$20,096,000), mainly due to the growth in customer base and further enhancement of our battery product quality. The Group will continue our strategy of diversifying customer base, at the same time reduce overhead cost and promote more efficient working environment in order to further improve gross profit to our battery products.

Property and Cultural Business

During the Reporting Period, part of the phase II properties units with total gross floor area of 40,689 square meters 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$358,004,000 (for the six months ended 30 June 2019: HK$860,508,000 with total gross floor area of 122,374 square meters).

The cultural business contributed to the Group's revenue in the amount of approximately HK$5,706,000 (for the six months ended 30 June 2019: approximately HK$10,429,000), the decrease was in line with the reduced number of events and exhibitions due to the closure of themed museums in response to the COVID-19 outbreak.

Other income

Other income for the Reporting Period decreased from approximately HK$5,929,000 to approximately HK$2,680,000, which was mainly due to the drop in government grant from approximately HK$4,315,000 to approximately HK$1,694,000.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period were HK$6,313,000 which were comparable to the six months ended 30 June 2019 at approximately HK$6,746,000.

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK$65,181,000 (for the six months ended 30 June 2019: approximately HK$75,071,000). The decrease was primarily due to the reduction in staff costs from approximately HK$26,518,000 to HK$18,516,000 as a result of the re-organisation of human resources in the supporting departments and research and development team.

Finance costs

Finance costs net of interest capitalised for the Reporting Period amounted to approximately HK$7,214,000 (for the six months ended 30 June 2019: approximately HK$6,279,000), mainly represented interests charged on other borrowings.

Basic and diluted earnings per share

Basic and diluted earnings per share for the Reporting Period was HK2.23 cents as compared to loss of HK1.82 cents for the six months ended 30 June 2019.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2020, the Group employed a total of approximately 510 employees (31 December 2019: 493 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 2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2020 with net current assets of approximately HK$515,944,000 (31 December 2019: approximately HK$469,648,000) and pledged bank deposits and bank and cash balances in the aggregate amount of approximately HK$86,170,000 (31 December 2019: approximately HK$36,730,000). 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 23.06% as at 30 June 2020 (31 December 2019: 23.87%).

BORROWINGS AND PLEDGE OF ASSETS

Details of pledged assets are set out in Note 18.

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, one independent non-executive Director was absent from the annual general meeting of the Company held on 31 August 2020 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.

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 has been serving 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 considers that the consolidation of these roles by Mr. Tin Kong provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company. The Board will keep reviewing this arrangement from time to time and should candidate with suitable knowledge, skills and experience be identified, the Company will make an appointment to fill the post as appropriate.

The Board will continue to 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.

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 2020 and the corresponding period in 2019 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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the respective websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.tessonholdings.com). The interim report of the Company for the six months ended 30 June 2020 will be available on the aforesaid websites and dispatched to the Shareholders in due course.

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

Hong Kong, 31 August 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*