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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 2021

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 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	4	85,063	422,562
Cost of sales		(73,401)	(250,732)
Gross profit		11,662	171,830
Other income	5	6,401	2,680
Distribution and selling expenses		(6,476)	(6,313)
Administrative expenses		(231,134)	(65,181)
Impairment losses on trade and other receivables		(48,148)	–

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/profit from operation		(267,695)	103,016
Finance costs	6	<u>(4,112)</u>	<u>(7,214)</u>
(Loss)/profit before tax		(271,807)	95,802
Income tax	7	<u>(860)</u>	<u>(46,841)</u>
(Loss)/profit for the period	8	(272,667)	48,961
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>19,646</u>	<u>(25,264)</u>
Total comprehensive (loss)/income for the period		<u>(253,021)</u>	<u>23,697</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		<u>(214,092)</u>	26,720
Non-controlling interests		<u>(58,575)</u>	<u>22,241</u>
		<u>(272,667)</u>	<u>48,961</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		<u>(193,230)</u>	17,504
Non-controlling interests		<u>(59,791)</u>	<u>6,193</u>
		<u>(253,021)</u>	<u>23,697</u>
(Loss)/earnings per share	10		
Basic (<i>cents per share</i>)		<u>(17.89)</u>	<u>2.23</u>
Diluted (<i>cents per share</i>)		<u>(17.89)</u>	<u>2.23</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	11	296,242	421,476
Deposits paid for acquisition of property, plant and equipment		473	3,548
Investment property		171,770	29,526
Goodwill	12	199,758	220,408
Right-of-use assets	13	93,211	120,910
Interests in joint venture		–	10,002
		<u>761,454</u>	<u>805,870</u>
Current assets			
Inventories		39,144	30,870
Properties for sale under development	14	1,469,712	1,566,127
Trade, bills and other receivables, deposits and prepayments	15	219,154	213,691
Financial assets at fair value through profit or loss		190	86
Amount due from a non-controlling shareholder of a subsidiary	16	274,091	309,383
Restricted bank deposits		58,530	52,659
Bank and cash balances		7,520	15,109
		<u>2,068,341</u>	<u>2,187,925</u>
Current liabilities			
Trade and other payables	17	365,734	340,541
Contract liabilities		1,011,846	938,905
Borrowings	18	241,247	251,012
Lease liabilities		6,405	5,144
Tax payable		120,839	120,969
Amount due to the controlling shareholder	19	509	68
		<u>1,746,580</u>	<u>1,656,639</u>

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Net current assets		321,761	531,286
Total assets less current liabilities		1,083,215	1,337,156
Non-current liabilities			
Lease liabilities		13,573	15,591
Deferred tax liabilities		74,759	81,175
		88,332	96,766
NET ASSETS		994,883	1,240,390
Capital and reserves			
Share capital	21	119,649	119,649
Reserves		742,663	930,329
Equity attributable to owners of the Company		862,312	1,049,978
Non-controlling interests		132,571	190,412
TOTAL EQUITY		994,883	1,240,390

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 401A, Empire Centre, 68 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 2020.

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 2020.

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 2021. 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 2021 (Unaudited):			
Major product/services			
Batteries	71,618	–	71,618
Properties	–	3,603	3,603
Provision of event production service	–	9,842	9,842
	<u>71,618</u>	<u>13,445</u>	<u>85,063</u>
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
	<u>58,852</u>	<u>363,710</u>	<u>422,562</u>

(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 2021 (Unaudited):			
Revenue from external customers	71,618	13,445	85,063
Segment loss	(233,341)	(28,322)	(261,663)
Depreciation of property, plant and equipment	32,643	591	33,234
Depreciation of right-of-use assets	2,752	957	3,709
Additions to segment non-current assets	3,279	141,842	145,121
At 30 June 2021 (Unaudited):			
Segment assets	584,850	2,161,917	2,746,767
Segment liabilities	<u>302,766</u>	<u>1,404,545</u>	<u>1,707,311</u>
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 31 December 2020 (Audited):			
Segment assets	774,096	2,214,553	2,988,649
Segment liabilities	<u>289,806</u>	<u>1,342,479</u>	<u>1,632,285</u>

Reconciliation of profit or loss is set out below:

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Total (loss)/profit of reportable segments	(261,663)	63,808
Corporate and unallocated loss	<u>(11,004)</u>	<u>(14,847)</u>
(Loss)/profit for the period	<u>(272,667)</u>	<u>48,961</u>

5. OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income	238	137
Government grants	4,069	1,694
Rental income	191	308
Others	1,903	541
	<u>6,401</u>	<u>2,680</u>

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest expenses on borrowings	10,334	11,001
Interest expenses on amount due to the Controlling Shareholder	–	1,808
Imputed interest expense on Convertible Bonds	–	1,202
Lease interests	712	813
	<u>11,046</u>	<u>14,824</u>
<i>Less: Interest capitalisation</i>	<u>(6,934)</u>	<u>(7,610)</u>
	<u>4,112</u>	<u>7,214</u>

7. INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
PRC Enterprise Income Tax for the period	856	56,407
PRC land appreciation tax	–	3,762
Deferred tax	4	(13,328)
	<u>860</u>	<u>46,841</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 in the PRC, that are entitled to a preferential tax rate of 15% during year of 2021.

8. (LOSS)/PROFIT FOR THE PERIOD

The Group's (loss)/profit is stated after charging the following:

		(Unaudited)	
		Six months ended 30 June	
	Notes	2021	2020
		HK\$'000	HK\$'000
Cost of sales		73,401	250,732
Depreciation of property, plant and equipment		33,610	37,913
Depreciation of right-of-use assets		4,104	5,700
Written-off of inventories	i	1,014	–
Impairment loss on inventories	i	32,499	–
Written-off of property, plant and equipment	i	62,348	–
Impairment loss on property, plant and equipment	i	30,320	–
Impairment loss on trade receivables		38,603	–
Impairment loss on other receivables		9,545	–
Impairment loss on goodwill		23,633	–
Impairment loss on interests in joint venture	ii	10,148	–
Research and development expenses (including depreciation and staff costs)		2,463	11,596
Directors' emoluments		3,047	3,309
Staff costs (including directors' emoluments):			
Salaries, bonus and allowances		34,473	31,144
Retirement benefits scheme contributions		2,380	1,416

Notes

- (i) These amounts were related to a fire accident occurred in June 2021 in the production base which had caused damages to certain production facilities and inventories. Accordingly, assets burned down were written off and the damaged assets were impaired.
- (ii) Full impairment on interests in joint venture was made as it is expected the investment costs was not recoverable considering the business environment and loss-making position of the joint venture company.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2020: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) 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\$214,092,000 (six months ended 30 June 2020: profit of HK\$26,720,000) and the weighted average number of 1,196,485,700 (six months ended 30 June 2020: 1,196,485,700) ordinary shares in issue during the period.

(b) 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 current and prior periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has acquired property, plant and equipment of approximately HK\$1,321,000. Certain assets amounted to HK\$62,348,000 were written off and impairment loss of HK\$30,320,000 was recognised in relation to the fire accident in June 2021.

12. GOODWILL

	(Unaudited) HK\$'000
At 1 January 2020	207,695
Currency realignment	<u>12,713</u>
At 31 December 2020 and 1 January 2021	220,408
Impairment	(23,633)
Currency realignment	<u>2,983</u>
At 30 June 2021	<u><u>199,758</u></u>

Impairment loss of HK\$23,633,000 was recognised regarding the goodwill arising from the Group's acquisition of Nanchang Rongzhou Investment Company Limited* (南昌市容州投资有限公司) ("Nanchang Investment") after assessing its latest planning of future business model and increasing difficulties in acquiring potential land parcels for development in Nanchang which led to a reduction in expected profitability.

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\$2,016,000. Certain parcels of land with carrying amount of approximately HK\$27,233,000 were disposed, a disposal gain of approximately HK\$1,552,000 was recognised.

14. PROPERTIES FOR SALE UNDER DEVELOPMENT

	(Unaudited) HK\$'000
At 1 January 2020	1,579,488
Additions	304,516
Properties completed and sold	(309,043)
Currency realignment	(8,834)
	<hr/>
At 31 December 2020 and 1 January 2021	1,566,127
Additions	24,389
Properties completed and sold	(235)
Transfer to investment property	(141,784)
Currency realignment	21,215
	<hr/>
At 30 June 2021	<u>1,469,712</u>

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	115,123	109,854
Less: Impairment losses	(53,098)	(14,524)
	<hr/>	<hr/>
	62,025	95,330
Bills receivable	–	734
Value-added tax receivables	110,546	88,621
Tax recoverable	–	597
Other receivables, deposits and prepayments	46,583	28,409
	<hr/>	<hr/>
	<u>219,154</u>	<u>213,691</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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 60 days	23,693	33,758
61 to 90 days	17,695	7,682
Over 90 days	20,637	54,624
	<hr/>	<hr/>
	<u>62,025</u>	<u>96,064</u>

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

The amount represented financial assistance provided by Nanchang Investment 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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	113,834	91,949
Amounts payable on acquisition of property, plant and equipment	151,339	171,587
Accruals and other payables	100,561	77,005
	<u>365,734</u>	<u>340,541</u>

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 60 days	55,968	40,939
61 to 90 days	10,604	6,987
Over 90 days	47,262	44,023
	<u>113,834</u>	<u>91,949</u>

18. BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank loans – secured	156,247	166,012
Other borrowings – unsecured	85,000	85,000
	<u>241,247</u>	<u>251,012</u>

At 30 June 2021, bank loans were secured by properties for sale under development and investment property of the Group located in Nanning with carrying value of approximately HK\$297,454,000 in aggregate (31 December 2020: HK\$274,711,000).

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.

During the year ended 31 December 2020, the Company had settled the interest-bearing part of the amount due to the Controlling Shareholder. At 30 June 2021, the amount was 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 would mature from the date of issue to 30 June 2036, and could 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. On 26 August 2020, the Company early redeemed the Convertible Bonds.

21. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each		
at 1 January 2020, 31 December 2020,		
1 January 2021 and 30 June 2021	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2020, 31 December 2020,		
1 January 2021 and 30 June 2021	<u>1,196,485,700</u>	<u>119,649</u>

22. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2020: 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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	867	835
In the second to fifth year inclusive	3,017	3,654
After five years	3,787	3,486
	<u>7,671</u>	<u>7,975</u>

24. CAPITAL COMMITMENTS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted but not provided for: – Property, plant and equipment	<u>40,774</u>	<u>40,435</u>

25. RELATED PARTY TRANSACTIONS

	(Unaudited) Six month ended 30 June 2021 HK\$'000	2020 HK\$'000
Interest expenses on Convertible Bonds and amount due to the Controlling Shareholder (<i>Note 6</i>)	<u>–</u>	<u>3,010</u>

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 30 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

In the first half of 2021, new energy vehicles in the PRC have become more prevalent, and their production, sales and export volumes have all increased. According to the statistics of the China Association of Automobile Manufacturers, from January to June this year, the overall production and sales volumes of new energy vehicles had been increased by 14.3% and 17.6% respectively compared with the same period of last year. The steady development of the new energy vehicle industry enabled the growth of market demand for lithium-ion motive batteries.

Compared with traditional batteries, lithium ion motive batteries have higher energy density, higher output power, smaller size and lighter weight, their applications have gradually become more extensive, and can commonly be used in electronic products, household appliances, energy storage devices, etc., it is expected that lithium ion motive battery will eventually replace traditional battery in the long run and has significant development potential. Together with the favorable development blueprint of new energy industry and the recovery of consumer market in the PRC, various light industries continued to grow and further boosting the demand for battery products. During the Reporting Period, the Group constantly looked for quality business partners and provided different kinds of battery products to a number of enterprises, which mainly included household appliance manufacturers and electric motorcycles manufacturers. As a result, revenue from Lithium Ion Motive Battery Business had steadily increased during the Reporting Period. The Group will continue to develop automobile battery products, expand market share of electric motorcycles, and expand the sales base of electronic products, household appliances and energy storage devices in different categories. With the continuous increase in output quantity, the Group is expected to achieve economies of scale and optimise the use of resources, ultimately increase the gross profit of battery products.

On the other hand, in late June of the year, there was a fire accident in one of the workshops in the Group's Phase I production base in Weinan, Shaanxi, and there were no casualties. In the accident, certain production equipment and batteries were burned down and some other production equipment, plant and battery products were damaged in different levels due to blackening or water damage. The Group wrote off or impaired corresponding assets in the sum of approximately HK\$126,181,000. After the accident, corresponding production base was temporary shut down to investigate the cause of the accident, assess the corresponding losses, carry out cleaning and maintenance work, and more importantly, to alter and strengthen the fire protection design. The Group has transferred the production activities in Phase I to the Phase II production base. Compared to Phase I, Phase II production base contained newer and more advanced equipment, with more automated production lines and smoother production flow. Therefore, the accident did not have a significant impact on the Group's production activities.

Property and Cultural Business

During the Reporting Period, the Group intended to transfer some residential units in Rongzhou Gangjiucheng* (容州港九城), which was the main property project of the Group located in Nanchang, Jiangxi. However, as the construction had to follow specific epidemic prevention measures, including regular whole-site disinfection and quarantine in accordance to the guideline at the time being for some of the engineering staff before report duty. Furthermore, starting from May of this year, southern part of the PRC had generally been affected by rainstorm, rainfall in Jiangxi Province in May even hit a record high for the same period in history. Various factors ultimately led to the unsatisfactory construction progress, the management expected that the handover of the abovementioned residential units may delay to the fourth quarter of this year.

Another project of the Group, Fengxiang Terrace – Rongzhou Cultural Center* (鳳翔台 – 容州文化中心), was located in Nanning, Guangxi, adjacent to Qingxiu Shan national 5A-level scenic spot, connected to the business area of the city with comprehensive ancillary facilities and transport network. The presale of Fengxiang Terrace* was start in late-2019 and had satisfactory sales performance that the majority part of the residential units available for sale was sold. It is expected that the construction will be completed at the end of the year and the handover process of part of the property units will be started at the first season of the coming year. As a result, the Group recorded no revenue from delivery of the residential units in the Reporting Period, revenue from Property and Cultural Business dropped significantly. The Group will continue the construction of the remaining commercial and residential portion in Rongzhou Gangjiucheng* and Fengxiang Terrace*, as well as to commence the staff dormitory project in Lishui, Nanjing to make the construction progress be consistent with the battery pack factory in the same area.

FUTURE PROSPECTS

With the recovery of economic activities and booming market conditions across China, the Group will continue to optimize the allocation of resources, strengthen the academic and industrial background of the international research and development team to further improve product quality and develop more battery products targeting on home appliances and electric motorcycles, in order to occupy a place in the increasingly competitive lithium ion motive battery market. Under the volatile international situation and the impact of the COVID-19 epidemic, the Group will continue to develop existing projects, keep tabs on the pulse of the market, actively seize other business opportunities. With the expertise in brand planning, marketing and promotion services in live stream e-commerce of Ms. Liu Liu, the executive director of the Group with effect from 28 July 2021, the Group will explore the feasibility of, and later on depend on actual circumstances, commence online sales business in the near future, eventually achieve a balanced and diversified business model in the medium term.

FINANCIAL REVIEW

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

During the Reporting Period, the Group continued to expand our customer base and the application of our battery products to different applications, revenue contributed from the Lithium Ion Motive Battery Business increased to approximately HK\$71,618,000 (for the six months ended 30 June 2020: HK\$58,852,000). 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, no revenue from handover of residential units was recorded due to the delay in handover of Rongzhou Gangjiucheng* as abovementioned. Revenue of the property segment represented sales of commercial units and car park units amounted to approximately HK\$3,603,000. Whereas for the six months ended 30 June 2020, revenue of HK\$358,004,000 was recorded and a total gross floor area of 40,689 square meters for residential and commercial units was delivered.

After the COVID-19 outbreak in the PRC eventually be stabilised, themed museums reopened and more exhibitions were conducted, revenue from the cultural business increased to approximately HK\$9,842,000 (for the six months ended 30 June 2020: approximately HK\$5,706,000).

Other income

Other income for the Reporting Period increased from approximately HK\$2,680,000 to approximately HK\$6,401,000, which was mainly due to the increase in government grant from approximately HK\$1,694,000 to approximately HK\$4,069,000.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period were HK\$6,476,000 which were comparable to the six months ended 30 June 2020 at approximately HK\$6,313,000.

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK\$231,134,000 (for the six months ended 30 June 2020: approximately HK\$65,181,000). The significant increase was mainly due to (i) written-off and impairment of certain inventory and property, plant and equipment as a result of a fire accident of the Group's production base in Weinan, Shaanxi occurred in late June 2021 amounted to approximately HK\$126,181,000 in aggregate; (ii) impairment on goodwill amounted to approximately HK\$23,633,000 made after consideration of the latest planning of future business model and lower expected future profit of the subsidiary; and (iii) full impairment on interests in joint venture amounted to approximately HK\$10,148,000 in view of the unlikelihood of recovery of the amount invested.

Finance costs

Finance costs net of interest capitalised for the Reporting Period amounted to approximately HK\$4,112,000 (for the six months ended 30 June 2020: approximately HK\$7,214,000), the reduction was due to the settlement of the interest-bearing part of the amount due to the Controlling Shareholder and the early redemption of Convertible Bonds in 2020.

Basic and diluted (loss)/earnings per share

Basic and diluted loss per share for the Reporting Period was HK(17.89) cents as compared to profit of HK2.23 cents for the six months ended 30 June 2020.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2021, the Group employed a total of approximately 583 employees (31 December 2020: 504 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 2020: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2021 with net current assets of approximately HK\$321,761,000 (31 December 2020: approximately HK\$531,286,000) and bank and cash balances of approximately HK\$7,520,000 (31 December 2020: approximately HK\$15,109,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was 24.25% as at 30 June 2021 (31 December 2020: 20.24%).

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 25 June 2021 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.

OTHER SIGNIFICANT EVENT

On 25 June 2021, the Company entered into a placing agreement (the “**Placing Agreement**”) with Cheong Lee Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent agreed to place, on a best efforts basis, as up to 75,000,000 new shares of the Company (the “**Placing Shares**”) to the placees at a price of HK\$0.40 per share (the “**Placing**”). Upon fulfilment of all the conditions to the Placing Agreement, completion of the Placing took place on 20 July 2021, and a total of 40,008,000 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 25 June 2021, to not less than six placees at HK\$0.4 per share, representing approximately 3.24% 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 and net proceeds from the Placing amounted to approximately HK\$16,000,000 and HK\$15,600,000 respectively, which is intended to be used for the purpose of general working capital of the Company.

Please refer to the Company's announcements dated 25 June 2021 and 20 July 2021 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 2021 and the corresponding period in 2020 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 2021 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, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Tin Kong, Mr. Chan Wei, Ms. Cheng Hung Mui and Ms. Liu Liu 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*