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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 2022

#### 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 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		(Unaudited)	
		Six months ended 30 June	
	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	58,111	85,063
Cost of sales		<u>(54,613)</u>	<u>(73,401)</u>
Gross profit		3,498	11,662
Other income	5	8,064	6,401
Distribution and selling expenses		(4,221)	(6,476)
Administrative expenses		(60,356)	(231,134)
Impairment losses on trade and other receivables		<u>–</u>	<u>(48,148)</u>

		<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss from operation</b>		<b>(53,015)</b>	(267,695)
Finance costs	6	<u>(3,976)</u>	<u>(4,112)</u>
<b>Loss before tax</b>		<b>(56,991)</b>	(271,807)
Income tax	7	<u>–</u>	<u>(860)</u>
<b>Loss for the period</b>	8	<b>(56,991)</b>	(272,667)
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(32,275)</u>	19,646
<b>Total comprehensive loss for the period</b>		<u><b>(89,266)</b></u>	<u>(253,021)</u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<u>(46,849)</u>	(214,092)
Non-controlling interests		<u>(10,142)</u>	<u>(58,575)</u>
		<u><b>(56,991)</b></u>	<u>(272,667)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		<u>(57,733)</u>	(193,230)
Non-controlling interests		<u>(31,533)</u>	<u>(59,791)</u>
		<u><b>(89,266)</b></u>	<u>(253,021)</u>
<b>Loss per share</b>	10		
Basic ( <i>cents per share</i> )		<u><b>(3.79)</b></u>	<u>(17.89)</u>
Diluted ( <i>cents per share</i> )		<u><b>(3.79)</b></u>	<u>(17.89)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>256,935</b>	300,032
Deposits paid for acquisition of property, plant and equipment		<b>1,181</b>	18,985
Investment property		<b>55,403</b>	57,952
Goodwill	<i>12</i>	<b>114,010</b>	119,256
Right-of-use assets	<i>13</i>	<b>88,523</b>	97,346
		<hr/> <b>516,052</b>	<hr/> 593,571
<b>Current assets</b>			
Inventories		<b>44,442</b>	42,178
Properties for sale under development	<i>14</i>	<b>989,246</b>	993,657
Trade and other receivables, deposits and prepayments	<i>15</i>	<b>383,346</b>	583,917
Financial assets at fair value through profit or loss		<b>53</b>	54
Amount due from a non-controlling shareholder of a subsidiary	<i>16</i>	<b>170,288</b>	262,107
Restricted bank deposits		<b>38,547</b>	40,304
Bank and cash balances		<b>7,929</b>	12,643
		<hr/> <b>1,633,851</b>	<hr/> 1,934,860
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>336,951</b>	336,690
Contract liabilities		<b>959,903</b>	1,002,240
Borrowings	<i>18</i>	<b>115,139</b>	207,520
Lease liabilities		<b>6,568</b>	7,886
Tax payable		<b>110,500</b>	122,261
Amount due to the controlling shareholder	<i>19</i>	<b>140</b>	41
		<hr/> <b>1,529,201</b>	<hr/> 1,676,638

		<b>30 June 2022</b>	31 December 2021
	<i>Note</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>Net current assets</b>		<u>104,650</u>	<u>258,222</u>
<b>Total assets less current liabilities</b>		<u>620,702</u>	<u>851,793</u>
<b>Non-current liabilities</b>			
Lease liabilities		11,042	14,612
Deferred tax liabilities		<u>44,530</u>	<u>46,577</u>
		<u>55,572</u>	<u>61,189</u>
<b>NET ASSETS</b>		<u><u>565,130</u></u>	<u><u>790,604</u></u>
<b>Capital and reserves</b>			
Share capital	20	123,650	123,650
Reserves		<u>583,208</u>	<u>640,939</u>
Equity attributable to owners of the Company		<u>706,858</u>	764,589
Non-controlling interests		<u>(141,728)</u>	<u>26,015</u>
<b>TOTAL EQUITY</b>		<u><u>565,130</u></u>	<u><u>790,604</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 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 2021.

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 2021.

### 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 2022. 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.

	<b>Lithium Ion Motive Battery Business HK\$’000</b>	<b>Property and Cultural Business HK\$’000</b>	<b>Internet Sales Business HK\$’000</b>	<b>Total HK\$’000</b>
<b>Period ended 30 June 2022 (Unaudited):</b>				
Major product/services				
Batteries	52,589	–	–	52,589
Properties	–	271	–	271
Provision of event production service	–	4,624	–	4,624
Internet sales	–	–	627	627
	<u>52,589</u>	<u>4,895</u>	<u>627</u>	<u>58,111</u>
<b>Period ended 30 June 2021 (Unaudited):</b>				
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>–</u>	<u>85,063</u>

(b) **Segment Information**

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

	<b>Lithium Ion Motive Battery Business HK\$'000</b>	<b>Property and Cultural Business HK\$'000</b>	<b>Internet Sales Business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Period ended 30 June 2022 (Unaudited):</b>				
Revenue from external customers	52,589	4,895	627	58,111
Segment loss	(35,382)	(8,810)	(2,406)	(46,598)
Depreciation of property, plant and equipment	32,229	246	34	32,509
Depreciation of right-of-use assets	2,589	1,453	246	4,288
Additions to segment non-current assets	2,089	23	–	2,112
<b>At 30 June 2022 (Unaudited):</b>				
Segment assets	678,114	1,457,679	9,810	2,145,603
Segment liabilities	<u>227,545</u>	<u>1,232,156</u>	<u>4,547</u>	<u>1,464,248</u>
<b>Period ended 30 June 2021 (Unaudited):</b>				
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
<b>At 31 December 2021 (Audited):</b>				
Segment assets	577,941	1,932,279	15,474	2,525,694
Segment liabilities	<u>280,858</u>	<u>1,319,713</u>	<u>7,294</u>	<u>1,607,865</u>

Reconciliation of profit or loss is set out below:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total loss of reportable segments	(46,598)	(261,663)
Corporate and unallocated loss	<u>(10,393)</u>	<u>(11,004)</u>
Loss for the period	<u>(56,991)</u>	<u>(272,667)</u>

## 5. OTHER INCOME

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	216	238
Government grants	45	4,069
Fire insurance claim income	5,786	–
Rental income	712	191
Others	1,305	1,903
	<u>8,064</u>	<u>6,401</u>

## 6. FINANCE COSTS

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expenses on borrowings	7,647	10,334
Lease interests	714	712
	<u>8,361</u>	<u>11,046</u>
<i>Less: Interest capitalisation</i>	<u>(4,385)</u>	<u>(6,934)</u>
	<u>3,976</u>	<u>4,112</u>

## 7. INCOME TAX

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PRC Enterprise Income Tax for the period	–	856
Deferred tax	–	4
	<u>–</u>	<u>860</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 2022.



## 8. LOSS FOR THE PERIOD

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

	<i>Notes</i>	<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of sales		<b>54,613</b>	73,401
Depreciation of property, plant and equipment		<b>32,890</b>	33,610
Depreciation of right-of-use assets		<b>4,683</b>	4,104
Written-off of inventories	<i>i</i>	–	1,014
Impairment loss on inventories	<i>i</i>	–	32,499
Written-off of property, plant and equipment	<i>i</i>	–	62,348
Impairment loss on property, plant and equipment	<i>i</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	<i>ii</i>	–	10,148
Research and development expenses (including depreciation and staff costs)		<b>1,926</b>	2,463
Directors' emoluments		<b>2,652</b>	3,047
Staff costs (including Directors' emoluments):			
Salaries, bonus and allowances		<b>24,923</b>	34,473
Retirement benefits scheme contributions		<b>2,494</b>	2,380

### *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 in June 2021 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 (2021: nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$46,849,000 (six months ended 30 June 2021: HK\$214,092,000) and the weighted average number of 1,236,493,700 (six months ended 30 June 2021: 1,196,485,700) ordinary shares in issue during the period.

### (b) Diluted loss per share

No diluted 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\$2,112,000.

## 12. GOODWILL

	<b>(Unaudited)</b> <b>HK\$'000</b>
<b>Cost</b>	
At 1 January 2021	220,408
Currency realignment	<u>5,703</u>
At 31 December 2021 and 1 January 2022	226,111
Currency realignment	<u>(8,398)</u>
At 30 June 2022	<u><u>217,713</u></u>
<b>Accumulated impairment losses</b>	
At 1 January 2021	–
Impairment loss	<u>(106,855)</u>
At 31 December 2021	(106,855)
Currency realignment	<u>3,152</u>
At 30 June 2022	<u><u>(103,703)</u></u>
<b>Carrying amounts</b>	
At 30 June 2022 (unaudited)	<u><u>114,010</u></u>
At 31 December 2021 (audited)	<u><u>119,256</u></u>

### 13. RIGHT-OF-USE ASSETS

During the Reporting Period, there was no new lease being entered into by the Group which was within the scope of HKFRS16.

### 14. PROPERTIES FOR SALE UNDER DEVELOPMENT

	<b>(Unaudited)</b> <b>HK\$'000</b>
At 1 January 2021	1,566,127
Additions	376,846
Transfer to investment properties	(13,843)
Disposal upon termination	(848,261)
Impairment loss	(130,084)
Currency realignment	42,872
	<hr/>
At 31 December 2021 and 1 January 2022	993,657
Additions	40,445
Currency realignment	(44,856)
	<hr/>
At 30 June 2022	<u>989,246</u>

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

	<b>30 June</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2021 <b>HK\$'000</b> <b>(Audited)</b>
Trade receivables	<b>26,049</b>	43,967
Less: Impairment losses	<b>(5,336)</b>	(6,804)
	<hr/>	<hr/>
	<b>20,713</b>	37,163
Value-added tax receivables	<b>22,606</b>	62,997
Tax recoverable	<b>3,252</b>	1,073
Consideration receivable	<b>274,679</b>	439,269
Other receivables, deposits and prepayments	<b>62,096</b>	43,415
	<hr/>	<hr/>
	<b>383,346</b>	<u>583,917</u>

## Trade 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 receivables, presented based on the invoice date at the end of the periods.

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
0 to 60 days	12,922	18,138
61 to 90 days	107	1,218
Over 90 days	7,684	17,807
	<u>20,713</u>	<u>37,163</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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade payables	74,023	82,929
Amounts payable on acquisition of property, plant and equipment	114,362	136,461
Accruals and other payables	148,566	117,300
	<u>336,951</u>	<u>336,690</u>

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
0 to 60 days	12,966	37,041
61 to 90 days	1,609	1,488
Over 90 days	59,448	44,400
	<u>74,023</u>	<u>82,929</u>

## 18. BORROWINGS

	<b>30 June 2022</b> <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Bank loans – secured	<b>35,139</b>	122,520
Other borrowings – unsecured	<b>80,000</b>	85,000
	<b><u>115,139</u></b>	<b><u>207,520</u></b>

At 30 June 2022, bank loans were secured by properties for sale under development of the Group located in Nanning with carrying value of approximately HK\$456,186,000 (31 December 2021: HK\$444,004,000).

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

The amount was unsecured, non-interest bearing and has no fixed repayment terms.

## 20. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<b><u>2,000,000,000</u></b>	<b><u>200,000</u></b>
<i>Issued and fully paid:</i>		
At 1 January 2021	<b>1,196,485,700</b>	<b>119,649</b>
Issue of shares upon share placement	<b><u>40,008,000</u></b>	<b><u>4,001</u></b>
At 31 December 2021, 1 January 2022 and 30 June 2022	<b><u>1,236,493,700</u></b>	<b><u>123,650</u></b>

## 21. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2021: nil).

## 22. 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:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within one year	<b>1,934</b>	1,717
In the second to fifth year inclusive	<b>8,765</b>	8,995
After five years	<b>8,610</b>	10,107
	<b><u>19,309</u></b>	<u>20,819</u>

## 23. CAPITAL COMMITMENTS

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Contracted but not provided for: – Property, plant and equipment	<b><u>38,350</u></b>	<u>40,462</u>

## 24. RELATED PARTY TRANSACTIONS

### 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.

## 25. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 29 August 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Lithium Ion Motive Battery Business**

In the first half of 2022, the lithium ion battery market developed rapidly. According to the news release from the Ministry of Industry and Information Technology of the PRC, the national lithium ion battery output exceeded 280GWh, representing a year-on-year increase of 150%, and the industrial revenue exceeded RMB480 billion. The vigorous development was mainly backed by the growth in new energy vehicles, which the production and sales volume reached a year-on-year increase of 120%. However, market development of battery products in the field of household applications was comparatively weak. Referencing to the China Home Appliance Industry Semi-Annual Report 2022\* (《2022年中國家電行業半年度報告》) issued by the National Household Appliances Industry Information Center\* (全國家用電器工業信息中心), sales of the domestic home appliance market covering televisions, kitchen products and small home appliances, was around RMB360.9 billion, representing a year-on-year decrease of 11.2%.

Despite the booming market of the lithium ion battery, the outbreak of coronavirus disease 2019 (COVID-19) still kept the Group's Lithium Ion Motive Battery Business under shadow. In early 2022, the COVID-19 pandemic in Xian caused temporary city lockdown as one of the government control measures. The outbreak eventually spread within Shaanxi province, multiple locations were affected which included Yanan city, Xianyang city, and most importantly, Weinan city where the Group's production base located. Travelling in or out or within the province had constantly been affected, cross-province travellers were discouraged to enter the province. Other provinces also impose strict quarantine measures for cross-province travellers which are subjected to change with immediate effect. The production base in Weinan was temporarily closed for a period of time as a response to the local COVID-19 control policy. After the resumption of work, logistics of raw materials was still impacted by the outbreak, production activities were affected. As a result of the reduced production volume, revenue from the Group's Lithium Ion Motive Battery Business dropped in the Reporting Period.

#### **Property and Cultural Business**

In the Reporting Period, economic environment for the real estate industry in the PRC remained challenging and faced continuous downturn with tighter government control. The statistics released by the National Bureau of Statistics showed that national real estate investment in the first half of 2022 had dropped by 5.4%, market performance for commodity residential housing units was worsen that its sales area had dropped by 26.6%, and its sales revenue dropped by 31.8%.

Under such critical operating environment, the Group decided to restructure its business portfolio and as one of the Group's restructuring strategies, the Group entered into a sales and purchase agreement in order to dispose the entire interests of the Group's Property and Cultural Business in June 2022. Through the disposal, the Group will be able to eliminate the negative impact brought by the downturn in the property market in the PRC and the tightening of monitoring to the real estate industry imposed by local government authority, at the same time reallocate more financial resources to its Lithium Ion Motive Battery Business for future development. As at the date of this announcement, the disposal has not yet been completed and may or may not materialise. More details on this proposed disposal were included in the section headed "Other Significant Event".

As at the reporting date, the Group had two property projects, namely Rongzhou Gangjiucheng\* (容州港九城) in Nanchang, Jiangxi, and Fengxiang Terrace – Rongzhou Cultural Centre\* (鳳翔台 – 容州文化中心) in Nanning, Guangxi.

In the first half of 2022, the COVID-19 pandemic spread in the PRC, sporadic cases were found in Xinjian District of Nanchang where Rongzhou Gangjiucheng\* was located, certain control policies were then implemented including work from home policy, online teaching and learning, temporary closure of commercial units and malls. In response of the control policy, the construction of Rongzhou Gangjiucheng\* was suspended for around two months. After the resumption of work, the construction work was continuously affected by the COVID-19 prevention measures which included regular whole-site disinfection and quarantine in accordance to the guideline at the time being for some of the engineering staff before report duty, supply on construction materials was also affected by the outbreak in the nearby cities. Logistics on raw materials and manpower arrangement remained to be the key challenges in the construction period. These difficulties were also encountered by Fengxiang Terrace – Rongzhou Cultural Centre\* in Guangxi, as a consequence of the outbreak in Baise city and Beihai city in the region. As a result, construction of the Group's property projects was prolonged and no income was recorded from the transfer of residential units during the period.

COVID-19 pandemic also spread to Guangzhou. Accordingly, several exhibitions were re-scheduled and led to a reduction in revenue of the Group's cultural business.

### **Internet Sales Business**

In mid-2021, the Group commenced its Internet Sales Business which involved live stream e-commerce trading, aiming to achieve a balanced and diversified business model. The business was still in star-up stage and under certain newly imposed government monitoring policies, it contributed a minor portion to the Group's revenue in the Reporting Period. The management will continue to evaluate its operation performance and assess the feasibility of any further development of the business.



## **FUTURE PROSPECTS**

Looking forward, the Group holds positive view on the development of new energy business. Apart from current product application including household appliance use, the Group may expand its business into energy storage devices in the Photovoltaics (“PV”) Power plants. PV Power is a clean and renewable energy, also a development trend in the PRC with the vision in reducing carbon emission, as well as one of the means for achieving peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. According to the Notice on Matters Related to the Development and Construction of Wind Power and PV Power Generation in 2021\* (《關於2021年風電、光伏發電開發建設有關事項的通知》) issued by the National Energy Administration, electricity generated from these resources accounted for 11% of the overall electricity generation, and is targeted to reach 20% in 2025 and 30% in 2030. The notice also encourages introduction of land, tax, financial and other support policies to reduce the burden of new energy development and construction of relevant facilities. Given its development potential, benefits to the environment, and relatively less competitive market, the Group may expand its business into the PV Power related products in the future, ultimately generate higher return to its shareholders.

## **FINANCIAL REVIEW**

### **Revenue and gross profit margin**

#### *Lithium Ion Motive Battery Business*

During the Reporting Period, logistics for raw materials, workplace operation and manpower arrangement were severely impacted by the pandemic occurred in Xian, Shaanxi in early 2022. Battery production scale was reduced and led to reduction in revenue from the Lithium Ion Motive Battery Business from HK\$71,618,000 to HK\$52,589,000. The increasing prices of raw materials together with the delay in the absorption of such increase in the selling price also narrowed down our gross profit to HK\$3,498,000 (for the six months ended 30 June 2021: HK\$11,662,000).

#### *Property and Cultural Business*

During the Reporting Period, no revenue from handover of residential units was recorded due to the prolonged construction period as abovementioned. Revenue of the property segment represented sales of commercial units and car park units amounted to approximately HK\$271,000 (for the six months ended 30 June 2021: HK\$3,603,000).

In April 2022, a COVID-19 outbreak occurred in Guangzhou, several exhibitions were postponed or cancelled. Accordingly, revenue from the Group’s cultural business dropped from HK\$9,842,000 to HK\$4,624,000 in the Reporting Period.

#### *Other income*

Other income for the Reporting Period increased from approximately HK\$6,401,000 to approximately HK\$8,064,000, which mainly represented fire insurance claim income of HK\$5,786,000 from the fire accident in the production base in Weinan, Shaanxi in June 2021.

### ***Distribution and selling expenses***

Distribution and selling expenses for the Reporting Period were HK\$4,221,000 (for the six months ended 30 June 2021: HK\$6,476,000) which was consistent with the drop of the Group's revenue.

### ***Administrative expenses***

For the six months ended 30 June 2021, administrative expenses amounted to approximately HK\$231,134,000 which mainly included (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. Excluding these items, regular administrative expenses amounted to approximately HK\$71,172,000.

For the Reporting Period, administrative expenses decreased to approximately HK\$60,356,000, mainly due to the temporary suspension of workplaces in response to the pandemic control policy in the PRC in early 2022.

### ***Finance costs***

Finance costs net of interest capitalised for the Reporting Period amounted to approximately HK\$3,976,000 which was comparable to the six months ended 30 June 2021 at approximately HK\$4,112,000.

### ***Basic and diluted loss per share***

Basic and diluted loss per share for the Reporting Period was HK3.79 cents as compared to HK17.89 cents for the six months ended 30 June 2021.

## **HUMAN RESOURCES DEVELOPMENT**

As at 30 June 2022, the Group employed a total of approximately 550 employees (31 December 2021: 589 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 2021: nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained sufficient working capital as at 30 June 2022 with net current assets of approximately HK\$104,650,000 (31 December 2021: approximately HK\$258,222,000) and bank and cash balances of approximately HK\$7,929,000 (31 December 2021: approximately HK\$12,643,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was 20.37% as at 30 June 2022 (31 December 2021: 26.25%).

## **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:

Pursuant to the code provision C.1.6 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. However, two independent non-executive Directors were absent from the annual general meeting of the Company held on 5 July 2022 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 C.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 C.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 7 June 2022, Tesson New Energy Company Limited\* (天臣新能源有限公司) (“**Vendor**”), an indirect non-wholly owned subsidiary of the Company, entered into the sales and purchase agreement (the “**SPA**”) with Guangxi Rongxian Hengtai Investment Company Limited\* (廣西容縣恒泰投資有限公司) (“**Purchaser**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 100% of the issued share capital of Nanjing Rongzhou Cultural Industry Investment Company Limited\* (南京容州文化產業投資有限公司) (“**Disposal Company**”), a wholly-owned subsidiary of the Vendor which was incorporated in the PRC with limited liability at the total consideration of RMB20.0 million subject to the terms of the SPA.

Upon completion of the disposal, the Disposal Company and its subsidiaries (“**Disposal Group**”) will cease to be subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group, the Group’s Property and Cultural Business will then be ceased. As at the date of this announcement, the disposal has not yet been completed and may or may not materialise.

For more information, please refer to the announcements dated 7 June 2022, 28 June 2022, 15 July 2022, 26 July 2022, 15 August 2022, 22 August 2022 and 26 August 2022.

## **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 2022 and the corresponding period in 2021 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 2022 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, 29 August 2022

*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*