
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Tesson Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

This circular is for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of Tesson Holdings Limited.



TESSON HOLDINGS LIMITED 天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)
RIGHTS SHARE FOR EVERY FOUR (4) SHARES HELD ON
THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(3) NOTICE OF SGM**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 9 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 66 of this circular.

Whether or not you are able to attend the SGM, you are advised to read the notice and to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time for holding of the SGM (i.e. not later than 11:00 a.m. on Saturday, 16 September 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof.

A notice convening the SGM to be held at 11 a.m. on Monday, 18 September 2023 at Picasso Room B, B1 Level, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or the adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue. The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

24 August 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	6
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	29
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	31
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF SGM	SGM-1

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 7 June 2023 in relation to, among other things, the Increase in Authorised Share Capital and the Right Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday, a public holiday and a day on which typhoon signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders in respect of, among other things, the Increase in Authorised Share Capital and the Rights Issue
“Company”	Tesson Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1201)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders to apply for Excess Rights Shares
“Excess Rights Shares”	any Rights Shares provisionally allotted but not subscribed for prior to the Latest Time for Acceptance, any entitlements not provisionally allotted to any Non-Qualifying Shareholders, and any Rights Shares created from the aggregation of fractions

DEFINITIONS

“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares
“Independent Board Committee”	the Independent Board Committee which comprises all the independent non-executive Directors, namely, Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, established to advise the Independent Shareholders in respect of the Rights Issue and as to the voting action therefor
“Independent Financial Adviser” or “SBI China Capital”	SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than (i) the Controlling Shareholder and its respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the SGM
“Irrevocable Undertaking”	a letter of irrevocable undertaking dated 7 June 2023 executed by Double Key International Limited in favour of the Company, the principal terms of which are disclosed in the paragraph headed “Irrevocable Undertaking” in this circular
“Last Day for Transfer”	Thursday, 21 September 2023, or such other date as the Company may determine, being the last date for lodging transfer of Shares prior to the closure of the register of members of the Company in order to qualify for the Rights Issue

DEFINITIONS

“Last Trading Day”	Wednesday, 7 June 2023, being the last trading day of the Shares on the Stock Exchange immediately preceding the publication of the Announcement
“Latest Practicable Date”	18 August 2023, being latest practicable date prior to the publication of this circular
“Latest Time for Acceptance”	4:00 p.m. on Monday, 16 October 2023, or such other time and date as the Company may determine, being the latest time and date for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares
“Listing Committee”	the listing committee of the Stock Exchange for considering application for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lithium Ion Motive Battery Business”	the Group’s principal activity, which is 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
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Board, after making reasonable enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions or prohibitions under the laws of the relevant jurisdictions or the requirements of the relevant regulatory body or stock exchange in such jurisdictions
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares to be issued to the Qualifying Shareholders in respect of their entitlements under the Rights Issue

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF to be issued by the Company
“Prospectus Posting Date”	Friday, 29 September 2023, or such other date as the Company may determine, for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Thursday, 28 September 2023, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue by way of rights of the Rights Shares to the Qualifying Shareholders on the basis of three (3) Rights Share for every four (4) existing Shares held on the Record Date at the Subscription Price
“Rights Share(s)”	up to 1,112,615,025 new Shares proposed to be offered to the Qualifying Shareholders for subscription by way of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.1 per Rights Share under the Rights Issue
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)
“United States”	the United States of America
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Events	Hong Kong Date and Time 2023
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Thursday, 7 September
Closure of register of members of the Company (both days inclusive)	Friday, 8 September to Monday, 18 September
Latest time for lodging proxy forms for the SGM	11:00 a.m. on Saturday, 16 September
Record date for attendance and voting at the SGM	Monday, 18 September
Expected time and date of the SGM	11:00 a.m. on Monday, 18 September
Announcement of the poll results of the SGM	Monday, 18 September
Last day of dealings in Shares on a cum-rights basis	Tuesday, 19 September
First day of dealings in Shares on an ex-rights basis	Wednesday, 20 September
Latest time for lodging transfers of Shares on the Last Day for Transfer in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 21 September
Closure of register of members for determining entitlements under the Rights Issue (both days inclusive)	Friday, 22 September to Thursday, 28 September
Record Date for determining entitlements under the Rights Issue	Thursday, 28 September
Despatch of the Prospectus Documents (including the PAL, EAF and Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only) on the Prospectus Posting Date	Friday, 29 September
First day of dealings in nil-paid Rights Shares	Wednesday, 4 October
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Friday, 6 October

EXPECTED TIMETABLE

Events	Hong Kong Date and Time 2023
Last day of dealings in nil-paid Rights Shares	Wednesday, 11 October
Latest Time for Acceptance of and payment for Rights Shares and application and payment for Excess Rights Shares	4:00 p.m. on Monday, 16 October
Announcement of the results of the Rights Issue	Tuesday, 24 October
Despatch of Share certificates for the fully-paid Rights Shares and/or refund cheques on or before	Wednesday, 25 October
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 26 October

All times as stated above refer to Hong Kong local times. Dates specified above are indicative only and may be varied by the Company. If there is any change to such indicative timings, an announcement will be made by the Company as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares and application and payment for Excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions caused by a super typhoon is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 16 October 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 16 October 2023. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for Excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

EXPECTED TIMETABLE

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for Excess Rights Shares does not take place on Monday, 16 October 2023, the dates mentioned in the timetable section above may be affected. The Company will notify the Shareholders by way of announcement of any change to the timetable as soon as practicable.

LETTER FROM THE BOARD



TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

Executive Directors:

Mr. Tin Kong (*Chairman*)

Ms. Cheng Hung Mui

Mr. Chan Wei

Ms. Liu Liu

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Dr. Ng Ka Wing

Mr. See Tak Wah

Mr. Wang Jinlin

*Head office and principal place of business
in Hong Kong:*

Room 401A, Empire Centre

68 Mody Road

Tsim Sha Tsui

Kowloon

Hong Kong

24 August 2023

*To the Qualifying Shareholders, and for information only,
to the Non-Qualifying Shareholders,*

Dear Sir or Madam,

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)
RIGHTS SHARE FOR EVERY FOUR (4) SHARES HELD ON
THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(3) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with among other things, (i) details of the Increase in Authorised Share Capital; (ii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (v) other information required under the Listing Rules; and (vi) the notice of the SGM.

LETTER FROM THE BOARD

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 3,000,000,000 unissued Shares. The Increase in Authorised Share Capital is subject to the approval of the Shareholders by the passing of an ordinary resolution by the Shareholders at the SGM, and the Increase in Authorised Share Capital will become effective on the date of the SGM upon the passing of the relevant ordinary resolution.

In order to accommodate growth of the Group and to provide the Company with greater flexibility to raise funds by the Rights Issue, the Board proposed the Increase in Authorised Share Capital. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM.

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$111.3 million before expenses by way of the issue to the Qualifying Shareholders of a maximum of 1,112,615,025 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.1 per Rights Share on the basis of three (3) Rights Share for every four (4) existing Shares held on the Record Date. The Rights Issue is available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The principal terms of the Rights Issue are as follows:

Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Share for every four (4) existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.1 per Rights Share
Number of Shares in issue on the Record Date	:	1,483,486,700 Shares
Maximum number of Rights Shares to be issued under the Rights Issue (assuming the Rights Issue is fully subscribed)	:	1,112,615,025 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)

LETTER FROM THE BOARD

Maximum total number of issued Shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed)	:	2,596,101,725 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed)	:	No more than approximately HK\$111.3 million
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 1,112,615,025 Rights Shares proposed to be provisionally allotted and issued pursuant to the Rights Issue represents approximately 75% of the issued share capital of the Company as at the Latest Practicable Date and will represent approximately 42.9% of the total number of issued Shares of the Company as enlarged by the issue of the Rights Shares.

As at the Latest Practicable Date, the Group has no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the

LETTER FROM THE BOARD

Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.1 per Rights Share is payable in full upon the acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon an application of Excess Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 11.5% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.5% to the average closing price of approximately HK\$0.113 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 9.1% to the average closing price of approximately HK\$0.110 per Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.9% to the theoretical ex-rights price of approximately HK\$0.107 per Share based on the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a premium of approximately 7.5% to the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 72.2% to the latest published audited consolidated net asset value per Share as at 31 December 2022 of approximately HK\$0.36 (based on the net asset value attributable to the owners of the Company as at 31 December 2022 of approximately HK\$528.8 million as shown in the Company's annual report for the year ended 31 December 2022 and 1,483,486,700 Shares in issue as at the Latest Practicable Date); and

LETTER FROM THE BOARD

- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 4.9%, represented by a discount of the theoretical diluted price of approximately HK\$0.107 per Share to the benchmarked price of approximately HK\$0.113 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.113 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days preceding the Last Trading Day of approximately HK\$0.113 per Share).

The Subscription Price of the Rights Issue were determined with reference to and having considered (i) the prevailing volatile market conditions of the Hong Kong stock market; (ii) the prices of the Shares during the period from 3 January 2023 to the Last Trading Day, the closing price of which fluctuated between HK\$0.095 to HK\$0.129, representing ranged from a discount of approximately 64.2% to a discount of approximately 73.6% to the latest published audited consolidated net asset value per Share as at 31 December 2022; (iii) the financial performance of the Group for the year ended 31 December 2022; (iv) the relative large fund-raising size when compared with the market capitalisation of the Company as at the Last Trading Day, it would be reasonable to set the Subscription Price at a relatively deep discount for attracting the qualifying shareholders to participate in the Rights Issue; and (v) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reasons for the Rights Issue and the Use of Proceeds”, and the amount of funds the Company intends to raise under the Rights Issue. The Directors are of the view that consider the period of approximately six months, can fairly represent the recent market trend in relation to rights issue of other listed companies and consider that a period of approximately six months being a reasonable period to provide an overview of the recent rights issue exercises which are reflective of the latest market conditions and sentiments.

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Company considers that the discount of the Subscription Price to the current market price will encourage them to participate in the Rights Issue.

The Directors noted that the Subscription Price represents a discount of approximately 72.2% to the net asset value attributable to the owners of the Company as at 31 December 2022. It was also noted that the Shares had been in general traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past six months immediately preceding the Last Trading Day. Therefore, the Directors consider that the current market price of the Shares in fact reflects the value of the Shares that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions. Accordingly, the net asset value per Share is not a meaningful benchmark to assess the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard.

LETTER FROM THE BOARD

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the Increase in Authorised Share Capital having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the SGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;
- (iii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iv) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus on the website of the Stock Exchange on or before the Posting Date;
- (v) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and dispatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked); and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

LETTER FROM THE BOARD

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:10 p.m. on Tuesday, 24 October 2023 (or such later date as the Company may determine), the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

Basis of provisional allotment

The basis of provisional allotment of Rights Shares will be three (3) Rights Share (in nil-paid form) for every four (4) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotments should be made by completing the PAL (in accordance with the instructions printed thereon) and lodging the same with a remittance for the Rights Shares being applied for with the Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, on or before the Latest Time for Acceptance, which is expected to be 4:00 p.m. on Monday, 16 October 2023.

Qualifying Shareholders who take up their pro rata assured entitlement in full will not suffer any dilution to their interests in the Company apart from any nominal dilution resultant from the non-issuance of fractional Rights Shares.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company the record dates of which fall on or after the date of issue of the fully-paid Rights Shares.

The Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. Shareholders, who are not Non-Qualifying Shareholders, having a registered address in Hong Kong as shown on the register of members of the Company at the close of business on the Record Date will qualify for the Rights Issue.

Shareholders whose Shares are held by a nominee (or held through CCASS) should note that the Board will regard such nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee(s) (or held through CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Last Day for Transfer.

LETTER FROM THE BOARD

In order to be registered as a member of the Company by the Record Date, all transfer documents for Shares (together with the relevant share certificate(s)) must be lodged for registration with the Registrar by no later than 4:30 p.m. on the Last Day for Transfer. The last day for dealing in Shares on a cum-rights basis is Tuesday, 19 September 2023, and the Shares will be dealt with on an ex-rights basis starting from Wednesday, 20 September 2023.

The Non-Qualifying Shareholders

The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of Rights Shares will be made to the Non-Qualifying Shareholders and Non-Qualifying Shareholders will not be entitled to apply for Rights Shares.

Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders under the EAFs.

The Company will send the Prospectus Documents to the Qualifying Shareholders only and will, subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant overseas jurisdictions of Overseas Shareholders, if any, and to the extent reasonably practicable, send the Prospectus (excluding the PAL and EAF) to the Non-Qualifying Shareholders for information purposes only.

Right of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may or may not be eligible to take part in the Rights Issue depends on the jurisdiction they are situated in.

Based on the register of members of the Company as at the Latest Practicable Date, there were in total 6 Overseas Shareholders which had registered addresses situated in the PRC. The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the preliminary legal advice provided by the legal advisers of the PRC engaged by the Company as at the Latest Practicable Date and having considered the circumstances, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the PRC.

LETTER FROM THE BOARD

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in the nil-paid Rights Shares or the fully-paid Rights Shares, he/she/it shall be responsible for complying with the relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the nil-paid Rights Shares or the fully-paid Rights Shares to any such Shareholder and/or resident, if issuing the nil-paid Rights or the fully-paid Rights Shares to them does not comply with the relevant laws of the PRC.

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders. Should there be any Non-Qualifying Shareholders that appear on the register of members of the Company on the Record Date, the Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM as Independent Shareholders.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their own professional advisers.

Arrangements for the Non-Qualifying Shareholders Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro-rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

No fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and made available for excess application by Qualifying Shareholders under the EAFs.

Odd lot arrangement

No odd lot matching services will be provided.

LETTER FROM THE BOARD

Application for Excess Rights Shares

All Qualifying Shareholders are entitled to apply by way of excess application under the EAFs for additional Rights Shares in excess of their assured entitlements.

The Excess Rights Shares will comprise:

- (i) any Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) any Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders; and
- (iii) any Rights Shares created from the aggregation of fractions of Rights Shares not provisionally allotted to the Qualifying Shareholders.

Application for Excess Rights Shares can be made only by Qualifying Shareholders duly completing the EAFs (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance, which is expected to be 4:00 p.m. on Monday, 16 October 2023.

Qualifying Shareholders who wish to apply for Excess Rights Shares in addition to their provisional allotments must complete both the PAL and the EAF.

Basis of allocation of Excess Rights Shares

The Company will allocate the Excess Rights Shares at its discretion on a fair and equitable basis as far as practicable on the following principles:

- (i) if there are insufficient Excess Rights Shares to satisfy all EAFs, Excess Rights Shares will be allocated on a pro rata basis by reference to the number of Excess Rights Shares applied for in the relevant EAFs by the relevant Qualifying Shareholders;
- (ii) otherwise (i.e. if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs), Excess Rights Shares will be allocated in full in accordance with the EAFs to each Qualifying Shareholder who applies for Excess Rights Shares.

For the avoidance of doubt, in applying the principles above, reference will only be made to the number of Excess Rights Shares being applied for in the relevant EAFs, and no reference will be made to the Rights Shares comprised in applications through PAL or the existing number of Shares held by the relevant Qualifying Shareholders; and no preference will be given to applications for topping up odd lots.

LETTER FROM THE BOARD

Important notice to Beneficial Owners: Shareholders whose Shares are held by a nominee (or held through CCASS) should note that the Board will regard such nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the aforesaid arrangement for allocation of Excess Rights Shares by the Company may not be extended to the Beneficial Owners individually.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses, at their own risks, on or before Wednesday, 25 October 2023. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares, or for refunds if the Rights Issue does not proceed, are expected to be despatched on or before Wednesday, 25 October 2023 to the applicants concerned.

Stamp duty and taxation

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, and any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, holding, subscription, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. No securities of the Company in issue or the Rights Shares for which listing or permission to deal is to be sought is listed or dealt in on any other stock exchange. Rights Shares in both their nil-paid and fully-paid forms will be traded in board lots of 3,000 Shares.

Admission of Rights Shares into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms are expected to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

LETTER FROM THE BOARD

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders whose Shares are held through CCASS should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS.

THE IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Double Key International Limited, being the Controlling Shareholder, holds 775,894,533 Shares, representing approximately 52.30% of the issued share capital of the Company.

On 7 June 2023, the Company received from Double Key International Limited the Irrevocable Undertaking, pursuant to which:

- (i) Double Key International Limited has unconditionally and irrevocably undertaken to the Company to subscribe for 581,920,899 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 775,894,533 Shares legally and beneficially owned by it, pursuant to the terms of the Prospectus Documents; and
- (ii) Double Key International Limited has unconditionally and irrevocably undertaken to the Company to ensure that the 775,894,533 Shares currently beneficially owned by it will not be sold, disposed or transferred by it and will remain beneficially owned by it on the Record Date.

Save for the Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

For illustration purpose only, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue assuming (a) all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full; or (b) none of the Qualifying Shareholders other than Double Key International Limited and its associates have taken up their respective entitlements of the Rights Shares and applied for all Excess Rights Shares, and assuming no new Shares will be issued before completion of the Rights Issue other than the Rights Shares, are expected to be as follows:

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		(iii) Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders other than Double Key International Limited and its associates have taken up their respective entitlement of the Rights Shares and applied for all Excess Rights Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Double Key International Limited (Note)	775,894,533	52.30	1,357,815,432	52.30	1,357,815,432	65.74
Public Shareholders	707,592,167	47.70	1,238,286,293	47.70	707,592,167	34.26
Total	1,483,486,700	100.00	2,596,101,725	100.00	2,065,407,599	100.00

Note: Double Key International Limited is wholly-owned by Ms. Cheng Hung Mui who is an executive Director.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Under the current global trend of interest rates hike environment and taking into account the Group's capital requirements and savings in underwriting costs by conducting the Rights Issue on a non-underwritten basis, the Directors have weighted the costs, benefits and timings of different types of fund-raising alternatives available to the Group including but not limited to debt financing and other equity fund raising such as placement of shares, and the possible impacts on the interests of Shareholders and consider the Rights Issue to be currently the preferred means for the Group to enhance its financial position without increasing its gearing or finance costs. The Board believes that the enhanced capital position of the Company from the Rights Issue will provide the Group with immediate financial resources for future development, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. Compared with other fund-raising alternatives, the Rights Issue will provide each and every Qualifying Shareholders with the opportunity to participate in the future development of the Group without material dilution of their interest in the Company. On the other hand, the Rights Issue also allows the Qualifying Shareholders the flexibility to sell off some or all of their rights entitlements in the open market (subject to the market demand) and realise the cash value therefrom.

Assuming all the Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be approximately HK\$109.3 million (assuming no change in the number of Shares in issue on or before the Record Date). The net price per Rights Share (after deducting the cost and expenses of the Rights Issue) is estimated to be approximately HK\$0.1.

The net proceeds from the Rights Issue are currently intended to be applied as to (i) approximately HK\$66 million (or approximately 60.4%) of which will be used for development of the Group's Lithium Ion Motive Battery Business, which include improving current facilities to enhance the production capacity, and redeployment of manpower and facilities to enhance production efficiency, as well as the arrangement of logistics of the goods due to the current production capacity and manpower will not be able to keep up with the pace of orders from customers in the foreseeable future, and it is anticipated the enhancement of lithium battery production capacity can avoid the Group from losing customers; (ii) approximately HK\$11 million (or approximately 10.1%) of which will be used for the Group's general working capital purposes, including but not limited to, settlement of purchase of raw material, staff costs, utility costs and other office overheads; and (iii) approximately HK\$32.3 million (or approximately 29.5%) of which will be used for repayment of loan, which is unsecured, repayable within one year and bears interests at 8% per annum as at 31 December 2022. The remaining loan balance will be settled by internal resources. The Company will update Shareholders on the use of proceeds as appropriate in accordance with the Listing Rules. The loan was borrowed from an independent third party incorporated in the British Virgin Islands, which is an investment holding company and a party known to the Group from its business network. As at 30 June 2023, HK\$52,785,000 remains outstanding and is repayable on demand.

If the Rights Issue is undersubscribed and the size of the Rights Issue is reduced, the net proceeds are expected to be utilised with proportional reductions in the same usage scenarios as above.

LETTER FROM THE BOARD

The breakdown of the net proceeds from the Rights Issue for the Company as follows:

		Estimated construction period	Estimated amount <i>(Approx. RMB'000)</i>	Hong Kong dollar equivalent <i>(Approx. HK\$'000) (Note)</i>
(i) Development of Lithium Ion Motive Battery Business	Modification of current facilities including purchase, replacement, testing and/or adjustment of machinery	September 2023 to June 2024	10,000	11,000
	Modification and relocation of machines and equipment, enhancement of work flow and logistics upon further review	September 2023 to June 2024	1,000	1,100
	Alteration of factory premises (including construction of staff canteen and addition of north-gate) and current steam facility	September 2023 to December 2023	4,000	4,400
	Potential purchase of factory premise currently used by the Group	N/A	5,000	5,500
	Material cost, staff cost, utility and overhead cost of the factory	N/A	40,000	44,000
Subtotal				66,000
(ii) General working capital	Rent for factory and dormitory, payroll, electricity, utility including steam and electricity and other office cost in the PRC		5,200	6,000

LETTER FROM THE BOARD

	Estimated construction period	Estimated amount (Approx. RMB'000)	Hong Kong dollar equivalent (Approx. HK\$'000) (Note)
	Rent for office and dormitory, payroll and MPF in Hong Kong		600
	Repayment for account payables		4,400
Subtotal			11,000
(iii) Repayment of loan	Other borrowings with outstanding amount of approximately HK\$52.8 million as 31 December 2022 as mentioned in the 2022 Annual Report		32,300
Subtotal			32,300
Total			109,300

Note: RMB1 = HK\$1.1

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the independent financial adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole for the reasons stated above.

LETTER FROM THE BOARD

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
6 November 2022	Placing of new shares under general mandate	Approximately HK\$10.47 million	The Group's general working capital	Fully utilised for the Group's general working capital

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the Rights Issue is conditional upon the minority Shareholders' approval at the SGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM.

As at the Latest Practicable Date, Double Key International Limited, being a Controlling Shareholder, directly holds 775,894,533 Shares (representing approximately 52.30% of the issued share capital of the Company as at the Latest Practicable Date). Double Key International Limited is a company wholly owned by Ms. Cheng Hung Mui who is an executive Director. Accordingly, Double Key International Limited, Ms. Cheng Hung Mui and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules.

The Rights Issue is in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, to advise the Independent Shareholders in respect of the Rights Issue and as to the voting action therefor.

SBI China Capital Hong Kong Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and the transactions contemplated thereunder and the voting recommendation on the relevant resolution.

LETTER FROM THE BOARD

DESPATCH OF PROSPECTUS DOCUMENTS

The Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Company is expected to be despatched by the Company together with the PAL on or before Friday, 29 September 2023. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.tessonholdings.com>) and the Stock Exchange (<http://www.hkexnews.hk>). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

GENERAL

The SGM will be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital and the Rights Issue. The register of members of the Company will be closed from Friday, 8 September 2023 to Monday, 18 September 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

In order to be registered as members of the Company on the record date for attendance and voting at the SGM, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Computershare Hong Kong Investor Services Limited at, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 7 September 2023.

The notice convening the SGM to be held at 11 a.m. on Monday, 18 September 2023 at Picasso Room B, B1 Level, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited at, Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 48 hours (i.e. 11 a.m. on Saturday, 16 September 2023, Hong Kong time) before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

In compliance with the Listing Rules, all the resolutions to be proposed at the SGM will be voted on by way of poll at the SGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM on the relevant resolutions. SBI China Capital Hong Kong Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 31 to 66 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors also consider that the terms of the Increase in Authorised Share Capital are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person dealing in Shares and/or the nil-paid Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder.



TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

24 August 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARE FOR EVERY FOUR (4) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

We refer to the circular of the Company dated 24 August 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Dr. NG Ka Wing
*Independent non-executive
Director*

Mr. SEE Tak Wah
*Independent non-executive
Director*

Mr. WANG Jinlin
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.



24 August 2023

*To: The Independent Board Committee and the Independent Shareholders of
Tesson Holdings Limited*

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FOUR (4) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 August 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 7 June 2023, the Company announced, among other things, the Rights Issue. The Company proposed to raise up to approximately HK\$111.3 million, before expenses by way of the issue to the Qualifying Shareholders of a maximum of 1,112,615,025 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.1 per Rights Share on the basis of three (3) Rights Shares for every four (4) Shares held on the Record Date. The Rights Issue is available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. As at the Latest Practicable Date, the Group has no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders. Should there be any Non-Qualifying Shareholders that appear on the register of members of the Company on the Record Date, the Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM as Independent Shareholders.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro-rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

As at the Latest Practicable Date, Double Key International Limited, being the Controlling Shareholder, holds 775,894,533 Shares, representing approximately 52.30% of the issued share capital of the Company. On 7 June 2023, the Company received from Double Key International Limited the Irrevocable Undertaking, pursuant to which: (i) Double Key International Limited has unconditionally and irrevocably undertaken to the Company to subscribe for 581,920,899 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 775,894,533 Shares legally and beneficially owned by it, pursuant to the terms of the Prospectus Documents; and (ii) Double Key International Limited has unconditionally and irrevocably undertaken to the Company to ensure that the 775,894,533 Shares currently beneficially owned by it will not be sold, disposed or transferred by it and will remain beneficially owned by it on the Record Date.

In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date, the Rights Issue is conditional upon the minority Shareholders' approval at the SGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM. Double Key International Limited is a company wholly owned by Ms. Cheng Hung Mui who is an executive Director. Accordingly, Double Key International Limited, Ms. Cheng Hung Mui and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A of the Listing Rules. The Rights Issue is in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules.

An Independence Board Committee, comprising all the independent non-executive Directors, namely Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, has been formed to advise the Independent Shareholders as to (i) whether the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned; and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Rights Issue at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether (i) the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned; and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution(s) relating to the Rights Issue at the SGM. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Rights Issue has been approved by the Independent Board Committee.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Rights Issue, we have taken into consideration the following principal factors and reasons:

(1) Background information of the Company

The Group is principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading.

Financial performance

The following table summarises the financial performance of the Group for each of the three years ended 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 2021 (“**2021 Annual Report**”) and the annual report of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”), respectively.

	For the year ended 31 December		
	2020	2021	2022
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>Re-presented</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	762,891	159,839	94,399
Cost of sales	(461,706)	(148,413)	(86,383)
Gross profit	301,185	11,426	8,016
Loss for the year from continuing operation	–	(269,146)	(124,681)
Loss for the year from discontinued operation	–	(231,868)	(103,334)
Loss for the year	39,482	(501,014)	(228,015)
Loss for the year attributable to owners of the Company	(25,198)	(326,942)	(196,061)
<i>Segment revenue</i>			
Lithium ion motive battery products	149,171	157,691	93,791
Internet sales	–	2,148	608
Property development and cultural service	613,720	11,455	7,809
<i>Segment results</i>			
Lithium ion motive battery products	(86,370)	(291,134)	(93,331)
Internet sales	–	(1,936)	(3,462)
Property development and cultural service	184,168	(193,611)	(103,334)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: Having considered the tightening of the monitoring policy on property developer imposed by the government, coupled with the downturn in the property market of the PRC, the Group had discontinued its business segment of property development and cultural service during the year ended 31 December 2022. Revenue for the year ended 31 December 2021 has been re-presented to reflect revenue merely from continuing operation.

Going concern basis

As mentioned in the 2022 Annual Report, the Group incurred a loss of approximately HK\$124.7 million from continuing operation for the year ended 31 December 2022. The cash and bank balance amounted to approximately HK\$6.3 million as at 31 December 2022. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group.

(a) For the year ended 31 December 2022

As set out in the 2022 Annual Report, the Group recorded revenue of approximately HK\$94.4 million for the year ended 31 December 2022, representing a decrease of approximately 40.9% or HK\$65.4 million, as compared to approximately HK\$159.8 million recorded for the year ended 31 December 2021. The Group recorded loss attributable to owners of the Company of approximately HK\$196.1 million for the year ended 31 December 2022, representing a decrease of approximately 40.0% or HK\$130.8 million, as compared to approximately HK\$326.9 million for the year ended 31 December 2021. Such decrease was mainly attributable to (i) the decrease in the written-off on various assets of approximately HK\$60.8 million; and (ii) the record of reversal of impairment loss of various assets of approximately HK\$1.0 million for the year ended 31 December 2022 as opposed to the impairment loss of approximately HK\$77.1 million for the year ended 31 December 2021.

Lithium Ion Motive Battery Business

The Group's revenue generated from lithium ion motive battery products decreased by approximately 40.5% or HK\$63.9 million, from approximately HK\$157.7 million for the year ended 31 December 2021 to approximately HK\$93.8 million for the year ended 31 December 2022. As mentioned in the 2022 Annual Report, 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. During the year, logistics for raw materials, workplace operation and manpower arrangement were severely impacted by the pandemic occurred in Shaanxi Province. Battery production scale was reduced and led to reduction in revenue. The increasing prices of raw materials together with the delay in the absorption of such increase in the selling price also narrowed down the Group's gross profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The lithium ion motive battery products segment recorded a segment loss of approximately HK\$93.3 million for the year ended 31 December 2022, representing a decrease of approximately 67.9% or HK\$197.8 million, as compared to a segment loss of approximately HK\$291.1 million for the year ended 31 December 2021. As reflected in the 2022 Annual Report and confirmed by the Company, such decrease was mainly attributable to (i) impairment loss and written-off of inventory of approximately HK\$21.6 million as well as written off of property, plant and equipment of approximately HK\$62.4 million due to the fire accident occurred on June 2021; (ii) impairment loss on joint venture of approximately HK\$10.2 million, impairment loss on trade and other receivables of approximately HK\$38.8 million and impairment loss on other receivables of approximately HK\$7.6 million recorded in 2021; and (iii) reduction in depreciation on property, plant and equipment of approximately HK\$10.1 million.

Property and Cultural Business

The Group's revenue generated from property development and cultural service decreased by approximately 32.1% or HK\$3.7 million, from approximately HK\$11.5 million for the year ended 31 December 2021 to approximately HK\$7.8 million for the year ended 31 December 2022. As mentioned in the 2022 Annual Report, due to the impacts from COVID-19 pandemic, construction of the Group's property projects was prolonged and no income was recorded from the transfer of residential units during the period. The temporary site closure in Guangzhou also resulted in re-schedule of several exhibitions, leading to a reduction in revenue of the Group's cultural business. 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, it is expected that 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. The disposal was completed on 10 October 2022.

The property development and cultural service segment recorded a segment loss of approximately HK\$103.3 million for the year ended 31 December 2022, representing a decrease of approximately 46.6% or HK\$90.3 million, as compared to approximately HK\$193.6 million for the year ended 31 December 2021.

Internet Sales Business

The Group's revenue generated from internet sales decreased by approximately 71.4% or HK\$1.5 million, from approximately HK\$2.1 million for the year ended 31 December 2021 to approximately HK\$0.6 million for the year ended 31 December 2022. The internet sales segment recorded a segment loss of approximately HK\$3.5 million for the year ended 31 December 2022, representing an increase of approximately 84.2% or HK\$1.6 million, as compared to approximately HK\$1.9 million for the year ended 31 December 2021. As advised by

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company, such increase was mainly attributable to the discontinuance of co-operation with certain vendors and hosts in 2022, as a result of the worsen market environment led by the implementation of government control policy on livestreaming sales market and tax investigation on livestreaming sales hosts.

As mentioned in the 2022 Annual Report, 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.

(b) For the year ended 31 December 2021

The Group recorded revenue of approximately HK\$159.8 million for the year ended 31 December 2021, representing a decrease of approximately 79.0% or HK\$603.1 million, as compared to approximately HK\$762.9 million recorded for the year ended 31 December 2020. Revenue from Property and Cultural Business had not been included as revenue from continuing operation for the year ended 31 December 2021. The Group recorded loss attributable to owners of the Company of approximately HK\$326.9 million for the year ended 31 December 2021, representing an increase of approximately 1,197% or HK\$301.7 million, as compared to approximately HK\$25.2 million for the year ended 31 December 2020. Such increase was mainly attributable to (i) the newly incurred written-off on various assets of approximately HK\$63.4 million; and (ii) the impairment loss on various assets increased by approximately HK\$313.5 million to approximately HK\$315.8 million for the year ended 31 December 2021.

As mentioned in the 2021 Annual Report, in late June of 2021, there was a fire accident in one of the workshops in the Group's Phase I production base in Weinan, Shaanxi, the PRC. In the accident, certain production equipment amounting to approximately HK\$62.4 million and inventories (i.e. batteries) amounting to approximately HK\$1.0 million were totally destroyed, in aggregate, amounted to the written-off on various assets of approximately HK\$63.4 million.

Increase in impairment loss on various assets of approximately HK\$315.8 million comprise of; (i) other battery products amounting to approximately HK\$20.6 million were suffered to less severe level of damages due to blackening or water damage as a result of the fire accident; (ii) impairment on properties for sale under development of approximately 130.1 million in order to reflect its net realisable value; (iii) impairment loss on the goodwill of approximately HK\$106.9 million. As the Group's goodwill was derived from the Property and Cultural Business, specifically, its property development units, the change in business plan eventually led to a significant impairment on the goodwill; (iv) impairment loss on a joint venture of approximately HK\$10.2 million in view of the unlikelihood of recovery of the amount invested; (v) increase of impairment on trade receivables by approximately HK\$38.7 million; and (vi) increase of impairment on other receivables of approximately HK\$7.1 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lithium Ion Motive Battery Business

The Group's revenue generated from lithium ion motive battery products increased by approximately 5.7% or HK\$8.5 million, from approximately HK\$149.2 million for the year ended 31 December 2020 to approximately HK\$157.7 million for the year ended 31 December 2021 mainly due to the Group's continuous effort on expanding customer base and the application of battery products to different applications. The Group would continue its 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.

The lithium ion motive battery products segment recorded a segment loss of approximately HK\$291.1 million for the year ended 31 December 2021, representing a decrease of approximately 236.9% or HK\$204.7 million, as compared to approximately HK\$86.4 million for the previous year. As confirmed by the Company, such increase in segment loss was mainly attributable to (i) impairment loss and written-off of inventory of approximately HK\$21.6 million as well as written off of property, plant and equipment of approximately HK\$62.4 million due to the fire accident occurred on June 2021; (ii) impairment loss on joint venture of approximately HK\$10.2 million, impairment loss on trade and other receivables of approximately HK\$38.8 million and impairment loss on other receivables of approximately HK\$7.6 million recorded in 2021; and (iii) written-off of intercompany balance of approximately HK\$38 million with other subsidiaries of the Group in the Property and Cultural Business.

Property and Cultural Business

The construction of property projects of the Group was affected by the control policy of COVID-19 in the PRC and rainstorm in the southern part of the PRC. Revenue from properties under the Property and Cultural Business segment was decreased from approximately HK\$603.8 million for the year ended 31 December 2020 to approximately HK\$0.5 million for the year ended 31 December 2021. During the year, no revenue was generated from handover of residential units due to the delay in handover of Rongzhou Gangjiucheng (容州港九城). Whereas in the prior year, revenue of approximately HK\$603.8 million was recorded and a total gross floor area of 66,640 square meters had been delivered. After the COVID-19 outbreak in the PRC eventually be stabilised, themed museums re-opened and more exhibitions were conducted. Revenue from the Group's cultural business slightly increased from approximately HK\$9.9 million for the year ended 31 December 2020 to approximately HK\$10.9 million for the year ended 31 December 2021.

The property development and cultural service segment turned from a segment profit of approximately HK\$184.2 million for the year ended 31 December 2020 to a segment loss of approximately HK\$193.6 million for the year ended 31 December 2021.

Financial position

The following table summarises the financial position of the Group as at 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Report, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		
	2020	2021	2022
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	2,993,795	2,528,431	696,854
Total liabilities	1,753,405	1,737,827	356,289
Net current assets	531,286	258,222	2,121
Net assets	1,240,390	790,604	340,565

(a) Comparison between 31 December 2021 and 31 December 2022

Total assets decreased from approximately HK\$2,528.4 million as at 31 December 2021 to approximately HK\$696.9 million as at 31 December 2022 mainly attributable to the decrease in (i) investment properties of approximately HK\$58.0 million; (ii) goodwill of approximately HK\$119.3 million; (iii) properties for sale under development of approximately HK\$993.7 million; (iv) trade and other receivables, deposits and prepayments of approximately HK\$283.5 million; and (v) amounts due from a non-controlling shareholder of a subsidiary of approximately HK\$262.1 million. The aforementioned factors were mainly resulted from the disposal of the entire issued share capital of Nanjing Rongzhou Cultural Industry Investment Company Limited.

On 10 October 2022, the Group disposed 64.6% indirectly owned subsidiary Nanjing Rongzhou Cultural Industry Investment Company Limited to an independent third party.

Total liabilities decreased from approximately HK\$1,737.8 million as at 31 December 2021 to approximately HK\$356.3 million as at 31 December 2022 mainly attributable to the decrease in (i) borrowings by approximately HK\$154.7 million to approximately HK\$52.8 million as at 31 December 2022 mainly due to settlement of bank loans; and (ii) contract liabilities of approximately HK\$996.9 million, which was mainly resulted from the disposal of the entire issued share capital of Nanjing Rongzhou Cultural Industry Investment Company Limited.

(b) Comparison between 31 December 2020 and 31 December 2021

Total assets decreased from HK\$2,993.8 million as at 31 December 2020 to HK\$2,528.4 million as at 31 December 2021 mainly attributable to decrease in properties for sale under development by HK\$572.5 million to HK\$993.7 million as at 31 December 2021, partially offset by increase in trade and bills receivables, other receivables, deposits and prepayments by HK\$370.2 million at as 31 December 2021. Restricted bank deposits decreased from approximately HK\$52.7 million as at 31 December 2020 to approximately HK\$40.3 million as at 31 December 2021; and bank and cash balances decreased from approximately HK\$15.1 million as at 31 December 2020 to approximately HK\$12.6 million as at 31 December 2021.

Total liabilities decreased slightly from HK\$1,753.4 million as at 31 December 2020 to HK\$1,737.8 million as at 31 December 2021.

(2) **Reasons for the Rights Issue**

(a) *Use of proceeds*

Assuming all the Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be approximately HK\$109.3 million (assuming no change in the number of Shares in issue on or before the Record Date).

The net proceeds from the Rights Issue are currently intended to be applied as to (i) approximately HK\$66 million (or approximately 60.4%) of which will be used for development of the Group's Lithium Ion Motive Battery Business, which include improving current facilities to enhance the production capacity, and redeployment of manpower and facilities to enhance production efficiency, as well as the arrangement of logistics of the goods due to the current production capacity and manpower will not be able to keep up with the pace of orders from customers in the foreseeable future, and it is anticipated the enhancement of lithium battery production capacity can avoid the Group from losing customers; (ii) approximately HK\$11 million (or approximately 10.1%) of which will be used for the Group's general working capital purposes, including but not limited to, settlement of purchase of raw material, staff costs, utility costs and other office overheads; and (iii) approximately HK\$32.3 million (or approximately 29.5%) of which will be used for repayment of loan, which is unsecured, repayable within one year and bears interests at 8% per annum as at 31 December 2022. The remaining loan balance will be settled by internal resources.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The breakdown of the net proceeds from the Rights Issue for the Company as follows:

		Estimated construction period	Estimated amount <i>(Approx. RMB'000)</i>	Hong Kong dollar equivalent <i>(Approx. HK\$'000) (Note)</i>
(i) Development of Lithium Ion Motive Battery Business	Modification of current facilities including purchase, replacement, testing and/or adjustment of machinery	September 2023 to June 2024	10,000	11,000
	Modification and relocation of machines and equipment, enhancement of work flow and logistics upon further review	September 2023 to June 2024	1,000	1,100
	Alteration of factory premises (including construction of staff canteen and addition of north-gate) and current steam facility	September 2023 to December 2023	4,000	4,400
	Potential purchase of factory premise currently used by the Group	N/A	5,000	5,500
	Material cost, staff cost, utility and overhead cost of the factory	N/A	40,000	44,000
Subtotal				66,000
(ii) General working capital	Rent for factory and dormitory, payroll, electricity, utility including steam and electricity and other office cost in the PRC		5,200	6,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Estimated construction period	Estimated amount (Approx. RMB'000)	Hong Kong dollar equivalent (Approx. HK\$'000) (Note)
	Rent for office and dormitory, payroll and MPF in Hong Kong		600
	Repayment for account payables		4,400
Subtotal			11,000
(iii) Repayment of loan	Other borrowings with outstanding amount of approximately HK\$52.8 million as at 31 December 2022 as mentioned in the 2022 Annual Report		32,300
Subtotal			32,300
Total			109,300

Note: RMB1 = HK\$1.1

We have discussed with the management of the Company to understand the present maximum production capacity of its factory. We have reviewed the production plan for July 2023 from the Company and noted that utilisation rate of the production lines is expected to reach maximum of 80% or more. We further discussed with the management of the Group to understand more about recent utilisation of its production capacity. The management of the Group is of the view that current production capacity and manpower will not be able to keep up with the pace of orders from customers in the foreseeable future; and it is anticipated that enhancement of lithium battery production capacity can avoid the Group from losing customers.

Having considered that (i) expansion of production capacity will enable the Group to avoid delay in delivery of customer orders which had happened recently and/or to avoid difficulties in accepting large orders from customers due to insufficient production capacity; and (ii) utilisation rate of the production lines is expected to increase in view of the positive outlook of lithium ion motive battery business having considered among others, the global market trend of lithium batteries in various applications and the increase in market demand as explained under the paragraphs headed "Overview on the Lithium Ion Motive Battery Business" and "The Company's intention to focus its resources in the lithium ion motive battery business" below; and the recovery of COVID-19, we concur with the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors' view that it is appropriate time to invest and improve the production capacity and production efficiency of the Lithium Ion Motive Battery Business in order to capture the upswing momentum of the industry; and thus, enhancement of lithium battery production capacity is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

We obtained an analysis conducted by the Company and noted that the Group would require general working capital in total amount of approximately HK\$11.0 million comprising of: (i) approximately RMB5.2 million (or equivalent to approximately HK\$6.0 million) to satisfy one-month rent, payroll, utility and office overhead for operation in the PRC; (ii) approximately HK\$0.5 million to satisfy one-month rent and payroll for operation in Hong Kong; and (iii) approximately RMB4.0 million (or equivalent to approximately HK\$4.4 million) for repayment of account payable aiming to enhance credibility of the Company to its suppliers. We have reviewed the 2022 Annual Report and performed brief computation on the Group's funding need. Selling expenses, administrative expenses and finance cost of the Group in total, amounted to approximately HK\$139.2 million for the year ended 31 December 2022. After excluding non-cash items such as depreciation expenses of property, plant and equipment of approximately HK\$39.9 million from administrative expenses, corporate and unallocated loss of approximately HK\$27.9 million and loss from Internet Sales Business segment (after adding back the depreciation) of approximately HK\$3.4 million which currently undergoes downsizing, we noted that general working capital requirement for operations in the PRC and Hong Kong on monthly basis as estimated by the Company is reasonable. We discussed with the management of the Group and understood that apart from the abovementioned general working capital requirement for operations in the PRC and Hong Kong, in general, the Group incurs around HK\$0.7 million each month for other expense such as office supplies, management fee, entertainment, travelling, etc.

In view of funding need for general working capital requirement each month mentioned above, the low level of bank and cash balances of the Group and its loss-making position over two consecutive years, we concur that the Company has funding need for its general working capital.

As mentioned in the Letter from the Board, the loan was borrowed from an independent third party incorporated in the British Virgin Islands, which is an investment holding company and a party known to the Group from its business network. The Company advised that the loan was for the purpose of general working capital use. As at 30 June 2023, HK\$52,785,000 remained outstanding and is repayable on demand. The loan carries interest rate of 8.0% per annum. Based on the outstanding amount as at 30 June 2023 and interest rate of 8.0% per annum, the Group would incur interest expense of approximately HK\$4.2 million on annual basis. Having considered that (i) the loan is repayable on demand bringing uncertainties to the funding of the Group; and (ii) partial repayment of the loan with approximately HK\$32.3 million from the Rights Issue will reduce interest burden from the loan and thus, will alleviate its cashflow position, we consider that the use of proceeds from the Right Issue partly for the repayment of loan is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We discussed further with the management of the Group and understood that the discontinuance of Property and Cultural Business would not provide sufficient financial support to the proposed development of the Lithium Ion Motive Battery Business in view of estimated cost of approximately HK\$66 million as compared to annual funding needs of around HK\$20 million for maintaining the Property and Cultural Business. Nevertheless, it is expected that disposal of the Property and Cultural Business will enable the management team of the Group to focus on the Lithium Ion Motive Battery Business without handling government control policy on real estates and pressure in catching up construction progress.

As mentioned in the Letter from the Board, the Board believes that the enhanced capital position of the Company from the Rights Issue will provide the Group with immediate financial resources for future development.

Overview on the Lithium Ion Motive Battery Business

According to an article headed “Lithium Ion Battery Market to Observe Astonishing Growth of USD26.28 Billion by 2029: Report Analysed By Size Share, Key” released by Bloomberg on 13 July 2022, global lithium ion battery market was valued at USD6.70 billion in 2021 and is expected to reach USD26.28 billion by 2029, registering a CAGR of 18.62% during the forecast period of 2022-2029. The following factors are the key drivers for the growth: (i) the rise in demand for consumer electronics across the globe. The penetration of portable variants, such as laptops, gaming consoles, smartphones, torches, and digital cameras, along with high-speed internet connectivity has a positive impact on the market; (ii) the increase in the demand for high-quality rechargeable batteries. Also, the usage of these electronics and use of lithium ion battery as an indispensable component of electric vehicles (EVs) drives the market; and (iii) the rise in focus on sustainable development along with increase in awareness regarding the adverse effects of using traditional automobiles further influence the market. Various governments of numerous countries are implementing favorable initiatives to promote the sales of EVs. Additionally, rapid urbanisation, change in lifestyle, surge in investments and increased consumer spending positively impact the lithium ion battery market.

Furthermore, use of lithium ion battery as a crucial component in grid energy storage extend profitable opportunities to the market players in the forecast period of 2022 to 2029. Also, increase in number of research and development initiatives by manufacturers for improvements in Li-ion batteries will further expand the market.

The Company's intention to focus its resources in the lithium ion motive battery business

All revenue generated by the Group were derived from the PRC. According to an article published on the website of State Council of the People's Republic of China in August 2022 (http://www.gov.cn/xinwen/2022-08/11/content_5704972.htm), in the first half of 2022, driven by the goal of carbon emission peak, carbon neutrality and the strong downstream demand, it was estimated that the national lithium ion battery output exceeded 280GWh, representing a year-on-year increase of 150%, and the industrial revenue exceeded RMB480 billion. The Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

consider that it is the appropriate timing to focus its resources to seek new investment opportunities in the lithium ion motive battery business and further improve the product quality.

As mentioned in the 2022 Annual Report, during the year, economic environment for the real estate industry in the PRC remained challenging and faced continuous downturn with tighter government control. Market confidence has not yet been restored from the series of social incidents including the pandemic spread and the discontinuance of the construction work of the leading real estate developers. 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. The disposal was completed on 10 October 2022. For the year ended 31 December 2022, revenue from Lithium Ion Motive Battery Business of the Group represents approximately 99.4% of the total revenue (excluding the discontinued operation).

Having restructured the Group's business in 2022, the Group is able to concentrate its business development in the Lithium Ion Motive Battery Business. The Group will strive to achieve production with lowest possible cost with outstanding product quality, meanwhile promote its battery products in more locations to sustain sales growth, which is the best way to materialise enterprise's value, as well as to maximise investment return to the Shareholders.

We consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to raise funds through the Rights Issue and apply the net proceeds of the Rights Issue to the Lithium Ion Motive Battery Business and to replenish internal resources for working capital and to partial repay loan after having considered the following reasons:

- (i) the Group recorded consecutive losses attributable to owners of the Company over the last two years. In addition, as mentioned in the paragraphs under "(1) Background information of the Company – Going concern basis" above, the consolidated financial statements for the year ended 31 December 2022 is prepared on a going concern basis. Auditors indicated that should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. In this regard, the Group has imminent funding needs to enrich its general working capital for business operation;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) despite the positive industry outlook of the Lithium Ion Motive Battery Business mentioned in “ Overview on the Lithium Ion Motive Battery Business” above, management of the Group did not consider that the performance of the Group’s business can be largely improved within short period of time without putting resources to improve current facilities to enhance the production capacity, the redeployment of manpower and facilities to enhance production efficiency, as well as the arrangement of logistics of the goods;
- (iii) in the 2022 Annual Report, it is mentioned that in the future, with the lifting of COVID-19 preventive measures, the Group believes that operation of the production base will be resumed to optimal level. Therefore, it is crucial that the Group can ride on the business opportunities from the recovery of COVID-19 with implementation of its business plan mentioned above. The Group will strive on improving its business performance and financial position so as to achieve the uplift of the going concern in the financial statement. As advised by the management of the Group, the auditors indicated that in considering whether going concern can be removed, they will take into account, among others, the operating performance, cash flow and net current assets of the Group;
- (iv) we are advised by the Company that capital commitment of Group as at 31 March 2023 will include property, plant and equipment of approximately RMB21.7 million (or approximately HK\$24.9 million), contracts in progress of approximately RMB14.3 million (or approximately HK\$16.3 million) and investment in associates of RMB24.0 million (or approximately HK\$27.4 million) relating to principal amount of RMB30.0 million payable to an associated company in five yearly instalments for the equity interests in an investee. As advised by the management of the Group, the Group’s bank and cash balances as at 31 March 2023 was not higher than its bank and cash balances of approximately HK\$6.3 million as at 31 December 2022 indicating that the Group’s liquid cash will not be sufficient for financing its existing capital commitments and further capital expenditures for the existing businesses including its business plan for development of Lithium Ion Motive Battery Business without seeking additional funding sources; and
- (v) the Directors believe that the Rights Issue would be the most appropriate method of fund raising as opposed to other alternative means of financing (please refer to paragraph below for details).

(b) *Other financing alternatives*

As mentioned in the Letter from the Board, the Directors have weighted the costs, benefits and timings of different types of fund-raising alternatives available

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Group including but not limited to debt financing and other equity fund raising such as placement of shares, and the possible impacts on the interests of Shareholders and consider the Rights Issue to be currently the preferred means for the Group to enhance its financial position without increasing its gearing or finance costs. The Board believes that the enhanced capital position of the Company from the Rights Issue will provide the Group with immediate financial resources for future development, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. Compared with other fund-raising alternatives, the Rights Issue will provide each and every Qualifying Shareholders with the opportunity to participate in the future development of the Group without material dilution of their interest in the Company. On the other hand, the Rights Issue also allows the Qualifying Shareholders the flexibility to sell off some or all of their rights entitlements in the open market (subject to the market demand) and realise the cash value therefrom. We further enquired the management of the Group to understand their assessment on financing alternatives and noted that they considered (i) interest-bearing nature of debt financing; (ii) the Group has no significant asset in Hong Kong and grant of borrowing without pledged assets in Hong Kong is unlikely; (iii) pledge of assets for bank borrowings in the PRC will lead to less flexibility on the Group's development plan on the battery factory as it will then require advance notice/approval from bank(s) for any relocation, modification, leasing, transfer, change of use, etc.; and (iv) rights issue will offer all Shareholders an opportunity to subscribe Shares.

In view of the above, we concur with the Directors that rights issue is a fair and reasonable fund-raising method for the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholding in the Company will be diluted upon completion of the Rights Issue.

Having taken into consideration of the above, we are of the view that it is reasonable for the Company to maintain a strong capital base and obtain funding for its business development through the Rights Issue. Accordingly, we concur with the Directors' view that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

(3) Principal terms of the Rights Issue

The Company proposed to raise up to approximately HK\$111.3 million, before expenses by way of the issue to the Qualifying Shareholders of a maximum of 1,112,615,025 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.1 per Rights Share on the basis of three (3) Rights Shares for every four (4) Shares held on the Record Date. The Rights Issue is available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders. For details of Irrevocable Undertaking given by Double Key International Limited, please refer to the section headed "The Irrevocable Undertaking" in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1 *Subscription Price*

The Subscription Price of HK\$0.1 per Rights Share is payable in full upon the acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon an application of Excess Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 11.5% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.5% to the average closing price of approximately HK\$0.113 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 9.1% to the average closing price of approximately HK\$0.110 per Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.9% to the theoretical ex-rights price of approximately HK\$0.107 per Share based on the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a premium of approximately 7.5% to the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 72.2% to the latest published audited consolidated net asset value per Share as at 31 December 2022 of approximately HK\$0.36 (based on the net asset value attributable to the owners of the Company as at 31 December 2022 of approximately HK\$528.8 million as shown in the Company's annual report for the year ended 31 December 2022 and 1,483,486,700 Shares in issue as at the Latest Practicable Date); and
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 4.9%, represented by a discount of the theoretical diluted price of approximately HK\$0.107 per Share to the benchmarked price of approximately HK\$0.113 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.113 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days preceding the Last Trading Day of approximately HK\$0.113 per Share).

As mentioned in the Letter from the Board, the Subscription Price of the Rights Issue were determined with reference to and having considered (i) the prevailing volatile market conditions of the Hong Kong stock market; (ii) the prices of the Shares during the period from 3 January 2023 to the Last Trading Day, the closing price of which fluctuated between HK\$0.095 to HK\$0.129, representing discount ranged from approximately 64.2% to approximately 73.6% to the latest published audited consolidated net asset value per Share as at 31 December 2022;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

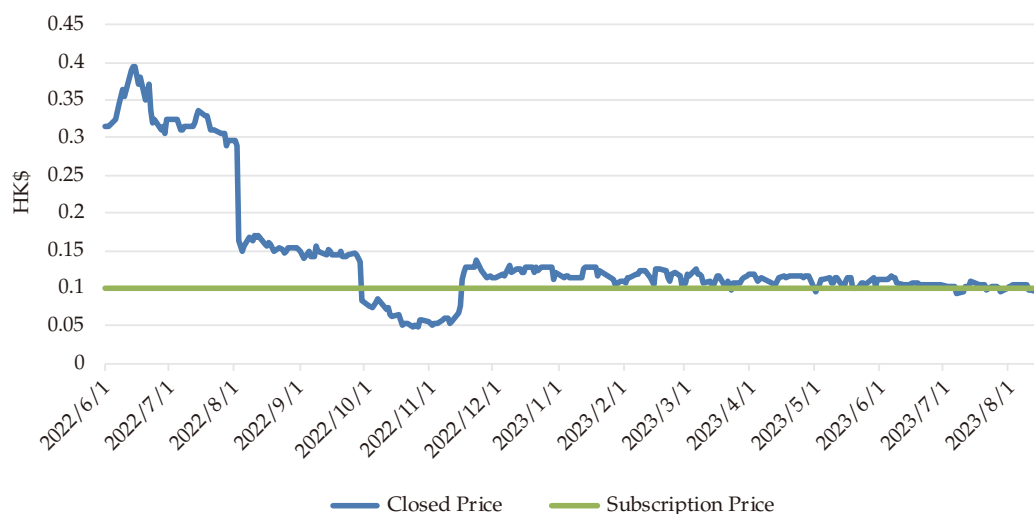
(iii) the financial performance of the Group for the year ended 31 December 2022; (iv) the relative large fund-raising size when compared with the market capitalisation of the Company as at the Last Trading Day, it would be reasonable to set the Subscription Price at a relatively deep discount for attracting the qualifying shareholders to participate in the Rights Issue; and (v) the reasons for and benefits of proposed Rights Issue as discussed in the section head “Reason for the Rights Issue and the Use of Proceeds” in the Letter from the Board, and the amount of funds the Company intends to raise under the Rights Issue.

The Directors noted that the Subscription Price represents a discount of approximately 72.2% to the net asset value attributable to the owners of the Company as at 31 December 2022. It was also noted that the Shares had been in general traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Share over the past six months immediately preceding the Last Trading Day. Therefore, the Directors consider that the current market price of the Shares in fact reflects the value of the Shares that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions. Accordingly, the net asset value per Share is not a meaningful benchmark to assess the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard.

The Directors (including the members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

3.1.1 Historical closing price

Set out below are the movements in the closing price of the Shares during the period from 1 June 2022, being the 12 months period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”):



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the lowest and highest closing prices of the Shares were HK\$0.048 per Share recorded on 24 October 2022 and HK\$0.395 per Share recorded on 14 June 2022 and 15 June 2022 as quoted on the Stock Exchange. The average daily closing price of Shares during the Review Period is approximately HK\$0.14 per Share. The Subscription Price represents (i) a discount of approximately 74.7% from the highest closing price; (ii) a discount of approximately 28.6% from the average daily closing price; and (iii) a premium of approximately 108.3% from the lowest closing price during the Review Period.

The closing price of the Shares was in a relatively stable pattern within the range from HK\$0.29 per Share to HK\$0.395 per Share in June and July 2022. On 3 August 2022, the closing price of Shares dropped substantially by approximately 43.8% from HK\$0.29 per Share to HK\$0.163 per Share. The Directors confirmed that they are not aware of any reasons for the decrease in the closing price of the Shares. Since then, the closing price of the Shares was on a decreasing trend and reached HK\$0.135 per Share on 29 September 2022. On 30 September 2022, the closing price of the Shares dropped substantially by approximately 37.8% further to HK\$0.084 per Share on 30 September 2022. The Directors confirmed that they are not aware of any reasons for the decrease in the closing price of the Shares.

Trading in Shares was suspended on 10 October 2022 and resumed on 11 October 2022 after the release of an announcement of major and connected transaction in relation to the capital increase and deemed disposal of the equity interest in the Tesson New Energy Company Limited. On 11 October 2022, the Company announced the reclassification of the capital increase as very substantial disposal under Chapter 14 of the Listing Rules. The closing price of the Shares decreased by approximately 16.5% from HK\$0.085 per Share on 7 October 2022, being the last trading day prior to resumption of trading, to HK\$0.071 per Share on 11 October 2022. Thereafter, the closing price of the Shares fluctuated between HK\$0.048 per Share to HK\$0.073 per Share; and recorded at HK\$0.052 per Share on 4 November 2022.

After the trading hours on 6 November 2022, the Company announced placing of up to 247,296,000 new Shares under general mandate at price of HK\$0.043 on best effort basis, to no less than six independent placees. The net proceeds of approximately HK\$10.47 million (assuming the placing Shares are fully placed and after all relevant expenses) will be used for the Group's general working capital. The closing price of the Shares increased by approximately 11.5% to HK\$0.058 per Share on 7 November 2022; and escalated from HK\$0.06 per Shares on 8 November 2022 further to HK\$0.137 per Share on 23 November 2022, representing aggregate increment of approximately 128.3%. It was announced that all conditions of the placing have been fulfilled and the placing of 246,993,000 placing Shares was completed on 25 November 2022.

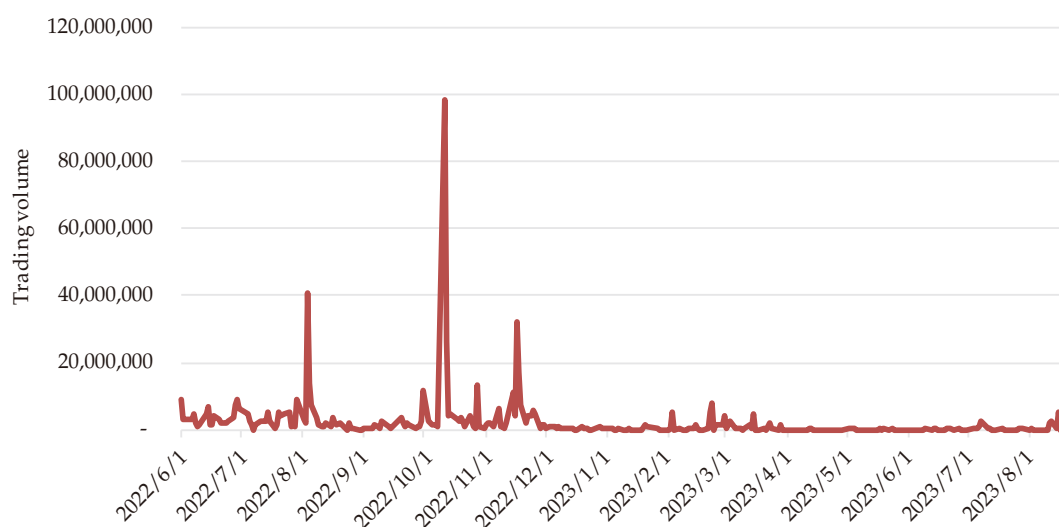
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The closing price of the Shares decreased by approximately 11.8% from HK\$0.127 per Share on 28 December 2022 to HK\$0.112 per Share on 29 December 2022. After the trading hours on 29 December 2022, the Company announced further disclosure related to impairment of the property for sale under development in relation to annual report for the year ended 31 December 2021. With reference to the valuation assessment, an aggregate impairment loss on the properties for sale under development of HK\$130,084,000 was recorded for the year ended 31 December 2021. Since then, the closing price of the Shares experienced ups and downs but maintained relatively stable trend with average daily closing price around HK\$0.110 from 30 December 2022 to the Latest Practicable Date.

We note that it is a common market practice that, in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. Having considered the impacts due to the corporate actions of the Company up to December 2022 as mentioned above, and the closing price of the Shares was stagnant since beginning of 2023, we concur with the Directors that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general practice and is acceptable.

3.1.2 Historical trading volume

Set out below is the daily trading volume of the Shares during the Review Period:



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The average daily trading volume of the Shares per month, and the respective percentages of the average daily trading volume as compared to the total number of issued Shares at the beginning of each calendar month during the Review Period are tabulated as follows:

	Average daily trading volume Number of Shares	Number of issued Shares at the beginning of each month Number of Shares	Percentage of the average daily trading volume to total number of issued Shares at the beginning of the month Approximately %
2022			
June	3,858,571	1,236,493,700	0.31
July	2,921,976	1,236,493,700	0.24
August	3,913,196	1,236,493,700	0.32
September	1,691,000	1,236,493,700	0.14
October (<i>Note 1</i>)	9,055,264	1,236,493,700	0.73
November (<i>Note 2</i>)	5,147,318	1,236,493,700	0.42
December	438,150	1,483,486,700	0.03
2023			
January	182,833	1,483,486,700	0.01
February	1,431,400	1,483,486,700	0.10
March	710,435	1,483,486,700	0.05
April	42,353	1,483,486,700	0.00
May	72,000	1,483,486,700	0.00
June	115,838	1,483,486,700	0.01
July	318,800	1,483,486,700	0.02
August (<i>Note 3</i>)	767,143	1,483,486,700	0.05

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Trading in Shares was suspended on 10 October 2022.
2. Number of issued Shares increased to 1,483,486,700 subsequent to the issue of 246,993,000 placing Shares on 25 November 2022.
3. Up to the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period, with ranges from nearly zero to approximately 0.73% of the total number of issued Shares at the beginning of each month. Apart from June 2022, August 2022, October 2022 (month in which announcement in relation to the capital increase and deemed disposal of the equity interest in the Tesson New Energy Company Limited had been released) and November 2022 (month in which announcement in relation to placing of new Shares under general mandate had been released), we noted that trading in the Shares had been historically inactive and the Shares were hence rather illiquid. We are advised that the Directors did not aware the reasons for the relatively high trading volume in June 2022 and August 2022.

Average daily trading volume of the Shares per month was below 0.30% of the total number of issued Shares at the beginning of the month in most of the Review Period. Since the Shares were generally illiquid in the open market, we concur with the Board that it would be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at discount to the historical closing prices of the Shares.

Given that discount on the Subscription Price could attract the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group, we consider that the Subscription Price being set at lower than the prevailing market prices of the Shares is in line with general market practice and the current market trend, which we consider is reasonable and acceptable.

3.1.3 Comparison with other rights issue transactions

In order to assess the reasonableness of the Subscription Price, we have reviewed all rights issues conducted by other companies listed on the Stock Exchange, which announced the respective rights issue in the six months preceding the Last Trading Day, i.e. from 7 January 2023 and up to the Latest Practicable Date. In view of the size of the market capitalisation of the Company was approximately HK\$138.0 million as at the Latest Practicable Date, we have identified 17 listed companies (the “**Comparables**”), which represent all companies listed on the Stock Exchange, announced rights issue within the aforesaid period, and had market capitalisation between HK\$50 million and HK\$300 million as at the date of their respective announcements for the rights issue. We consider the range of market capitalisation between HK\$50 million to HK\$300 million for selecting the Comparables to be fair and reasonable on the basis that the market capitalisation of the Company was approximately HK\$138.0 million as at the Latest Practicable Date. We also consider the selection of such six months period to be sufficient and appropriate for our analysis for fund raising exercises such as rights issues, as the market sentiment at the relevant time in general plays an important role in the determination of the Subscription Price, while reasonable number of such fund-raising exercises could be included for reference purposes. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the business, operations and prospects of the Comparables. Details of our findings are summarised in the table below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day (%)	Theoretical ex-rights price (HK\$)	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price (%)	Maximum dilution (%)	Market Capitalisation as at the date of the respective announcement for the rights issue (HK\$)	Approximate net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities
28-Jul-23	Artigo Holdings Limited (3313)	2 for 1	0.200	0.210	(4.76)	0.2008	(0.42)	6.50	78,699,343	121.15	Yes	No	Production of marble stone products and calcium carbonate products mainly for further processing or trading; and trading of commodities and the provision of warehousing and logistics services
24-Jul-23	Platt Nera International Limited (1949)	1 for 2	0.100	0.238	(57.98)	0.192	(47.92)	33.33	95,200,000	19.00	No	No	Provision of IT integrated solutions and IT support services, and the sale of equipment in Thailand
16-Jun-23	Future World Holdings Limited (572)	1 for 1	0.60	0.83	(27.71)	0.715	(16.08)	50.00	96,359,258	60.0	No	Yes	high technology business; property investment; provision of financing services; securities trading and investment; trading business and related services; and securities brokerage business

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day of the rights issue	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day	Theoretical ex-rights price (HK\$)	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price (%)	Maximum dilution (%)	Market Capitalisation as at the date of the respective announcement for the rights issue (HK\$)	Approximate net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities	
8-Jun-23	Hi-Level Technology Holdings Limited (8113)	1 for 1	0.12	0.186	(35.50)	0.153	(21.60)	188.0	50.00	121,415,220	77.10	Yes	No	Sale of electronic components (mainly integrated circuit and panels) for consumer electronic products such as mobile internet devices, electronic learning aids, multi-media player (car infotainment system), smartphone panel modules, set-top boxes and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers
7-Jun-23	GBA Holdings Limited (261)	4 for 5	0.030	0.040	(25.00)	0.036	(16.70)	(90.25)	44.44	88,246,128	47.9	No	No	Property development and investment in mainland China and finance business and automobile business in Hong Kong

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day of the rights issue conducted	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day (%)	Theoretical ex-rights price (HK\$)	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price (%)	Maximum dilution (%)	Market Capitalisation as at the date of the respective announcement for the rights issue (HK\$)	Approximate net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities
30-May-23	Min Fu International Holding Limited (8511)	1 for 2	0.100	0.109 (8.26)	0.106 (5.66)	12.36	33.33	52,320,000	22.34	Yes	No	No	Provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the PRC
25-May-23	China Investment Development Limited (204)	1 for 1	0.15	0.255 (41.18)	0.203 (26.11)	(83.05)	50.00	91,900,689	53.20	Yes	No	No	Investment company to achieve medium to long-term capital appreciation as well as income from interest and dividend by investing principally in listed and unlisted securities
12-May-23	China Rui Feng Renewable Energy Holdings Limited (527)	5 for 2	0.18	0.25 (28.00)	0.20 (10.00)	(34.23)	71.43	118,740,373	226.00	Yes	No	No	Wind farms operation and is continuing to search for investment opportunities in the energy sectors
5-May-23	Tongda Hong Tai Holdings Limited (2363)	2 for 1	0.070	0.084 (16.70)	0.075 (6.60)	N/A (Note 2)	66.67	57,182,741	92.9	Yes	No	No	"one-stop" manufacturing solution provider of casings for notebooks and other accessories.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day of the rights issue conducted	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day	Theoretical ex-rights price	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price	Maximum dilution (%)	Market Capitalisation as at the date of the respective announcement for the rights issue	Approximate estimated net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities
28-Apr-23	PT International Development Corporation Limited (372)	1 for 2	0.036	0.117	(69.20)	0.09	(60.00)	33.33	193,755,151	33.60	No	No	Strategically invest or hold significant interests, both directly or indirectly, in a portfolio of listed companies in Hong Kong and Korea and also high-potential private companies and funds, through equity instruments and debt financing, financial assets and securities. Also, trading of commodities (including copper, nickel, aluminium and chemical and energy products), chemical storage business, provision of management services, financial institute business and loan financing services
14-Apr-23	Finet Group Limited (8317)	1 for 2	0.10	0.21	(52.40)	0.173	(42.20)	33.33	139,973,143	23.40	No	No	Provision of financial information; advertising and financial public relationship service (including media business); the securities business that specialises in the provision of brokerage, underwriting and asset management; money lending business; and property investments

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day of the rights issue conducted	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day	Theoretical ex-rights price (HK\$)	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price	Maximum dilution (%)	Market Capitalisation as at the date of the announcement for the rights issue (HK\$)	Approximate net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities
13-Apr-23	Prestone Capital Limited (804)	1 for 2	0.225	0.38	(40.79)	0.3283	(31.47)	33.33	102,871,092	29.66	Yes	No	Securities brokerage services; securities-backed lending services; placing and underwriting services; and other money lending services
6-Apr-23	Kingland Group Holdings Limited (1751)	1 for 2	0.185	0.625	(70.40)	0.478	(61.30)	33.33	132,108,139	13.64	Yes	No	Provision of concrete demolition services in Hong Kong and Macao mainly as subcontractor
27-Mar-23	Sandmartin International Holdings Limited (482)	3 for 2	0.12	0.144	(16.67)	0.1296	(7.41)	60.00	244,112,099	84.59	No	No	Trading and manufacturing of media entertainment platform related products; trading and manufacturing of components of audio and video electronic products; and trading and manufacturing of satellite TV equipment and antenna products
3-Mar-23	Diwang Industrial Holdings Limited (1950)	3 for 2	0.67	0.66	1.52	0.666	(37.44)	60.00	190,080,000	286.55	Yes	No	Research and development, manufacturing and sale of coating agents and synthetic resins under its own brand; and manufacture and sale of Chinese baijiu products in the PRC

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement Date	Company name (Stock code)	Basis	Subscription Price	Closing price as quoted on the Stock Exchange on the last trading day of the rights issue conducted	Premium/ (discount) of subscription price over/ (to) the closing price on the last trading day	Theoretical ex-rights price (HK\$)	Premium/ (discount) of subscription price over/ (to) the theoretical ex-rights price	Maximum dilution (%)	Market Capitalisation as at the date of the respective announcement for the rights issue	Approximate net proceeds (HK\$ million)	Non-underwritten application (Yes/No)	Excess application (Yes/No)	Principal activities
10-Feb-23	Windmill Group Limited (1850)	2 for 1	1.360	0.069	(1.45)	0.068	(54.05)	66.67	66,240,000	128.58	Yes	No	Design, supply and installation of fire safety systems for buildings under construction or re-development, maintenance and repair of fire safety systems for built premises and trading of fire service accessories
10-Jan-23	Kinetix Systems Holdings Limited (8606)	1 for 2	0.065	0.092	(29.35)	0.083	(47.01)	33.33	88,678,800	29.90	Yes	No	Provision of IT infrastructure solutions services, IT development solutions services, IT maintenance and support services and entertainment products
	Min		0.030	0.040	(70.40)	0.036	(95.17)	6.50	52,320,000	13.64			
	Max		1.360	0.830	1.52	0.715	262.75	71.43	236,139,091	286.55			
	Average		0.254	0.235	(30.81)	0.232	(14.60)	44.65	105,630,420	79.37			
	Median		0.120	0.186	(28.00)	0.173	(50.53)	44.44	95,200,000	53.20			
7-Jun-23	The Company	3 for 4	0.10	0.113	(11.50)	0.110	(72.20)	42.86	132,108,139	109.30	Yes	Yes	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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. According to the announcement of Artgo Holdings Limited dated 4 August 2023, the subscription price was revised from HK\$0.18 per right share to HK\$0.20 per right share.
2. According to the annual report of Future World Holdings Limited for the year ended 31 December 2022, its net assets amounted to approximately HK\$935.5 million and the number of issued shares as at 31 December 2022 was 116,095,491, which derived net asset value per share of approximately HK\$8.06.
3. According to the annual report of Tongda Hong Tai Holdings Limited for the year ended 31 December 2022, it recorded net liabilities of approximately HK\$203.4 million as at 31 December 2022. Therefore, net asset value per share is not applicable.
4. According to the paragraphs headed "Revised use of proceeds" in the announcement dated 24 April 2023 of Finet Group Limited, the net proceeds from the Rights Issue was estimated to be approximately HK\$23.4 million (assuming no change in the number of shares in issue on or before the record date).
5. According to the result announcement of Pinestone Capital Limited for the year ended 31 December 2022, its net assets amounted to approximately HK\$164.5 million and the number of issued shares as at 31 December 2022 was 270,713,400, which derived net asset value per share of approximately HK\$0.6076.

As shown in the above table, the Comparables had subscription prices at a premium/discount to their respective closing price per share on the last trading day prior to the release of the relevant announcement within a range from a discount of approximately 70.4% to a premium of approximately 1.5%, with a median discount of approximately 28.0%. In the case of the Rights Issue, the Subscription Price has a discount of approximately 11.5% to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, which falls within the range of the Comparables and above the median of the Comparables. With regard to the discount/premium to the theoretical ex-entitlement price per share of the Comparables, they ranged from a discount of approximately 61.3% to a premium of approximately 0.6%, with a median discount of approximately 16.7%. In the case of the Rights Issue, the Subscription Price has a discount of approximately 9.1% to the theoretical ex-entitlement price per Share, which also falls within the range of the Comparables and above the median of the Comparables.

With regard to the discount/premium to the net asset value price per share of the Comparables, they ranged from a discount of approximately 95.2% to a premium of approximately 262.8%, with a median discount of approximately 50.5%. In the case of the Rights Issue, the Subscription Price has a discount of approximately 72.2% to the net asset value per Share, which also falls within the range of the Comparables and below the median of the Comparables.

Having taken into consideration that:

- (i) in general, it is common for the listed issuers in Hong Kong to issue rights issue at a discount to the market price in order to enhance the attractiveness of a rights issue transaction;
- (ii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day, the Subscription Price to the latest

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

published audited consolidated net asset value and the discount represented by the Subscription Price to the theoretical ex-entitlement prices fall within the respective range of the Comparables.

Notwithstanding that the Subscription Price represents a discount of approximately 72.2% to the latest published audited consolidated net asset value per Share as at 31 December 2022 (based on the net asset value attributable to the owners of the Company), after considering (i) the Shares had been consistently traded at a deep discount to the consolidated net asset value per Share as at 31 December 2021 (based on the net asset value attributable to the owners of the Company) since the publication of the 2021 annual results announcement for the year ended 31 December 2021 (i.e. 31 May 2022) up to the publication of the 2022 annual results announcement for the year ended 31 December 2022 (i.e. 30 March 2023) (ranging from a minimum discount of approximately 36.1% to a maximum discount of approximately 92.2%) and remained at deep discount up to the Last Trading Day; and (ii) the prevailing historical trading prices have already reflected the market valuation of the Company based on its financial results, corporate actions and the prevailing market sentiment, we are of the view that it is reasonable for the Company to set the Subscription Price with reference to its prevailing trading prices;

- (iii) the recent closing price of the Shares has in general remained stagnant;
- (iv) trading volume of the Shares was thin with average daily trading volume of the Shares per month around or below 0.3% of the total number of issued Shares at the beginning of the month in most of the Review Period;
- (v) the interest of the Qualifying Shareholders will not be prejudiced by the relatively deep discount of the Subscription Price so long as they are offered with an equal opportunity to participate in the Rights Issue; and
- (vi) excess application is available for Qualifying Shareholders who would like to participate more in the future growth of the Group,

we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3.1.4 Non-underwritten basis

As mentioned in the Letter from the Board, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue. The Bermuda legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under Bermuda law.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that 11 out of the 17 Comparables are on a non-underwritten basis. As such, we are of the view that it is not uncommon for rights issues to be conducted on a non-underwritten basis. We discussed with the management of the Group to understand whether the Company has ever attempted to seek brokerage companies as an underwriter to the Rights Issue; and were told that the Company chose not to seek underwriter(s) having considered that it will offer the Qualifying Shareholders with an option to apply Excess Rights Shares, if any.

Despite that there is no guarantee of minimum amount to be raised by the Rights Issue, given that the Rights Issue provides an opportunity for the Group to raise funds for its financials needs, we consider the Rights Issue to be in the interests of the Company and Shareholders as a whole.

3.1.5 Application for excess rights shares

As mentioned in the Letter from the Board, all Qualifying Shareholders are entitled to apply by way of excess application under the EAFs for additional Rights Shares in excess of their assured entitlements. The Excess Rights Shares will comprise: (i) any Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance; (ii) any Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders; and (iii) any Rights Shares created from the aggregation of fractions of Rights Shares not provisionally allotted to the Qualifying Shareholders.

As set out in the table under “3.1.3 Comparison with other rights issue transactions” above, one of the 17 Comparables have the arrangement for excess application for the qualifying shareholders. We also noted that there were precedent cases of rights issues with such arrangement. With the arrangement of application for Excess Rights Shares, the Qualifying Shareholders shall be given a pre-emptive right to subscribe for Excess Rights Shares if they wish to do so. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other rights issue with arrangement of application for excess rights shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for Excess Rights Shares, will be largely maintained after the completion of the Rights Issue. Based on the above, we consider that the arrangement of application for Excess Rights Shares for the Qualifying Shareholders and the allocation method for the Excess Rights Shares are fair and reasonable so far as the Independent Shareholders are concerned.

(4) Possible financial effects of the Rights Issue

4.1 Adjusted net tangible assets

Based on the information set out in the “Unaudited pro forma financial information of the Group” contained in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2022 (“**Pro Forma NTA**”) would amount to approximately HK\$638.0 million as a result of the completion of the Rights Issue and receipt of an estimated net proceeds from the Rights Issue of approximately HK\$109.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming completion of the Rights Issue, the Pro Forma NTA per Share would be approximately HK\$0.25 (based on the enlarged issued share capital of 2,596,101,725 Shares upon completion of the Rights Issue assuming no other Shares are allotted or issued on or before the Record Date), representing a decrease of approximately 30.6% from the audited consolidated net tangible asset per Shares of approximately HK\$0.36 as at 31 December 2022. Such decrease is due to the fact that the Subscription Price is fixed at a discount to the net tangible asset per Share prior to the completion of the Rights Issue.

Shareholders should take note of the assumptions made in the preparation of the unaudited pro forma financial information of the Group contained in Appendix II to the Circular, in particular, the pro forma financial information does not take into account any trading result or other transactions of the Group subsequent to 31 December 2022.

4.2 Cash position

According to the 2022 Annual Report, the Group had bank and cash balances of approximately HK\$6.3 million as at 31 December 2022. As advised by the Directors, the decrease of the bank and cash balances of the Group as at 31 December 2022 from approximately HK\$12.6 million as at 31 December 2021 was mainly due to settlement on purchase of property, plant and equipment made during the year; and there was the absence of the restricted bank balances of the Group as at 31 December 2022 as compared to approximately HK\$40.3 million (which represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts) as at 31 December 2021. Upon the completion of the Rights Issue, the bank and cash balances of the Group will increase as a result of the net proceeds of approximately HK\$109.3 million. The Rights Issue will provide additional liquidity in the form of equity to the Group and therefore, will enhance its financial position. We consider that it is in the interests of the Company and the Shareholders as a whole.

4.3 Gearing ratio

The Group's gearing ratio (defined as a percentage of total borrowings over total equity) was approximately 15.5% as at 31 December 2022. The expected net proceeds from the Rights Issue of approximately HK\$109.3 million will enhance the cash position and enlarged capital base and total equity of the Group upon completion of the Rights Issue, and therefore the Group's gearing ratio is expected to be improved as a result of the enlarged total equity of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(5) Potential dilution effect of the Rights Issue on the shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their proportional shareholding interests in the Company will remain unchanged after the Rights Issue. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Rights Issue will have their shareholdings in the Company diluted by up to a maximum of approximately 42.9% (assuming no other Shares are allotted and issued on or before the Record Date). The possible dilution effect of the Rights Issue on shareholding interests is set out in the section headed "Effect of the Rights Issue on shareholdings in the Company" in the Letter from the Board. As in all other rights issues, the dilution on the shareholding of non-qualifying shareholders and those qualifying shareholders who do not take up in full their assured entitlement under the Rights Issue is inevitable. The dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise, where the higher the offering ratio of rights shares to existing shares is, the greater the dilution on the existing shareholding would be. The possible maximum dilution for rights issues at the ratio of 3 for 4 is approximately 42.9%.

After taking into account that the Rights Issue would enhance the Group's financial position, strengthen its capital base for financing the development of the Group's Lithium Ion Motive Battery Business, provide additional general working capital and funds for partial repayment of loan which may be able to address material uncertainty relating to going concern raised by the auditors in the 2022 Annual Report, we consider that such potential dilution to the shareholding interests of the Shareholders, which may only happen to the Qualifying Shareholders who decide not to accept their assured entitlements in full, as a result of the Rights Issue is acceptable. The Qualifying Shareholders are in fact given the opportunity to trade the nil-paid Rights Shares if they decided not to take up their entitlements in whole or in part.

RECOMMENDATION

Having considered that the above principal factors and reasons, in particular:

- (i) the Group recorded consecutive losses attributable to owners of the Company over the last two years. Furthermore, the auditors mentioned in the 2022 Annual Report that the Group's loss of approximately HK\$124.7 million from continuing operation for the year ended 31 December 2022 and the cash and bank balances of approximately HK\$6.3 million indicate a material uncertainty which may cast doubt on the Group's ability to continue on a going concern. It is expected that net proceeds from the Rights Issue will enhance its cash position, provide additional general working capital for its business operation and partial repayment of loan; and equip the Company with funding source for development its Lithium Ion Motive Battery Business with an aim to improve business performance of the Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Group's plan to develop Lithium Ion Motive Battery Business is in line with its business strategy of focusing on this business segment. As mentioned in the 2022 Annual Report, the Group will strive to achieve production with lowest possible cost with outstanding product quality, meanwhile promote its battery products in more locations to sustain sales growth, which is the best way to materialise our enterprise's value, as well as to maximise investment return to the Shareholders. Having considered the positive industry outlook of the Lithium Ion Motive Battery Business and the recovery of COVID-19, it is the appropriate time to invest and improve the production capacity and production efficiency of the Lithium Ion Motive Battery Business in order to capture the upswing momentum of the industry;
- (iii) the estimated amount of funding required for the development of the Group's Lithium Ion Motive Battery Business was approximately HK\$66 million. Having also considered the Group's expected capital commitments for property plant and equipment and contracts in progress in total of approximately RMB\$36.0 million (or equivalent to approximately HK\$41.2 million) and yearly instalment to be paid to an associated company, and as advised by the management of the Group, the Group's bank and cash balances as at 31 March 2023 was not higher than its bank and cash balances of approximately HK\$6.3 million as at 31 December 2022, it is necessary for the Group to seek additional funding for business development and working capital;
- (iv) having considered various financing alternatives available to the Group, the Directors believe the Rights Issue to be the most appropriate method of fund raising and in the best interest of the Company and the Shareholders, as opposed to other alternative means of financing. Despite the Rights Issue will cause potential dilution to the shareholding interests of the Shareholders if the Qualifying Shareholders decide not to accept their assured entitlements in full, it (a) provides a relatively cost effective way to finance the Group without increasing the gearing ratio; (b) offers an opportunity for the existing Shareholders to participate in the enlargement of the capital base of the Company; and (c) allows the Qualifying Shareholders who do not wish to take up their entitlements under the Rights Issue in full to have the opportunity to realise the value of their nil-paid rights shares by trading them in the market;
- (v) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned after taken into account (a) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day; and the discount represented by the Subscription Price to the net asset value per Share and the discount represented by the Subscription Price to the theoretical ex-entitlement prices fall within the respective range of the Comparables; (b) the historical closing price of the Shares was in general stagnant and the historical trading volume of the Shares was thin. Since the Shares were generally illiquid in the open market and the closing price of the Shares was in general stagnant, we concur with the Directors that it would be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at discount to the historical closing prices of the Shares and the Rights Issue allows the Qualifying Shareholders to continuously participate in the future development of the Group; (c) it is common for the listed companies in Hong Kong to price a rights issue at a discount to the market price in order to enhance the attractiveness of the rights issue; (d) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares; and (e) excess application is available for Qualifying Shareholders who would like to participate more in the future growth of the Group;

- (vi) upon the completion of the Rights Issue, the Pro Forma NTA per Share is expected to decrease due to the fact that the Subscription Price is fixed at a discount to the net tangible asset per Share prior to the completion of the Rights Issue. However, the bank and cash balances of the Group will increase as a result of the net proceeds of approximately HK\$109.3 million. The Rights Issue will provide additional liquidity in the form of equity to the Group and therefore, will enhance its financial position and enlarged capital base and total equity of the Group upon completion of the Rights Issue, and therefore the Group's gearing ratio is expected to be improved as a result of the enlarged total equity of the Group. Having considered (i) to (v) above and the improvement of liquidity position and strengthened equity base of the Group upon completion of the Rights Issue, we are the view that the Rights Issue is fair and reasonable; and
- (vii) potential dilution to the shareholding interests of the Shareholders, which may only happen to the Qualifying Shareholders who decide not to accept their assured entitlements in full, as a result of the Rights Issue is acceptable after taking into account that the Rights Issue would improve the Group's financial position and strengthen its capital base for financing the Lithium Ion Motive Battery Business, which will generate mainstream of revenue to the Group,

we consider that the terms of Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, and we ourselves advise the Independent Shareholders, to vote in favour of the resolution relating to the Rights Issue at the SGM.

Yours faithfully,

For and on behalf of

SBI China Capital Hong Kong Securities Limited

Ringo Kwan

Managing Director

Evelyn Fan

Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tessonholdings.com>):

- Annual report for the year ended 31 December 2022 (pages 48 to 132); (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042704098.pdf>)
- Annual report for the year ended 31 December 2021 (pages 50 to 131); (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0601/2022060100015.pdf>)
- Annual report for the year ended 31 December 2020 (pages 48 to 131); (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101316.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following liabilities:

Borrowings

The Group had outstanding unsecured borrowing of approximately HK\$52,785,000.

Lease liabilities

The Group had outstanding lease liabilities of approximately HK\$9,230,000.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 30 June 2023, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities or normal trade and other payables, at the close of business on 30 June 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, and after taking into account the Group's business prospects, present internal resources and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability and the Group is principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading.

In 2022, preventive measures for the novel coronavirus disease ("COVID-19") were still in place, travelling restriction continued, temporary lockdown was found unsurprising. Overall consumption sentiment of the general public had been reduced throughout these years, forming additional pressure on sales growth on consumer goods. Operation of the Group was still affected by such measures, production base of the battery products was temporarily closed and led to reduced production volume, revenue from the sales of battery products declined in 2022.

In early 2023, market demand for lithium ion motive battery continued to grow, total production output in the PRC for January to February 2023 and March to April 2023 had been increased by 24% and 45% respectively compared to the same period in last year. Meanwhile, the Group's operation in the production base in Weinan had gradually resumed to normal in the second quarter of 2023, it is expected that the Group can be benefited from the market growth.

Having restructured the Group's business in 2022, the Group is able to concentrate its business development in the Lithium Ion Motive Battery Business. In the future, with the lifting of COVID-19 preventive measures, the Group believes that operation of the production base will be resumed to optimal level. The Group will adhere to enhance its product's efficiency, quality and safety, and further diversify its application to different household and industrial use. Our battery products will be promoted around the world, suitable for various electrical products. Without compromising products' quality, cost control and optimal resources allocation will continue to be the Group's operational focus.

The Group will strive to achieve production with lowest possible cost with outstanding product quality, meanwhile promote its battery products in more locations to sustain sales growth, which is the best way to materialise our enterprise's value, as well as to maximise investment return to our Shareholders.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Right Issue on the consolidated net tangible assets of the Group as if the Right Issue had taken place on 31 December 2022.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Right Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 December 2022, adjusted as described below:

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 (Note 1) HK\$'000	Estimated net proceeds from the Right Issue (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2022 HK\$'000
<u>528,776</u>	<u>109,262</u>	<u>638,038</u>
Audited consolidated net tangible assets per Existing Share before implementation of the Right Issue (Note 3)		<u>HK\$0.36</u>
Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Right Issue (Note 4)		<u>HK\$0.25</u>

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 are based on the consolidated net assets in the audited consolidated statement of financial position of the Group as at 31 December 2022.
2. The estimated net proceeds from the Right Issue are based on 1,112,615,025 Rights shares at the Subscription Price of HK\$0.10 per Rights Share, after deduction of the estimated related expenses payable by the Company of approximately HK\$2,000,000.
3. Based on 1,483,486,700 shares in issue as at 31 December 2022 before completion of the Rights Issue.
4. Based on 2,596,101,725 Shares, on which 1,112,615,025 Rights Shares were in issue as at 31 December 2022, assuming that the Rights Issue had been completed on 31 December 2022.

B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

24 August 2023

The Board of Directors
Tesson Holdings Limited
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tesson Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 December 2022 as set out on pages II-1 to II-2 of the circular (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Appendix II to the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 31 December 2022 as if the transaction had been taken place at 31 December 2022. As part of this process, information about the Group’s consolidated net tangible assets has been extracted by the directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2022, on which an audit report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Right Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for the Rights Issue and the Use of Proceeds" set out on page 22 of the Circular.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number P05498

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date were, and following completion of the Rights Issue, are expected to be as follows:

As at the Latest Practicable Date

Authorised share capital: HK\$

<u>2,000,000,000</u>	ordinary Shares of HK\$0.1 each	<u>200,000,000</u>
----------------------	---------------------------------	--------------------

Issued share capital: HK\$

<u>1,483,486,700</u>	ordinary Shares of HK\$0.1 each	<u>148,348,670</u>
----------------------	---------------------------------	--------------------

Immediately following the completion of the Increase in Authorised Share Capital

Authorised share capital: HK\$

2,000,000,000	ordinary Shares of HK\$0.1 each	200,000,000
<u>3,000,000,000</u>	ordinary Shares of HK\$0.1 each	<u>300,000,000</u>

<u>5,000,000,000</u>		<u>500,000,000</u>
----------------------	--	--------------------

Issued share capital: HK\$

<u>1,483,486,700</u>	ordinary Shares of HK\$0.1 each	<u>148,348,670</u>
----------------------	---------------------------------	--------------------

Immediately following the completion of the Increase in Authorised Share Capital and completion of the Rights Issue (assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full)

<i>Authorised share capital:</i>		<i>HK\$</i>
2,000,000,000	ordinary Shares of HK\$0.1 each	200,000,000
<u>3,000,000,000</u>	ordinary Shares of HK\$0.1 each	<u>300,000,000</u>
<u>5,000,000,000</u>		<u>500,000,000</u>
<i>Issued share capital:</i>		<i>HK\$</i>
1,483,486,700	ordinary Shares of HK\$0.1 each	148,348,670
<u>1,112,615,025</u>	Rights Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	<u>111,261,503</u>
<u>2,596,101,725</u>	Shares of HK\$0.1 each immediately following the completion of the Rights Issue	<u>259,610,173</u>

Immediately following the completion of the Increase in Authorised Share Capital and completion of the Rights Issue (assuming none of the Qualifying Shareholders other than Double Key International Limited and its associates have taken up their respective entitlement of the Rights Shares and applied for all Excess Rights Shares)

<i>Authorised share capital:</i>		<i>HK\$</i>
2,000,000,000	ordinary Shares of HK\$0.1 each	200,000,000
<u>3,000,000,000</u>	ordinary Shares of HK\$0.1 each	<u>300,000,000</u>
<u>5,000,000,000</u>		<u>500,000,000</u>
<i>Issued share capital:</i>		<i>HK\$</i>
1,483,486,700	ordinary Shares of HK\$0.1 each	148,348,670
<u>581,920,899</u>	Rights Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	<u>58,192,090</u>
<u>2,065,407,599</u>	Shares of HK\$0.1 each immediately following the completion of the Rights Issue	<u>206,540,760</u>

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Main Board of the Stock Exchange.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No Share or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

3. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Business Addresses

The business address of all the Directors and senior management is the same as the address of the Company's principal place of business at Room 401A, Empire Centre 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) Biographical Details

Mr. Tin Kong

Chairman, Executive Director and Chief Executive Officer

Mr. Tin Kong, aged 62, is a Hong Kong resident. Mr. Tin has been executive Director of the Company and the chairman of the Board since 27 August 2015 and has been appointed as the chief executive officer of the Company on 1 August 2019. He has been an authorised representative of the Company, the chairman of the nomination committee and internal control committee of the Company, and a member of remuneration committee of the Company since March 2016. Mr. Tin holds directorships in certain subsidiaries of the Company. He is also a director of Double Key International Limited, the controlling shareholder of the Company. He graduated from the Department of Economics and Management in Beijing Academy of Cultural Administration* (北京文化幹部管理學院經濟管理學系).

Ms. Cheng Hung Mui

Executive Director

Ms. Cheng Hung Mui, aged 52, is a Hong Kong resident and an individual investor. Ms. Cheng was appointed as an executive Director of the Company on 27 June 2014. Ms. Cheng is the beneficial owner and director of Double Key International Limited, the controlling shareholder of the Company.

Mr. Chan Wei

Executive Director, Chief Financial Officer and Company Secretary

Mr. Chan Wei, aged 45, has been the chief financial officer, company secretary and authorised representative of the Company since 7 March 2016 and has been appointed as an executive Director of the Company on 28 July 2021. He is also a supervisor of a subsidiary of the Group. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan obtained the degree of a Bachelor of Science in applied accounting from the Oxford Brookes University. He has over 20 years of experience in auditing, accounting and financial advisory. Before joining the Company, Mr. Chan worked in a listed company as financial controller. He also previously served as an independent non-executive director of Elegance Optical International Holdings Limited, a listed company, until 17 April 2018.

Ms. Liu Liu (also known as Liu Xiaoqing)

Executive Director

Ms. Liu Liu, aged 38, was appointed as an executive Director of the Company on 28 July 2021. She is currently a legal representative and an executive director of Oriental Galaxy (Beijing) Cultural Media Co., Ltd.* (東方銀河(北京)文化傳媒有限公司), which is a subsidiary of the Company. She is also the vice-director (副理事長) of each of the Live Webcast & Short Video Professional Committee (網絡直播與短視頻專業委員會) and the Electronic Commerce Professional Committee (電子商務專業委員會) of the China Electronics Chamber of Commerce (中國電子商會). Ms. Liu has more than 18 years of experience in film and television production and brand planning, marketing and promotion. Since 2004, Ms. Liu has been participating in the publisher and producer team of a number of film and television products, including several award-winning TV series which have become the top TV series in the annual audience ratings or click through rates in the first-tier satellite TV or multi-media platforms. From 2014, Ms. Liu has tapped into the China TV shopping industry and has built up her team in providing various brand planning, marketing and promotion services in live stream e-commerce.

Mr. Wang Jinlin*Independent Non-executive Director*

Mr. Wang Jinlin, aged 58, was appointed as an independent non-executive Director of the Company on 24 March 2015. He is a member of the audit committee, the remuneration committee, the nomination committee and the internal control committee of the Company. Mr. Wang graduated from Zhejiang University and obtained a bachelor's degree in 1984. He is a senior engineer and used to serve as deputy general manager of Jiaxing Silk Spinning Factory* (嘉興絹紡廠), deputy general manager and general manager of Zhejiang Jinying Silk Spinning Co., Ltd.* (浙江金鷹絹紡有限公司), and deputy general manager of Zhejiang Jinying Holding Limited, possessing rich experience in corporate management and practice. He was a member of CPPC of Jiaxing, a director of Chinese Silk Industry Association* (中國絲綢工業協會) and vice chairman of the silk spinning branch of the Chinese Silk Industry Association.

Dr. Ng Ka Wing*Independent Non-executive Director*

Dr. Ng Ka Wing, aged 67, was appointed as an independent non-executive Director of the Company on 8 March 2016. He is the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the internal control committee of the Company. Dr. Ng received a Doctor Honoris Causa of Business Administration in Manufacturing and Services from International American University in April 2019. In the same year, he is elevated as the honorary life chairman of Hong Kong Bus Suppliers Association. Dr. Ng has extensive experience in the manufacturing of motor vehicles. He is now the managing director of a bus manufacturer.

Mr. See Tak Wah*Independent Non-executive Director*

Mr. See Tak Wah, aged 59, was appointed as an independent non-executive Director of the Company on 27 January 2017. He is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the internal control committee of the Company. Mr. See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies. He is a member of the Institute of Chartered Accountants of Australia and New Zealand, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors.

Mr. See has over 36 years of experience in financial and general management as he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited, and held key management positions in the North Asia offices of Philips and Siemens. From 2010 to 2019, Mr. See served as an independent non-executive director and chairman of audit committee of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 01938). He was also appointed as an independent non-executive director, chairman of the audit committee, a member of the remuneration committee and the nomination committee of Enviro Energy International Holdings Limited (Stock Code: 01102) in 2020 to 2021.

Mr. See currently runs his own boutique management consultancy practice focusing on business strategies formulation and transformation consultation. In addition, he is currently an independent non-executive director and chairman of the audit committee and a member of the nomination committee and the remuneration committee of Lever Style Corporation (Stock Code: 01346).

Mr. Chen Jun

General Manager

Mr. Chen Jun, aged 55, has been employed as the general manager of a subsidiary of the Group since March 2022, and is responsible for management and operation of the Lithium Ion Motive Battery Business. Mr. Chen holds a master's degree in Mathematics and System Engineering from the National University of Defense Technology. He was admitted as a Certified Quality Engineer and a Certified Quality Manager of the American Society of Quality, also obtained the qualification of Certified Six Sigma Black Belt in 2008. He is also a Certified Management Accountant (CMA) by the Institute of Management Accountants. Mr. Chen has over 35 years of working experience in new energy company operation in the PRC and overseas.

Niu Wen Tao

Deputy General Manager

Mr. Niu Wen Tao, aged 38, has been employed as the deputy general manager of a subsidiary of the Group since April 2016 and currently served as sales director since 2022, and is responsible for product design, development and technical management of battery packs, and sales of battery packs and cell products. Mr. Niu holds a bachelor degree in Northwest University. He has over 15 years of working experience in design and development of battery pack products.

Mr. Huang Jinhui*Chief Engineer*

Mr. Huang Jinhui, aged 40, has been employed as the chief engineer of a subsidiary of the Group since 2015, and is responsible for research and development, technical management and quality control of the battery products. Mr. Huang holds a bachelor degree in Environment Engineering from Northwestern Polytechnical University. He has over 17 years of working experience in manufacturing and development of battery products.

* *For identification purpose only*

4. DISCLOSURE OF INTERESTS**(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of issued ordinary Shares held	Approximate percentage of the total issued share capital of the Company
Ms. Cheng Hung Mui (Note)	Interest in a controlled corporation	775,894,533 (Note)	52.30%

Note: The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Ms. Cheng Hung Mui is deemed to be interested in 775,894,533 Shares held by Double Key International Limited pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company (the "Shares") which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Name of substantial Shareholder	Capacity/Nature of interest	Number of issued ordinary Shares held	Approximate percentage of the total issued share capital of the Company
Double Key International Limited	Beneficial owner	775,894,533	52.30%
Cui Qiang	Beneficial owner	105,810,750	7.13%
Leung Ka Chun	Beneficial owner	101,824,000	6.86%

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than the Directors and chief executive of the Company), who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTERESTS IN GROUP'S ASSETS AND CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, (i) none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name	Qualification
SBI China Capital Hong Kong Securities Limited	a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
ZHONGHUI ANDA CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, (i) each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) each of the above experts was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of

the Group; and (iii) each of the above experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. CORPORATE INFORMATION AND THE PARTIES INVOLVED IN THE RIGHTS ISSUE

Principal place of business	Room 401A, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
Authorised representative	Mr. Tin Kong Room 401A, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Chan Wei Room 401A, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
Company secretary	Mr. Chan Wei
Legal advisers to the Company in relation to the Rights Issue	As to Hong Kong law: Loong & Yeung Room 1603, 16/F, China Building 29 Queen's Road Central Central Hong Kong As to Bermuda law: Conyers Dill & Pearman 29th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
Financial adviser to the Company	Shanxi Securities International Capital Limited Unit A, 29/F Admiralty Centre Tower 1 18 Harcourt Road, Admiralty Hong Kong
Auditors and reporting accountant	ZHONGHUI ANDA CPA Limited <i>Certified Public Accountants</i> 23/F, Tower 2, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

Principal banker	Bank of China (Hong Kong) Limited 53/F., Bank of China Tower, 1 Garden Road, Hong Kong. China CITIC Bank International Limited The Chinese Bank Building, 61 to 65 Des Voeux Road Central, Hong Kong.
Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

10. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, none of the members of the Group was involved in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

11. MATERIAL CONTRACTS

Save for the contracts set out below, there was no contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, which is or may be material.

- (a) the termination agreement dated 31 March 2023 entered into between Tesson New Energy Company Limited, Tesson New Energy (Shenzhen) Limited, Nanfang Black Sesame Group Co. Ltd., and Dalian CBAK Power Battery Co., Ltd. to terminate the capital increase agreement;
- (b) the placing agreement dated 6 November 2022 entered into between the Company and Shanxi Securities International Limited, regarding the placing of new shares under general mandate;
- (c) the capital increase agreement dated 10 October 2022 entered into between Tesson New Energy Company Limited, Tesson New Energy (Shenzhen) Limited, Nanfang Black Sesame Group Co. Ltd., and Dalian CBAK Power Battery Co., Ltd.;
- (d) the conditional sale and purchase agreement dated 7 June 2022 and entered into between Tesson New Energy Company Limited and the Guangxi Rongxian Hengtai Investment Company Limited in relation to the disposal of the entire issued share capital of Nanjing Rongzhou Cultural Industry Investment Company Limited;

- (e) a termination agreement dated 19 November 2021 entered into between Nanjing Bureau of Land and Resources, Tesson New Energy Company Limited and Nanjing Rongzhou Cultural Industry Investment Company Limited regarding the Acquisitions of Land Plots in Lishui District, Nanjing City, Jiangsu Province, the PRC; and
- (f) a placing agreement dated 25 June 2021 entered into between the Company and Cheong Lee Securities Limited, regarding the placing of new shares under general mandate.

12. EXPENSES

The expenses in connection with the Rights Issue, including the fees of the financial adviser, legal advisers, auditors, printing, registration, translation, subsequent issue fee and other related expenses are estimated to be approximately HK\$2 million, which will be borne by the Company.

13. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chan Wei, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at Room 401A, Empire Centre 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the respective Chinese text.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tessonholdings.com>) for a period of 14 days commencing from the date of this circular:

- (a) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 66 of this circular;

- (b) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (c) the written consent of the expert referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix; and
- (d) the material contracts referred to in the paragraph headed “11. Material contracts” in this Appendix.

NOTICE OF SGM



TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

NOTICE IS HEREBY GIVEN that a special general meeting of Tesson Holdings Limited (the “**Company**”) will be held at 11 a.m. on Monday, 18 September 2023 at Picasso Room B, B1 Level, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$200,000,000 divided into 2,000,000,000 ordinary shares to HK\$500,000,000 divided into 5,000,000,000 ordinary shares by the creation of an additional 3,000,000,000 unissued ordinary shares in the share capital of the Company, and any one or more directors of the Company be and is hereby authorised to do all such acts and things, to sign and execute (and where appropriate, to affix the common seal of the Company in accordance with the bye-laws of the Company to) all such further documents and to take such steps as the director(s) of the Company consider necessary, appropriate, desirable or expedient for the implementation of and giving effect to or in connection with such increase in the authorised share capital of the Company.”
2. “**THAT** subject to and conditional upon the passing of the resolutions numbered 1, and the fulfilment of all conditions as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the circular of the Company dated 24 August 2023:
 - (a) the issue of up to 1,112,615,025 new Shares ((assuming no change in the number of Shares in issue up to the Record Date (as defined below)) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.1 per Rights Share (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every four (4) shares held by the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Thursday, 28 September 2023, or such other date as may be determined by the Company for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), save for the Shareholders whose

NOTICE OF SGM

addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Non-Qualifying Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

- (b) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution.”

Notes:

1. Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s Hong Kong Branch Share Registrar (i.e. Computershare Hong Kong Investor Services Limited at, Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on Saturday, 16 September 2023) or any adjournment thereof. Delivery of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the proxy form shall be deemed to be revoked.
3. To ascertain shareholders’ eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 8 September 2023 to Monday, 18 September 2023 (both days inclusive) during which period no share transfer will be effected. In order to qualify for attending and voting at the SGM, unregistered holders of Shares should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited (at its address shown in Note 2 above), for registration no later than 4:30 p.m., on Thursday, 7 September 2023.

NOTICE OF SGM

4. References to time and dates in this Notice are to Hong Kong time and dates.
5. In case of discrepancy between the English version and the Chinese version of this notice of the SGM, the English version shall prevail.

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

Hong Kong, 24 August 2023

As at the date of this circular, 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.