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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Tesson Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2021, together with the audited comparative figures for the corresponding period in 2020, as set forth below. As detailed in the section headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of Group has not been completed as at the date of this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue	3	171,294	762,891
Cost of sales		(156,580)	(461,706)
Gross profit		14,714	301,185
Interest income		764	271
Other income	4	15,863	5,331
Distribution and selling expenses		(14,679)	(15,309)
Administrative expenses		(354,053)	(162,930)
Fair value loss of investment properties		(62,502)	(332)
Impairment losses on trade and other receivables		(46,401)	(2,291)

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> <i>(Audited)</i>
(Loss)/profit from operations		(446,294)	125,925
Finance costs	6	<u>(9,642)</u>	<u>(12,951)</u>
(Loss)/profit before tax		(455,936)	112,974
Income tax credit/(expense)	7	<u>21,050</u>	<u>(73,492)</u>
(Loss)/profit for the year	8	(434,886)	39,482
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		<u>36,746</u>	<u>91,433</u>
Total comprehensive (expenses)/income for the year		<u>(398,140)</u>	<u>130,915</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(301,554)	(25,198)
Non-controlling interests		<u>(133,332)</u>	<u>64,680</u>
		<u>(434,886)</u>	<u>39,482</u>
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		(271,702)	41,717
Non-controlling interests		<u>(126,438)</u>	<u>89,198</u>
		<u>(398,140)</u>	<u>130,915</u>
Loss per share			
Basic (<i>HK cents per share</i>)	10	<u>(24.83)</u>	<u>(2.11)</u>
Diluted (<i>HK cents per share</i>)		<u>(24.83)</u>	<u>(2.11)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		300,032	421,476
Deposits paid for acquisition of property, plant and equipment		18,985	3,548
Investment property		229,479	29,526
Goodwill	<i>11</i>	224,949	220,408
Right-of-use assets		97,346	120,910
Investment in joint venture		–	10,002
		<hr/> 870,791 <hr/>	<hr/> 805,870 <hr/>
Current assets			
Inventories		42,178	30,870
Properties for sale under development	<i>12</i>	833,218	1,566,127
Trade, bills and other receivables, deposits and prepayments	<i>13</i>	611,619	213,691
Financial assets at fair value through profit or loss		54	86
Amount due from a non-controlling shareholder of a subsidiary	<i>14</i>	262,107	309,383
Restricted bank deposits		40,304	52,659
Bank and cash balances		12,643	15,109
		<hr/> 1,802,123 <hr/>	<hr/> 2,187,925 <hr/>
Current liabilities			
Trade and other payables	<i>15</i>	398,081	340,541
Contract liabilities	<i>16</i>	1,002,240	938,905
Borrowings	<i>17</i>	207,520	251,012
Lease liabilities		7,604	5,144
Tax payable		122,261	120,969
Amount due to the Controlling Shareholder		41	68
		<hr/> 1,737,747 <hr/>	<hr/> 1,656,639 <hr/>

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Net current assets		64,376	531,286
Total assets less current liabilities		935,167	1,337,156
Non-current liabilities			
Lease liabilities		14,894	15,591
Deferred tax liabilities		54,829	81,175
		69,723	96,766
NET ASSETS		865,444	1,240,390
Capital and reserves			
Share capital		123,650	119,649
Reserves		675,859	930,329
Equity attributable to owners of the Company		799,509	1,049,978
Non-controlling interests		65,935	190,412
TOTAL EQUITY		865,444	1,240,390

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the Directors, the Company's controlling shareholder is Double Key International Limited (the "**Controlling Shareholder**"), a company incorporated in British Virgin Islands with limited liability. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 401A, Empire Centre, 68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. During the year, the Group principally engaged in (i) the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading (the "**Lithium Ion Motive Battery Business**"); and (ii) the property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Property and Cultural Business**").

2. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Group's unaudited consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment, investment properties and certain financial instruments, which are measured at revalued amounts or fair values. These unaudited consolidated financial statements are presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the unaudited consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

(a) *Adoption of new/revised HKFRSs – effective 1 January 2021*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2021:

HKFRS 4, 7, 9 and 16 and HKAS 39 Amendments in relation to Interest Rate Benchmark Reform

(b) *New/revised HKFRSs that have been issued but not yet effective*

The following new and amendments to HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2021, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 3	Amendments in relation to Reference to the Conceptual Framework	1 January 2022
HKAS 16	Amendments in relation to proceeds before intended use	1 January 2022
HKAS 37	Amendments in relation to onerous contracts cost of fulfilling a contract	1 January 2022
HKFRS 1	Subsidiary as a first-time adopter	1 January 2022
HKFRS 9	Fees in the “10 per cent” test for derecognition of financial liabilities	1 January 2022
HKFRS 16	Lease incentives	1 January 2022
HKAS 41	Taxation in fair value measurements	1 January 2022
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts and the related amendments	1 January 2023
HKFRS 10 and HKAS 28	Amendments in relation to sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2023
HK-int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023

3. REVENUE

The Group's revenue was derived from lithium ion motive battery products sold, property development and cultural service rendered during the year. Disaggregation of revenue from contracts with customers is set out as below. For both years, all revenue generated by the Group were derived from the People's Republic of China (the "PRC") and recognised at a point in time when the customers obtain control of the goods or services.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Lithium ion motive battery products	157,691	149,171
Property development and cultural service	11,455	613,720
Internet sales	2,148	–
	<u>171,294</u>	<u>762,891</u>

4. OTHER INCOME

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Government grants	4,725	2,213
Gain on disposal of scrap products	3,469	1,376
Gain on disposal of land parcels	2,747	–
Gain on derecognition of right-of-use assets	–	117
Rental income	1,179	1,482
Others	3,743	143
	<u>15,863</u>	<u>5,331</u>

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business unit requires different technology and marketing strategies. During the current and prior year, the Group's revenue was mainly derived from the Lithium Ion Motive Battery Business and the Property and Cultural Business.

Segment profits or losses do not include unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

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

	Lithium Ion Motive Battery Business <i>HK\$'000</i>	Property and Cultural Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021 (Unaudited)			
Revenue from external customers	157,691	11,455	169,146
Segment loss	(291,134)	(119,889)	(411,023)
Depreciation of property, plant and equipment	67,611	932	68,543
Depreciation of right-of-use assets	5,398	3,000	8,398
Additions to segment non-current assets	22,472	263,209	285,681
At 31 December 2021 (Unaudited)			
Segment assets	603,891	2,050,809	2,654,700
Segment liabilities	280,858	1,389,356	1,670,214
Year ended 31 December 2020 (Audited)			
Revenue from external customers	149,171	613,720	762,891
Segment (loss)/profit	(86,370)	184,168	97,798
Depreciation of property, plant and equipment	62,418	1,122	63,540
Depreciation of right-of-use assets	8,205	1,784	9,989
Additions to segment non-current assets	5,075	757	5,832
At 31 December 2020 (Audited)			
Segment assets	774,096	2,214,553	2,988,649
Segment liabilities	289,806	1,342,479	1,632,285

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue		
Total revenue of reportable segments	169,146	762,891
Corporate and unallocated revenue	<u>2,148</u>	<u>–</u>
Consolidated total revenue	<u><u>171,294</u></u>	<u><u>762,891</u></u>
Profit or loss		
Total (loss)/profit of reportable segments	(411,023)	97,798
Corporate and unallocated loss	<u>(23,863)</u>	<u>(58,316)</u>
(Loss)/profit for the year	<u><u>(434,886)</u></u>	<u><u>39,482</u></u>
Assets		
Total assets of reportable segments	2,654,700	2,988,649
Corporate and unallocated assets	<u>18,214</u>	<u>5,146</u>
Consolidated total assets	<u><u>2,672,914</u></u>	<u><u>2,993,795</u></u>
Liabilities		
Total liabilities of reportable segments	1,670,214	1,632,285
Corporate and unallocated liabilities	<u>137,256</u>	<u>121,120</u>
Consolidated total liabilities	<u><u>1,807,470</u></u>	<u><u>1,753,405</u></u>

Geographical information

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

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

In presenting the geographical information, revenue is based on the location of the customers. At the end of the year, the non-current assets of the Group were located as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Non-current assets		
Hong Kong	1,177	2,717
The PRC	<u>869,614</u>	<u>803,153</u>
	<u><u>870,791</u></u>	<u><u>805,870</u></u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest expenses on borrowings	20,315	20,338
Imputed interest expense on convertible bonds	–	1,579
Interest expenses on amounts due to a related company and the Controlling Shareholder	–	2,893
Lease interests	1,727	1,575
	<u>22,042</u>	<u>26,385</u>
<i>Less: interest capitalised</i>	<u>(12,400)</u>	<u>(13,434)</u>
	<u><u>9,642</u></u>	<u><u>12,951</u></u>

7. INCOME TAX (CREDIT)/EXPENSE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
PRC Enterprise Income Tax		
– provision for the year	–	90,401
– under-provision in respect of prior years	4	–
PRC land appreciation tax	–	6,046
Deferred tax credit	(21,054)	(22,955)
	<u>(21,050)</u>	<u>73,492</u>

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

According to the Laws of the PRC on Enterprise Income Tax, all group companies operating in the PRC are subject to the applicable tax rate of 25%, except for certain subsidiaries that are qualified for the tax benefit of being the National High-tech Enterprise, that are entitled to a preferential tax rate of 15% during the reporting years.

8. (LOSS)/PROFIT FOR THE YEAR

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Auditor's remuneration	1,180	1,200
Cost of sales	156,580	461,706
Depreciation of property, plant and equipment	69,319	64,317
Depreciation of right-of-use assets	9,392	10,991
Written-off of inventories	993	–
Impairment of inventories	19,897	–
Written-off of property, plant and equipment	62,440	–
Impairment loss on properties for sale under development	43,303	–
Impairment loss on trade receivables	38,784	1,778
Impairment loss on other receivables	7,617	513
Impairment loss on goodwill	2,741	–
Impairment loss on interests in joint venture	10,334	–
Loss on disposal of property, plant and equipment	6,670	524
Loss on early redemption of convertible bonds	–	15,706
Loss on disposal of investment properties	–	9,377
Research and development expenses (including depreciation and staff costs)	13,909	5,947
Staff costs (including directors' emoluments): Salaries, bonus and allowances	<u>65,544</u>	<u>68,191</u>

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$301,554,000 (Unaudited) (2020: HK\$25,198,000 (Audited)), and the weighted average number of 1,214,571,508 (Unaudited) (2020: 1,196,485,700 (Audited)) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2021 and 2020.

11. GOODWILL

	<i>HK\$'000</i>
At 1 January 2020	207,695
Currency realignment	<u>12,713</u>
At 31 December 2020 and 1 January 2021 (Audited)	220,408
Impairment loss	(2,741)
Currency realignment	<u>7,282</u>
At 31 December 2021 (Unaudited)	<u><u>224,949</u></u>
Carrying amounts	
At 31 December 2021 (Unaudited)	<u><u>224,949</u></u>
At 31 December 2020 (Audited)	<u><u>220,408</u></u>

12. PROPERTIES FOR SALE UNDER DEVELOPMENT

	<i>HK\$'000</i>
At 1 January 2020	1,579,488
Additions	304,516
Properties completed and sold	(309,043)
Currency realignment	<u>(8,834)</u>
At 31 December 2020 and 1 January 2021 (Audited)	1,566,127
Additions	376,846
Transfer to investment property	(258,502)
Derecognition due to termination of acquisition of a land parcel	(848,262)
Impairment loss	(43,303)
Currency realignment	<u>40,312</u>
At 31 December 2021 (Unaudited)	<u><u>833,218</u></u>

All the properties under development were located in the PRC.

At 31 December 2021, properties for sale under development held by the Group located in Nanning, Guangxi with carrying value of approximately HK\$272,477,000 was secured for the bank borrowings.

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables	43,968	109,854
<i>Less:</i> impairment loss	<u>(5,054)</u>	<u>(14,524)</u>
	38,914	95,330
Bills receivable	–	734
Value-added tax receivables	62,997	88,621
Other tax receivables	1,073	597
Refund from termination of acquisition of a land parcel	439,270	–
Other receivables, prepayment and deposits	<u>69,365</u>	<u>28,409</u>
	<u>611,619</u>	<u>213,691</u>

Trade and bills receivables

The Group allows an average credit period of 30 to 60 days to its customers which are state-owned enterprise or those with guarantee provided, and cash on delivery for all other customers. The following is an aging analysis of trade and bills receivables, presented based on the invoice date at the end of the years:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
0 to 60 days	18,137	33,758
61 to 90 days	1,218	7,682
Over 90 days	<u>19,559</u>	<u>54,624</u>
	<u>38,914</u>	<u>96,064</u>

Trade receivables that are not impaired

The Group applies the simplified approach under HKFRS 9 Financial Instrument to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current <i>HK\$'000</i>	Less than 60 days past due <i>HK\$'000</i>	Over 60 days and less than 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2021					
(Unaudited)					
Weighted average expected loss rate	0%	0%	0%	39%	
Receivable amount	17,711	2,196	11,021	13,040	43,968
Loss allowance	–	–	–	(5,054)	(5,054)
At 31 December 2020 (Audited)					
Weighted average expected loss rate	0%	0%	10%	28%	
Receivable amount	42,724	4,056	17,788	46,020	110,588
Loss allowance	–	–	(1,778)	(12,746)	(14,524)

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

The amount represented financial assistance provided by Nanchang Rongzhou Investment Company Limited* (南昌市容州投資有限公司) to its shareholder before the completion of the capital contribution in 2018. The amount due from a non-controlling shareholder of a subsidiary is secured by its assets and undistributed earnings, non-interest bearing, and had no fixed term of repayment.

15. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade payables	82,929	91,949
Amounts payable on acquisition of property, plant and equipment	136,461	171,587
Accruals and other payables	178,691	77,005
	<u>398,081</u>	<u>340,541</u>

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
0 to 60 days	37,041	40,939
61 to 90 days	1,488	6,987
Over 90 days	44,400	44,023
	<u>82,929</u>	<u>91,949</u>

16. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)	As at 1 January 2020 <i>HK\$'000</i> (Audited)
Total contract liabilities	<u>1,002,240</u>	<u>938,905</u>	<u>1,228,995</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2021	–	751,664	
– 2022	<u>1,026,276</u>	<u>236,246</u>	
	<u>1,026,276</u>	<u>987,910</u>	
		2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue recognised in the year that was included in contract liabilities at beginning of year		<u>1,517</u>	<u>603,833</u>
Significant changes in contract liabilities during the year:			
Increase due to operations		33,176	207,303
Transfer of contract liabilities to revenue		<u>(1,517)</u>	<u>(554,016)</u>

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration from the customer.

17. BORROWINGS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Bank Loans		
– secured	122,520	166,012
Other borrowings		
– unsecured	85,000	85,000
	<u>207,520</u>	<u>251,012</u>

At 31 December 2021, bank loans were secured by investment properties and properties for sale under development held by the Group located in Nanning, Guangxi with carrying value of approximately HK\$171,528,000 (2020: nil) and approximately HK\$272,477,000 (2020: HK\$274,711,000), respectively.

Other borrowings of HK\$85,000,000 was unsecured and repayable within 1 year.

Bank loans for the years presented are denominated in Renminbi (“RMB”). Other borrowings presented are denominated in HK\$.

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

	2021 (Unaudited)	2020 (Audited)
Borrowings:		
Fixed-rate	<u>8.00%–8.5%</u>	<u>8.00%–8.5%</u>

The borrowings are repayable as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
on demand or within one year	<u>207,520</u>	<u>251,012</u>

18. CAPITAL COMMITMENTS

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Contracted but not provided for – Property, plant and equipment	<u>40,462</u>	<u>40,435</u>

19. CONTINGENT LIABILITIES

As at 31 December 2021, handover of certain residential units in a property project of the Group was delayed. The residential units were subsequently delivered to customers in January 2022. Provision of penalty at HK\$41,168,000 in respect of the delay was made in accordance to the terms specified in the sales agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

During the year, new energy vehicle industry in the PRC developed vigorously. Referring to the statistics of the China Association of Automobile Manufacturers, production and sales of new energy vehicles in the PRC has been increased by 1.6 times in the year. The home appliance market has also rebound from the trough of the epidemic. According to the 2021 China Home Appliance Market Report* (《2021年中國家電市場報告》) released by the China Center for Information Industry Development, the overall home appliance market in the PRC has basically recovered to the level before the epidemic. The annual retail sales reached RMB881.1 billion, representing a year-on-year increase of 5.7%. Online sales accounted for 52.9% of the overall sales of the home appliance retail market, which had been more than 50% for two consecutive years. With the recovery of China's consumer market and the sound development of the new energy industry, various light industries continue to grow, further driving the market demand for battery products.

During the year, the Group constantly looked for quality business partners and provided different kinds of battery products to a number of enterprises, which mainly included household appliance manufacturers and electric motorcycles manufacturers. Compared with traditional batteries, lithium ion motive batteries have higher market demand due to higher energy density, higher output power, smaller size and lighter weight, their applications have gradually become more extensive, and can commonly be used in electronic products, household appliances, energy storage devices, etc., it is expected to become the mainstream batteries and replace the traditional batteries. The Group will continue to work closely with our existing customers and also allocate more resources to develop automobile battery products, expand market share of electric motorcycles, and expand the sales base of electronic products, household appliances and energy storage devices in different categories. Under the price pressure on raw materials, the Group will maintain its cautiousness in implementation of production strategy, in order to further increase the gross profit of battery products.

In late June of the year, there was a fire accident in one of the workshops in the Group's Phase I production base in Weinan, Shaanxi, and there were no casualties. In the accident, certain production equipment and batteries were burned down, the plant, some production equipment and battery products were damaged in different levels due to blackening or water damage. In the second half of the year, the Group transferred and repaired the affected production equipment in batches. Some production equipment has been relocated to the Phase II production base, and can be used as usual after repairment. The management re-examined the assets located at the Phase I production base at the reporting date and concluded the equipments were available for use. Accordingly, in the fire accident, assets that have been burned were written off, and battery products affected were impaired resulting a loss of approximately HK\$83,330,000. Phase I production base remains closed and has been written off. The Group has transferred the production activities to the Phase II production base. Compared to Phase I, Phase II production base contained newer and more advanced equipment, more automated production lines and smoother production flow. Therefore, the accident did not have a significant impact on the production activities of the Group's Lithium Ion Motive Battery Business.

Property and Cultural Business

According to the original plan, the Group intended to transfer some residential units in Rongzhou Gangjiucheng* (容州港九城) located in Nanchang, Jiangxi, being the main property project of the Group. However, the construction had to follow specific epidemic prevention measures, including regular whole-site disinfection and quarantine in accordance to the guideline at the time being for some of the engineering staff before report duty. Furthermore, starting from May of this year, southern part of the PRC had generally been affected by rainstorm, rainfall in Jiangxi Province in May even hit a record high for the same period in history. Various factors ultimately led to the unsatisfactory construction progress, handover of residential units has been extended to January 2022. As a result, no income was recorded from the transfer of residential units in Rongzhou Gangjiucheng* during the year. With the downturn in property market in Nanchang, impairment loss on properties for sale under development at approximately HK\$43,303,000 was recognised during the year.

Another project of the Group, Fengxiang Terrace – Rongzhou Cultural Center* (鳳翔台 – 容州文化中心), was located in Nanning, Guangxi, adjacent to Qingxiu Shan national 5A-level scenic spot, connected to the business area of the city with comprehensive ancillary facilities and transport network. The presale of Fengxiang Terrace* started in late-2019 and had satisfactory sales performance that the residential units available for sale were fully subscribed. The project was currently partially completed and was scheduled to be handed over in the second quarter of 2022.

In addition, in November this year, the Group reached a consensus with Nanjing Bureau of Land and Resources* (南京市國土資源局) (the “Vendor”) to terminate a land transaction of a commercial and residential land parcel in Lishui District in 2018. The site covered an area of 104,600.43 square meters and was originally planned to be developed into a residential and commercial complex. Pursuant to the terms of the acquisition, the Group undertook to introduce not less than ten new energy experts from overseas, Taiwan, Hong Kong or Macau with specific qualifications and expertise recognised by the relevant parties of the Vendor to Lishui District. As less than ten new energy experts were finally accepted, the two parties mutually agreed to terminate the acquisition, the Vendor would refunded all relevant consideration and tax to the Group in phase, the Group suffered a loss of approximately HK\$5,811,000, mainly represented the design fees, survey fees and other project fees. For more information, please refer to the announcements dated (i) 18 October 2018, 8 November 2018, 16 November 2018, 30 November 2018 and 24 November 2021; and (ii) the circular dated 5 December 2018. Considering recent property market conditions and the trend of tighter regulations in the PRC, the Group will re-assess the development potential in real estate and keep prudential view on continuance of its property development business.

FUTURE PROSPECTS

With the recovery of economic activities and booming market conditions across China, the Group will continue to optimize the allocation of resources, strengthen the academic and industrial background of the international research and development team to further improve product quality and develop more battery products targeting on home appliances and electric motorcycles, in order to occupy a place in the increasingly competitive lithium ion motive battery market. Under the volatile international situation and the impact of the COVID-19 epidemic, the Group will continue to focus on its Lithium Ion Motive Battery Business, at the same time actively seize other business opportunities and eventually realise a balanced and diversified business model.

FINANCIAL REVIEW

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

During the year, the Group continued to expand our customer base and the application of our battery products to different applications. Revenue contributed from the Lithium Ion Motive Battery Business increased to approximately HK\$157,691,000 (2020: HK\$149,171,000). The Group will continue our strategy of diversifying customer base, at the same time reduce overhead cost and promote more efficient working environment in order to further improve gross profit to our battery products.

Property and Cultural Business

During the year, no revenue was generated from handover of residential units due to the delay in handover of Rongzhou Gangjiucheng* as abovementioned. Revenue of the property segment represented sales of commercial units and car park units amounted to approximately HK\$537,000. Whereas in the prior year, revenue of HK\$603,833,000 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 cultural business slightly increased to approximately HK\$10,918,000 (2020: HK\$9,887,000).

Other income

Other income for the year ended 31 December 2021 increased to approximately HK\$15,863,000 (2020: HK\$5,331,000), mainly due to the increase in gain on disposal of scrap products to approximately HK\$3,469,000 (2020: HK\$1,376,000), and the rise in government grant to approximately HK\$4,725,000 (2020: HK\$2,213,000).

Distribution and selling expenses

During the year, the Group incurred distribution and selling expenses at approximately HK\$14,679,000 which was comparable to that in 2020 at approximately HK\$15,309,000. The expenses mostly represented staff costs of approximately HK\$7,178,000 (2020: HK\$5,272,000), and travelling and entertainment expenses of approximately HK\$3,362,000 (2020: HK\$2,837,000).

Administrative expenses

Administrative expenses for the year ended 31 December 2021 increased to approximately HK\$354,053,000 from approximately HK\$162,930,000 in 2020. The significant increase was mainly due to (i) written-off and impairment of certain inventory and property, plant and equipment as a result of a fire accident of the Group's production base in Weinan, Shaanxi occurred in late June 2021 amounted to approximately HK\$83,330,000 in aggregate; (ii) impairment loss on properties for sale under development at approximately HK\$43,303,000 (2020: nil) in order to reflect its net realisable value; (iii) provision of penalty in respect

of delay in handover of property units at approximately HK\$41,168,000 (2020: nil); (iv) impairment on goodwill amounted to approximately HK\$2,741,000 (2020: nil) made after consideration of the latest planning of future business model and lower expected future profit of the subsidiary; and (v) full impairment on interests in joint venture amounted to approximately HK\$10,334,000 (2020: nil) in view of the unlikelihood of recovery of the amount invested.

Finance costs

Finance costs net of interests capitalised in the year decreased to approximately HK\$9,642,000 (2020: HK\$12,951,000), the reduction was due to the settlement of the interest-bearing part of the amount due to the Controlling Shareholder and the early redemption of Convertible Bonds in 2020.

Basic and diluted loss per share

Basic and diluted loss per share in the year ended 31 December 2021 were both HK24.83 cents (2020: HK2.11 cents).

In anticipation of the funds required for the development of the Lithium Ion Motive Battery Business, the Board does not recommend the payment of a final dividend for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 31 December 2021 with net current assets of approximately HK\$64,376,000 (31 December 2020: HK\$531,286,000) and bank and cash balances of approximately HK\$12,643,000 (31 December 2020: HK\$15,109,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was about 23.98% as at 31 December 2021 (31 December 2020: 20.24%).

EMPLOYMENT

As at 31 December 2021, the Group had approximately 589 employees (2020: 504), most of whom were working in the Company's subsidiaries in the PRC. During the year, the total employees' costs including Directors' emoluments were approximately HK\$65,544,000 (2020: HK\$68,191,000).

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state – sponsored retirement plans for employees in the PRC. The Group has also developed training programs for its management and employees to promote career advancement of the staffs.

FOREIGN EXCHANGE EXPOSURE

Since sales and purchase for the Lithium Ion Motive Battery Business and the Property and Cultural Business are denominated in RMB, the management considers that the Group's exposure to exchange risks is minimal. However, the Company faces foreign exchange risks when it conducts fund raising activities in Hong Kong (in HK\$) and remits funds to its subsidiaries in the PRC (in RMB). The Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

Details of contingent liabilities as at 31 December 2021 are set out in Note 19 in this announcement.

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2021 are set out in Note 17 in this announcement.

USAGE OF FUND PROCEEDS

On 25 June 2021, the Company entered into the placing agreement with Cheong Lee Securities Limited ("**Placing Agent**") pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placees for up to 75,000,000 new shares at a price of HK\$0.40 per placing share, for and on behalf of the Company. On 20 July 2021, the Company completed placing of 40,008,000 shares at the placing price ("**Placing**"). The net proceeds from the Placing (after deducting professional fees and other relevant expenses) amounted to approximately HK\$15,640,000, were intended to be used for the purpose of general working capital of the Company. During the year ended 31 December 2021, all of the net proceeds were utilised as intended, including the settlement of professional fees, staff costs and general office expenses. Details of the Placing were disclosed in the Company's announcements dated 25 June 2021 and 20 July 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Company and the Directors strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. During the year ended 31 December 2021, save for the deviations disclosed below, the Company had complied with all the applicable provisions set out in the CG Code:

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Dr. Ng Ka Wing and Mr. See Tak Wah were appointed as independent non-executive Directors and have not been appointed for a specific term but will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company.

Pursuant to the Code Provision A.6.7, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. However, one independent non-executive Director was absent from the annual general meeting of the Company held on 25 June 2021 due to other business commitments. To ensure compliance with the CG Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings of the Company and take all reasonable measures to schedule meetings in such a way that all Directors can attend the general meetings.

Code Provision A.2.1 of the CG Code stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tin Kong has been serving as the chairman and the chief executive officer of the Company (the “CEO”) following the resignation of Mr. Sheng Siguang as the CEO which was effective from 1 August 2019. Such practice deviates from Code Provision A.2.1 of the CG Code. The Board considers that consolidation of these roles by Mr. Tin Kong provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company. The Board will keep reviewing this arrangement from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make an appointment to fill the post as appropriate.

The Board will continue to review and improve the corporate governance practices and standards of the Company to ensure the business activities and decision making processes of the Company are regulated in a proper and prudent manner.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for securities transactions.

Having made specific enquiry with all Directors, the Company is pleased to report that the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2021. The Model Code also applies to other specified senior management of the Group.

REVIEW OF UNAUDITED ANNUAL RESULTS

As a consequence of the COVID-19 outbreak at the beginning of 2022, travelling across provinces in the PRC were restricted. Accordingly, the Group's production bases and office premises were temporary closed and lunar new year holiday was extended, business was resumed on late February 2022. However, followed by occurrence of sporadic cases in different places in the PRC, local government implemented instant travelling restriction and quarantine policy, entering or exiting the cities remained limited. As at the date of this announcement, the auditors of the Company, ZHONGHUI ANDA CPA Limited, were unable to complete field works in the PRC, the audit work for the annual results for the year ended 31 December 2021 has not been completed. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

In order to provide sufficient information to the shareholders of the Company and the potential investors of the Company to make investment decisions, the Board would like to provide the unaudited consolidated results of the Group for the year ended 31 December 2021, together with the audited comparative figures for the corresponding period in 2020. The unaudited annual results contained herein have not been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

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

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the respective websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tessonholdings.com>). The annual report of the Company for the year ended 31 December 2021 containing all the information as required by the Listing Rules will be available on the aforesaid websites and dispatched to the Shareholders in due course.

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

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

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Tin Kong, Mr. Chan Wei, Ms. Cheng Hung Mui and Ms. Liu Liu as executive Directors, and Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin as independent non-executive Directors.

** for identification purpose only*