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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of Tesson Holdings Limited (the “**Company**”) dated 30 March 2022 in relation to the unaudited annual results for the year ended 31 December 2021 (the “**Unaudited Annual Results Announcement 2021**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Unaudited Annual Results Announcement 2021.

AUDITED ANNUAL RESULTS

The Board of the Company is pleased to announce that as at the date of this announcement, the Company’s external auditor has completed the audit process of the annual results of the Group for the year ended 31 December 2021 (the “**Annual Results 2021**”) which were approved by the Board on 31 May 2022. The audited Annual Results 2021, together with the material differences between the unaudited and audited Annual Results 2021 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3	171,294	762,891
Cost of sales		(156,580)	(461,706)

		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Notes</i>		
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		(178,757)	(162,930)
Fair value gain/(loss) on investment properties		13,191	(332)
Impairment losses on various assets	8b	(315,810)	(2,291)
Written-off on various assets	8b	(63,433)	–
(Loss)/profit from operations		(528,147)	125,925
Finance costs	6	(9,642)	(12,951)
(Loss)/profit before tax		(537,789)	112,974
Income tax credit/(expenses)	7	36,775	(73,492)
(Loss)/profit for the year	8a	(501,014)	39,482
Other comprehensive (expense)/income			
<i>Items that may be reclassified to</i>			
<i>profit or loss</i>			
Exchange differences on translating foreign operations		35,588	91,433
Total comprehensive (expenses)/income for the year		(465,426)	130,915
(Loss)/profit for the year attributable to			
Owners of the Company		(326,942)	(25,198)
Non-controlling interests		(174,072)	64,680
		(501,014)	39,482
Total comprehensive (expenses)/income for the year attributable to			
Owners of the Company		(301,029)	41,717
Non-controlling interests		(164,397)	89,198
		(465,426)	130,915
Loss per share	10		
Basic (<i>HK cents per share</i>)		(26.92)	(2.11)
Diluted (<i>HK cents per share</i>)		(26.92)	(2.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
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 properties		57,952	29,526
Goodwill	11	119,256	220,408
Right-of-use assets		97,346	120,910
Investment in joint venture		–	10,002
		<u>593,571</u>	<u>805,870</u>
Current assets			
Inventories		42,178	30,870
Properties for sale under development	12	993,657	1,566,127
Trade and bills receivables, other receivables, deposits and prepayments	13	583,917	213,691
Financial assets at fair value through profit or loss		54	86
Amount due from a non-controlling shareholder of a subsidiary	14	262,107	309,383
Restricted bank balances		40,304	52,659
Bank and cash balances		12,643	15,109
		<u>1,934,860</u>	<u>2,187,925</u>
Current liabilities			
Trade, bills and other payables	15	336,690	340,541
Contract liabilities	16	1,002,240	938,905
Borrowings	17	207,520	251,012
Lease liabilities		7,886	5,144
Tax payable		122,261	120,969
Amount due to the Controlling Shareholder		41	68
		<u>1,676,638</u>	<u>1,656,639</u>

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Net current assets		<u>258,222</u>	<u>531,286</u>
Total assets less current liabilities		<u>851,793</u>	<u>1,337,156</u>
Non-current liabilities			
Lease liabilities		14,612	15,591
Deferred tax liabilities		<u>46,577</u>	<u>81,175</u>
		<u>61,189</u>	<u>96,766</u>
NET ASSETS		<u><u>790,604</u></u>	<u><u>1,240,390</u></u>
Capital and reserves			
Share capital		123,650	119,649
Reserves		<u>640,939</u>	<u>930,329</u>
Equity attributable to owners of the Company		764,589	1,049,978
Non-controlling interests		<u>26,015</u>	<u>190,412</u>
TOTAL EQUITY		<u><u>790,604</u></u>	<u><u>1,240,390</u></u>

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

The Company is an investment holding company. During the year, the Group 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 (the “**Lithium Ion Motive Battery Business**”) and 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 16 – Amendments in relation to Covid-19-Related Rent Concessions
- 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 revised 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 16	Amendments in relation to Covid-19-Related Rent Concessions	1 April 2021
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 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD
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
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1	Amendments in relation to Disclosure of Accounting Policies	1 January 2023
HKAS 8	Amendments in relation to Definition of Accounting Estimates	1 January 2023
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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, cultural service rendered and internet sales during the year. (2020: The group's revenue was derived from lithium ion motive battery products sold, property development and cultural services rendered.) 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 PRC and recognised at a point in time when the customers obtain control of the goods or services.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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>	2020 <i>HK\$'000</i>
Government grants	4,725	2,213
Gain on disposal of scrap products	3,469	1,376
Gain on disposal of right-of-use assets	2,747	–
Gain on derecognition of right-of-use assets	–	117
Rental income	1,179	1,482
Gain on exchange difference	1,225	–
Others	2,518	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 year, the Group's revenue was derived from the Lithium Ion Motive Battery Business, Property and Cultural Business and internet sales business. In the prior year, the Group's revenue was derived from the lithium ion motive battery business, 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:

	Internet Sales Business HK\$'000	Lithium Ion Motive Battery Business HK\$'000	Property and Cultural Business HK\$'000	Total HK\$'000
Year ended 31 December 2021				
Revenue from external customers	2,148	157,691	11,455	171,294
Segment loss	(1,936)	(291,134)	(193,611)	(486,681)
Depreciation	19	67,610	932	68,561
Depreciation of right-of-use assets	205	5,398	2,999	8,602
Additions to segment non-current assets	—	7,007	18,550	25,557
At 31 December 2021				
Segment assets	15,474	577,941	1,932,279	2,525,694
Segment liabilities	7,294	280,858	1,319,713	1,607,865
Year ended 31 December 2020				
Revenue from external customers	—	149,171	613,720	762,891
Segment (loss)/profit	—	(86,370)	184,168	97,798
Depreciation	—	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				
Segment assets	—	774,096	2,214,553	2,988,649
Segment liabilities	—	289,806	1,342,479	1,632,285

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	<u>171,294</u>	<u>762,891</u>
Profit or loss		
Total (loss)/profit of reportable segments	(486,681)	97,798
Corporate and unallocated loss	<u>(14,333)</u>	<u>(58,316)</u>
(Loss)/profit for the year	<u>(501,014)</u>	<u>39,482</u>
Assets		
Total assets of reportable segments	2,525,694	2,988,649
Corporate and unallocated assets	<u>2,737</u>	<u>5,146</u>
Consolidated total assets	<u>2,528,431</u>	<u>2,993,795</u>
Liabilities		
Total liabilities of reportable segments	1,607,865	1,632,285
Corporate and unallocated liabilities	<u>129,962</u>	<u>121,120</u>
Consolidated total liabilities	<u>1,737,827</u>	<u>1,753,405</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>	2020 <i>HK\$'000</i>
Non-current assets		
Hong Kong	1,179	2,717
The PRC	<u>515,233</u>	<u>803,153</u>
	<u>516,412</u>	<u>805,870</u>

6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expenses on borrowings	20,346	20,338
Interest expenses on bills	96	–
Imputed interest expense on convertible bonds	–	1,579
Interest expenses on amounts due to the Controlling Shareholder	–	2,893
Lease interests	1,727	1,575
Interest expenses on deposit received	1,019	–
	<u>23,188</u>	<u>26,385</u>
<i>Less: Interest capitalisation</i>	<u>(13,546)</u>	<u>(13,434)</u>
	<u>9,642</u>	<u>12,951</u>

7. INCOME TAX (CREDIT)/EXPENSES

	2021 HK\$'000	2020 HK\$'000
PRC Enterprise Income Tax for the year	4	90,401
PRC land appreciation tax	–	6,046
Deferred tax	(36,779)	(22,955)
	<u>(36,775)</u>	<u>73,492</u>

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

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

8. (LOSS)/PROFIT FOR THE YEAR

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

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

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	1,180	1,200
Cost of inventories sold	156,580	461,706
Depreciation	69,319	64,317
Depreciation of right of use asset	9,394	10,991
Gain on disposal of Right-of-use asset	2,747	–
Provision of litigation issue	6,254	–
Loss on disposal of properties for sale under development	5,812	–
Loss on disposal of property, plant and equipment	6,670	524
Loss on early redemption of convertible bond	–	15,706
Loss on disposal of investment properties	–	9,377
Research and development expenses	13,906	5,947
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	65,544	65,424
Retirement benefits	4,721	2,768

b) Impairment loss/written-off on various assets:

	2021 HK\$'000	2020 HK\$'000
Impairment loss on various assets		
Impairment of inventories (<i>Note</i>)	20,564	–
Impairment on the properties for sale under development	130,084	–
Impairment on the goodwill	106,855	–
Impairment loss on a joint venture	10,180	–
Impairment on trade receivables	40,510	1,778
Impairment on other receivables	7,617	513
	315,810	2,291
Written-off on various assets		
Written off of inventories (<i>Note</i>)	993	–
Written off of property, plant and equipment (<i>Note</i>)	62,440	–
	63,433	–

Note: In late June 2021, there was a fire accident happened in one of the workshops in the Group's Phase I production base in Weinan, Shaanxi. Hopefully, there were no casualties. In the accident, certain production equipment amounting to approximately HK\$62,440,000 and inventories (i.e.batteries) amounting to approximately HK\$993,000 were totally destroyed. Other battery products amounting to approximately HK\$20,564,000 were suffered to less severe level of damages due to blackening or water damage.

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\$326,942,000 (2020: HK\$25,198,000), and the weighted average number of 1,214,571,508 (2020: 1,196,485,700) 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

HK\$'000

Cost

At 1 January 2020	207,695
Currency realignment	<u>12,713</u>

At 31 December 2020 and 1 January 2021	220,408
Currency realignment	<u>5,703</u>

At 31 December 2021	<u><u>226,111</u></u>
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Accumulated impairment losses

Impairment losses recognised in the year ended 31 December 2020 and balance at 31 December 2020 and 1 January 2021	–
Impairment loss recognised during the year	<u>(106,855)</u>

At 31 December 2021	<u><u>(106,855)</u></u>
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Carrying amount

At 31 December 2021	<u><u>119,256</u></u>
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At 31 December 2020	<u><u>220,408</u></u>
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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	(8,834)
	<hr/>
At 31 December 2020 and 1 January 2021	1,566,127
Additions	376,846
Transfer to investment properties	(13,843)
Disposals upon termination (<i>Note</i>)	(848,261)
Impairment on the properties for sale under development	(130,084)
Currency realignment	42,872
	<hr/>
At 31 December 2021	<u>993,657</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, with carrying value of approximately HK\$444,004,000 (2020: HK\$274,711,000) was secured for the bank loans.

Note: On 19 November 2021, the group terminated the agreement with the government in relation to the Land Plots in Lishui District, Nanjing City, Jiangsu Province, the PRC. Details of which were disclosed in the announcement dated 24 November 2021. After the termination, properties for sale under development approximately HK\$848 million were disposed. Out of which, a cash consideration of HK\$403 million was received. The remaining of approximately HK\$439 million were accrued in other receivables. A loss of HK\$6 million was recognised in the consolidated statement of profit or loss.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	43,967	109,854
<i>Less:</i> Impairment losses	(6,804)	(14,524)
	<hr/>	<hr/>
	37,163	95,330
Bills receivable	–	734
Value-added tax receivables	62,997	88,621
Other tax receivables	1,073	597
Consideration receivable	439,269	–
Prepayment, deposits and other receivables	43,415	28,409
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	583,917	<u>213,691</u>

Trade and bills receivables

The aging of bills receivable at the end of reporting period are falling within 60 days.

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>	2020 <i>HK\$'000</i>
0 to 60 days	18,138	33,758
61 to 90 days	1,218	7,682
Over 90 days	17,807	54,624
	<u>37,163</u>	<u>96,064</u>

Trade and bills 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					
Weighted average expected loss rate	0%	0%	16%	39%	
Receivable amount	17,711	2,196	11,021	13,039	43,967
Loss allowance	–	–	(1,752)	(5,052)	(6,804)
At 31 December 2020					
Weighted average expected loss rate	0%	0%	10%	28%	
Receivable amount	42,724	4,056	17,788	46,020	110,588
Loss allowance	<u>–</u>	<u>–</u>	<u>(1,778)</u>	<u>(12,746)</u>	<u>(14,524)</u>

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) (“Nanchang Investment”) to its shareholder before the completion of the capital contribution in 2018. The amount due from a non-controlling shareholder of a subsidiary is secured by its assets and undistributed earnings, non-interest bearing, and had no fixed term of repayment.

15. TRADE, BILLS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	82,929	91,949
Amounts payable on acquisition of property, plant and equipment	136,461	171,587
Accruals and other payables	117,300	77,005
	<u>336,690</u>	<u>340,541</u>

The aging of bills payable at the end of the year falls within 180 days (2020: 180 days).

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

	2021 HK\$'000	2020 HK\$'000
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 HK\$'000	As at 31 December 2020 HK\$'000	As at 1 January 2020 HK\$'000
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>	2020 <i>HK\$'000</i>
Year ended 31 December		
Revenue recognised in the year that was included in contract liabilities at beginning of year	<u>–</u>	<u>603,833</u>
Significant changes in contract liabilities during the year:		
Increase due to operations in the year	67,149	207,303
Transfer of contract liabilities to revenue	<u>(980)</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>	2020 <i>HK\$'000</i>
Bank loans	122,520	166,012
Other borrowing	<u>85,000</u>	<u>85,000</u>
	<u>207,520</u>	<u>251,012</u>
Analysed as:		
Secured	122,520	166,012
Unsecured	<u>85,000</u>	<u>85,000</u>
	<u>207,520</u>	<u>251,012</u>

At 31 December 2021, bank loans were secured by properties under development held by the Group located in Nanning with carrying value of approximately HK\$444,004,000 (2020: HK\$274,711,000).

Bank borrowings for the years presented are denominated in RMB. And other borrowings for the year are denominated in HK\$.

Other borrowing of HK\$85,000,000 was unsecured and repayment within 1 year. The effective interest rates per annum at the end of the years were as follows:

	2021	2020
Borrowings:		
Fixed-rate	<u>8.00% - 8.50%</u>	<u>8.00% - 8.50%</u>

The borrowings are repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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 year are as follows:

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

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE AUDITED ANNUAL RESULTS ANNOUNCEMENT

As at 30 March 2022, the auditing process had not been completed and the Company published the announcement of unaudited annual results for the year ended 31 December 2021. Subsequent adjustments have been made to the unaudited annual results 2021, shareholders and potential investors of the Company are advised to pay attention to the material differences between the unaudited and audited Annual Results 2021 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACTED)

		Audited Annual Results 2021 <i>HK\$'000</i>	Unaudited Annual Results 2021 <i>HK\$'000</i>	Increase/ (decrease) <i>HK\$'000</i>
	<i>Notes</i>			
Administrative expenses	<i>(i)</i>	(178,757)	(354,053)	(175,296)
Change in fair value of investment properties	<i>(ii)</i>	13,191	(62,502)	(75,693)
Impairment losses on trade and other receivables	<i>(iii)</i>	–	(46,401)	(46,401)
Impairment loss on various assets	<i>(iv)</i>	(315,810)	–	315,810
Written-off on various assets	<i>(v)</i>	(63,433)	–	63,433
Income tax	<i>(vi)</i>	<u>36,775</u>	<u>21,050</u>	<u>15,725</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACTED)

		Audited Annual Results 2021 HK\$'000	Unaudited Annual Results 2021 HK\$'000	Increase/ (decrease) HK\$'000
	<i>Notes</i>			
Non-current assets				
Investment properties	(ii)	57,952	229,479	(171,527)
Goodwill	(vii)	<u>119,256</u>	<u>224,949</u>	<u>(105,693)</u>
Current assets				
Properties for sale under development	(ii)	993,657	833,218	160,439
Trade, bills and other receivables, deposits and prepayments	(viii)	<u>583,917</u>	<u>611,619</u>	<u>(27,702)</u>
Current liabilities				
Trade, bills and other payables	(viii),(ix)	336,690	398,081	(61,391)
Lease liabilities	(x)	<u>7,886</u>	<u>7,604</u>	<u>282</u>
Non-current liabilities				
Lease liabilities	(x)	14,612	14,894	(282)
Deferred tax liabilities	(vi)	<u>46,577</u>	<u>54,829</u>	<u>(8,252)</u>

Notes:

- (i) The difference in administrative expenses was resulted from reclassification of impairment losses addressed in note (iv), written-off on various assets as detailed in (v), further impairment on goodwill as detailed in (vii), and reverse in provision of penalty as detailed in (ix).
- (ii) Reclassification of a building from properties for sale under development to investment properties was reversed since it did not match the transfer requirements. Thus, it was reclassified back to properties for sale under development, and the relevant fair value change was accounted for as impairment loss on properties for sale under development and grouped as impairment loss on various assets as detailed in (iv).

- (iii) Impairment losses on trade and other receivables were grouped into impairment loss on various assets as detailed in (iv).
- (iv) Impairment loss on various assets included reclassification of (1) change in fair value of investment properties as detailed in (ii); (2) impairment losses on trade and other receivables as detailed in (iii); (3) impairment loss on properties for sale under development; and (4) impairment loss on investment in joint venture from administrative expenses. It also included further impairment on goodwill as detailed in (vii).
- (v) Written-off on various assets included written-off of inventory at HK\$993,000 and written-off of property, plant and equipment at HK\$62,440,000, which were included in administrative expenses in the Unaudited Annual Results 2021.
- (vi) The difference in income tax was mainly derived from update on changes in the deferred tax liabilities due to impairment of properties for sale under development.
- (vii) Goodwill was further impaired from HK\$224,949,000 in the Unaudited Annual Results 2021, to HK\$119,256,000 as detailed in Financial Review.
- (viii) Other receivables and other payables of the same party were eliminated.
- (ix) Provision of penalty in respect of delay in handover of property units was reduced from HK\$41,168,000 to HK\$6,254,000 after reassessment on probability of related payment.
- (x) Lease liabilities were reallocated from the current portion to the non-current portion.
- (xi) Corresponding changes in exchange differences, share to non-controlling interests, etc. in relation to the above items were also reflected in the Audited Annual Result 2021.

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\$83,997,000. 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 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\$54,391,000 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. For the remaining property units, an impairment of approximately HK\$75,693,000 was recorded in view of the downturn in property market. 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\$5,812,000, 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.

Following by the termination, the Group encounters bottleneck in its future property development business. The management keeps actively seeking suitable land parcels for new property development project. However, having considered various factors including location, infrastructure, development scale and provincial market conditions, no land parcel was determined suitable for future development. The Group will not commence new property development project in the near future, and is considering the possibility of ceasing our property development business gradually. 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, which was a non-cash item and did not impact the Group’s cash flows and operations.

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, impairment losses and written-off on various assets

Administrative expenses for the year ended 31 December 2021 increased to approximately HK\$178,757,000 from approximately HK\$162,930,000 in 2020. The increase was mainly resulted from the rise in research and development cost from approximately HK\$5,947,000, to HK\$13,906,000, as well as the new internet sales business at the amount of approximately HK\$2,349,000 operated by the Group during the year.

The Group also recorded certain impairment loss and written-off on various assets during the year. The amounts represented (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\$83,997,000 in aggregate; (ii) impairment loss on properties for sale under development at approximately HK\$130,084,000 (2020: nil) in order to reflect its net realisable value; (iii) impairment on goodwill amounted to approximately HK\$106,855,000 (2020: nil) made after consideration of the latest planning of future business model and lower expected future profit of the subsidiary; (vi) impairment on trade and other receivables at the sum of approximately HK\$48,127,000 (2020: HK\$2,291,000); and (v) full impairment on interests in joint venture amounted to approximately HK\$10,180,000 (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 HK26.92 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\$258,222,000 (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 26.25% 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\$70,265,000 (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

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2021 are set out in Note 17 to 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 (the provision was deleted on 1 January 2022) 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 (i.e., Code Provision C.1.6 since 1 January 2022), 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 (i.e., Code Provision C.2.1 since 1 January 2022) 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 BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed with the management its risk management and internal controls systems and financial reporting matters including the review of the annual results of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the respective websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.tessonholdings.com>). The 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.

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

Hong Kong, 31 May 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*