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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

**MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
NANJING RONGZHOU CULTURAL INDUSTRY INVESTMENT
COMPANY LIMITED**

THE DISPOSAL

The Board is pleased to announce that on 7 June 2022 (after trading hours), the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the SPA with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares held by the Vendor, (representing the entire issued share capital of the Disposal Company as at the date of this announcement) at the total Consideration of RMB20.0 million subject to the terms of the SPA.

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, no Shareholders or any of their associates have any material interest in the Disposal and the transaction contemplated under the SPA and therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the Disposal and the transactions contemplated thereunder in general meeting of the Shareholders. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting to approve the terms of, and the transactions contemplated under the SPA upon satisfaction of the conditions set out under Rule 14.44 of the Listing Rules. The written approvals for the Disposal from Double Key International Limited, a shareholder holding 775,894,533 Shares representing approximately 62.75% of the issued share capital of the Company as at the date of this announcement, have been obtained in respect of the Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of the approving the Disposal.

GENERAL

A circular containing, among other things, (i) further details of the Disposal; and (ii) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 28 June 2022.

The Disposal may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board is pleased to announce that on 7 June 2022 (after trading hours), the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the SPA with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares at the Consideration subject to the terms of the SPA. The Sale Shares represent the Company's entire equity interest in the Disposal Company.

Details of the SPA are set out below:

THE SPA

Date

7 June 2022 (after trading hours)

Parties:

- (i) Vendor: Tesson New Energy Company Limited* (天臣新能源有限公司), an indirect non-wholly owned subsidiary of the Company
- (ii) Purchaser: Guangxi Rongxian Hengtai Investment Company Limited* (廣西容縣恒泰投資有限公司)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the SPA, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares held by the Vendor, representing the entire issued share capital of the Disposal Company as at the date of this announcement, free from all encumbrances. Upon Completion, the Disposal Group will cease to be the subsidiaries of the Company and the financial results of which will no longer be consolidated into the financial results of the Group.

Consideration

The Consideration of the sale and purchase of the Sale Shares was RMB20.0 million (equivalent to approximately HK\$24.7 million), which shall be paid by the Purchaser to the account designated by the Vendor in cash as to (i) RMB2.0 million (equivalent to approximately HK\$2.5 million) to be paid within 14 business days of the date of the SPA; and (ii) RMB18.0 million (equivalent to approximately HK\$22.2 million) to be paid within 7 business days upon the publication of the circular in relation to the Disposal. Within 30 business days of the Vendor receiving the Consideration, the Vendor shall seek to submit the filing requirement and administrative procedures in relation to the change of title to the Sale Shares and modification of industrial and commercial registration of the Disposal Company.

In the event that filing requirement and administrative procedures in relation to the change of title to the Sale Shares and modification of industrial and commercial registration of the Disposal Company is not submitted within 30 business days as aforementioned, the Purchaser has the rights to terminate the SPA and the Consideration received by the Vendor shall be refunded to the Purchaser.

The Consideration was determined by the parties to the SPA after arm's length negotiation and having taken into account of the (i) the unaudited adjusted consolidated net asset value of Disposal Group attributable to the Company as at 31 March 2022 of approximately HK\$38.8 million (the “**Unaudited Adjusted Consolidated NAV**”) (calculated based on the unaudited consolidated net asset value of the Disposal Group attributable to the Company as at 31 March 2022 of approximately HK\$83.9 million and adjusted by the release of foreign exchange reserve of approximately HK\$45.1 million); and (ii) the unaudited consolidated net profit of the Disposal Group for the year ended 31 December 2020 of approximately HK\$184.2 million and the unaudited consolidated net loss of the Disposal Group for the year ended 31 December 2021 of approximately HK\$193.6 million.

The Consideration represents a discount of approximately 36.3% to the Unaudited Adjusted Consolidated NAV as at 31 March 2022. In light of negative impact brought by the downturn in the property market in the PRC and the tightening of monitoring to the real estate industry imposed by local government authority, the Directors consider that it will be the interest of the Company to dispose the Disposal Group even at a discount so that the Group can reallocate more financial resources to its Lithium Ion Motive Battery Business and for future development.

The Directors are of the view that the Consideration is fair and reasonable having considered the abovementioned factors and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is not subject to any conditions precedent.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Purchaser becomes a shareholder of the Disposal Company and enjoys the shareholders' rights and obligations as a shareholder of the Disposal Company. All the profit or loss of the Disposal Group shall be borne by the Purchaser; whereas the debts, contingent liabilities, potential losses, responsibilities and obligations of the Disposal Group that the Vendor has not disclosed to the Purchaser in writing shall be borne by the Vendor.

Upon Completion, the Disposal Group will cease to be the subsidiaries of the Company and the financial results of which will no longer be consolidated into the financial results of the Group.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1201). The Group is principally engaged in (i) the manufacturing and sales 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**”).

INFORMATION OF THE PURCHASER

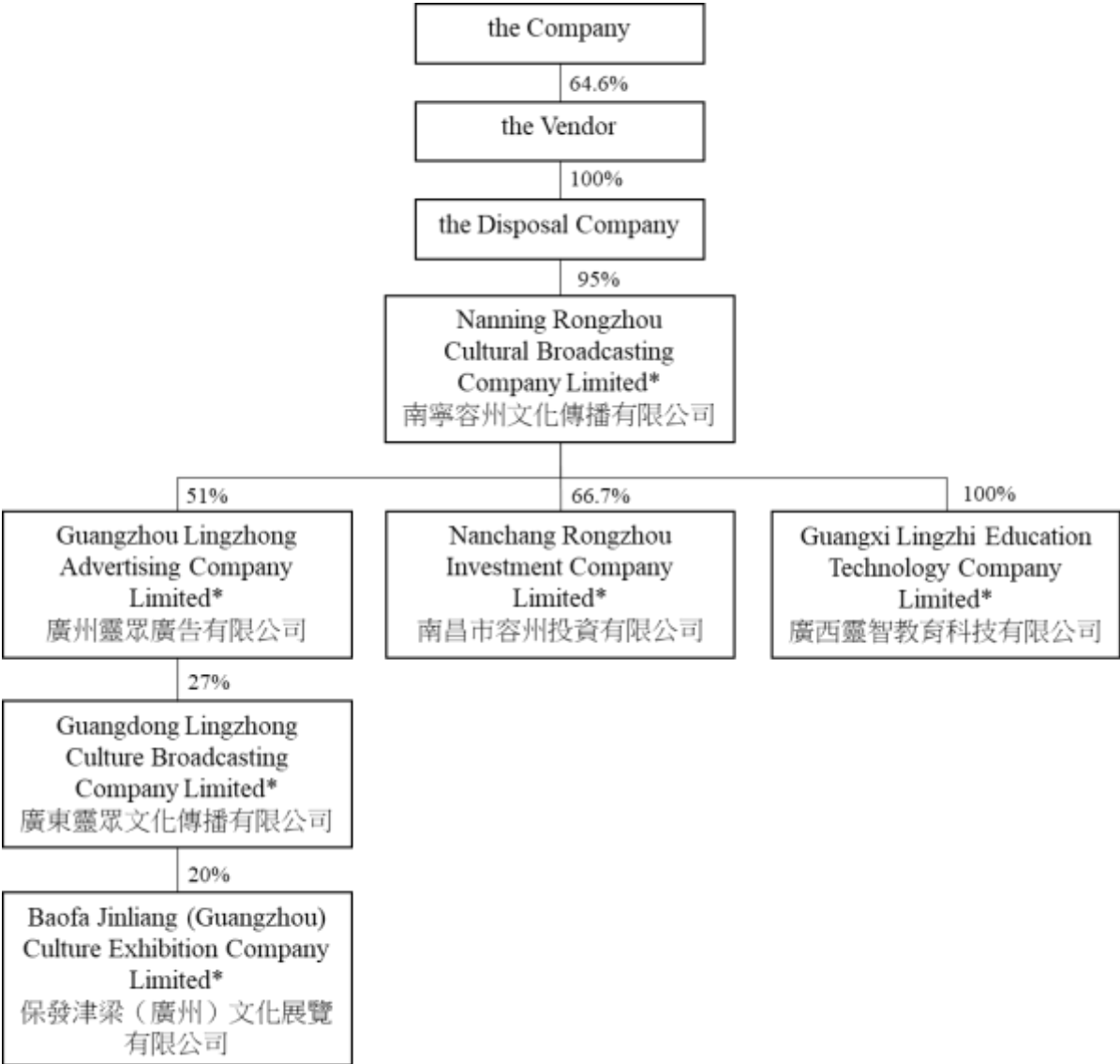
The Purchaser is a company incorporated in the PRC with limited liability. It is principally engaged in investment in construction companies and commercial projects and is an investor with diversified investments in the PRC.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company is a company incorporated in the PRC with limited liability and is owned as to 100% by the Vendor. It is principally engaged in property holding.

As at the date of this announcement, the corporate structure of the Disposal Group is set out as follow:



The Disposal Company holds 95% of equity interest in Nanning Rongzhou Cultural Broadcasting Company Limited* (南寧容州文化傳播有限公司), a company established in the PRC with limited liability and is principally engaged in the property development of Fengxiang Terrace – Rongzhou Cultural Center* (鳳翔台 – 容州文化中心), which in turn respectively holds (i) 51.0% in Guangzhou Lingzhong Advertising Company Limited* (廣州靈眾廣告有限公司), a company established in the PRC with limited liability and is principally engaged in cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering; (ii) 66.7% equity interest in Nanchang Rongzhou Investment Company Limited* (南昌市容州投資有限公司), a company established in the PRC with limited liability and is principally engaged in the property development of Rongzhou Gangjiucheng* (容州港九城); and (iii) 100% of equity interest in Guangxi Lingzhi Education Technology Company Limited* (廣西靈智教育科技有限公司), a company established in the PRC with limited liability and has not commenced any particular business. Guangzhou Lingzhong Advertising Company Limited * (廣州靈眾廣告有限公司) holds 27% of equity interest in Guangdong Lingzhong Culture Broadcasting Company Limited* (廣東靈眾文化傳播有限公司), which in turn holds 20% of equity interest in Baofa Jinliang (Guangzhou) Culture Exhibition Company Limited* (保發津梁 (廣州) 文化展覽有限公司).

Set out below is a summary of unaudited consolidated financial information of the Disposal Group, which has been prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 December 2020 and 2021:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>approximately</i>	<i>approximately</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	613,720	11,455
Profit/(loss) before taxation	257,660	(230,386)
Profit/(loss) after taxation	184,168	(193,611)
	As at	As at
	31 December 2020	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>approximately</i>	<i>approximately</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets	355,052	170,355

The Disposal Group recorded a net profit before taxation of approximately HK\$ 257.7 million for the year ended 31 December 2020 and a net loss of approximately HK\$230.4 million for the year ended 31 December 2021. The net loss for the year ended 31 December 2021 was mainly attributable to unsatisfactory construction progress of Rongzhou Gangjiucheng* (容州港九城) that resulted into deferral of residential units handover and as such no income was recorded from the transferal of residential units in Rongzhou Gangjiucheng* for the year ended 31 December 2021. As at 31 March 2022, the Disposal Group had an Unaudited Adjusted Consolidated NAV of approximately HK\$38.8 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal is one of the Group's restructuring strategies. Through the Disposal, the Group will be able to eliminate the negative impact brought by the downturn in the property market in the PRC and the tightening of monitoring to the real estate industry imposed by local government authority, at the same time reallocate more financial resources to its Lithium Ion Motive Battery Business and for future development.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the terms of the SPA are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of the Disposal (after payment of professional fees and other related expenses) are estimated to be of approximately HK\$24.1 million. The Company intends to apply the net proceeds from the Disposal for general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group shall not have any equity interest in the Disposal Company, and the Disposal Group will cease to be the subsidiaries of the Company and the financial results of which will no longer be consolidated into the financial results of the Group.

As at the date of this announcement, it is estimated that the Group will record a loss on disposal (after taking into account of professional fees and other related expenses) of approximately HK\$14.7 million and such loss is calculated based on the difference between the Consideration of approximately HK\$24.7 million, the Unaudited Adjusted Consolidated NAV as at 31 March 2022 of approximately HK\$38.8 million and professional fees and other related expenses. The actual gain or loss as a result of the Disposal to be recorded by the Group may be changed depending on the consolidated net book value of the Disposal Group as at the date of completion of the SPA and is subject to any accounting adjustment and audit by the auditors of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best knowledge, information and belief of the Directors, as at the date of this announcement, no Shareholders or any of their associates have any material interest in the Disposal and the transaction contemplated under the SPA and therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the Disposal and the transactions contemplated thereunder in general meeting of the Shareholders. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting to approve the terms of, and the transactions contemplated under the SPA upon satisfaction of the conditions set out under Rule 14.44 of the Listing Rules. The written approvals for the Disposal from Double Key International Limited, a shareholder holding 775,894,533 Shares representing approximately 62.75% of the issued share capital of the Company as at the date of this announcement, have been obtained in respect of the Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposal.

GENERAL

A circular containing, among other things, (i) further details of the Disposal; and (ii) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 28 June 2022.

The Disposal may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tesson Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 1201)
“Completion”	completion of the Disposal in accordance with the SPA
“Completion Date”	the date when the filing requirement and administrative procedures in relation to the change of title to the Sale Shares and modification of industrial and commercial registration of the Disposal Company is officially completed, being the date on which Completion takes place
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB20.0 million (equivalent to approximately HK\$24.7 million) payable by the Purchaser to the Vendor under the Disposal in accordance with the terms of the SPA
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser
“Disposal Company”	Nanjing Rongzhou Cultural Industry Investment Company Limited* (南京容州文化產業投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Vendor
“Disposal Group”	the Disposal Company and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Purchaser”	Guangxi Rongxian Hengtai Investment Company Limited* (廣西容縣恒泰投資有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% of the issued share capital of the Disposal Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“SPA”	the conditional sale and purchase agreement dated 7 June 2022 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Tesson New Energy Company Limited* (天臣新能源有限公司), a company incorporated in the PRC with limited liability and a 64.6% indirectly owned subsidiary of the Company
“%”	per cent

By Order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

** for identification purpose only*

Hong Kong, 7 June 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.