

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



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 2022

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 consolidated results of the Group for the year ended 31 December 2022, together with the audited comparative figures for the corresponding period in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Re-presented)
Continuing operation			
Revenue	3	94,399	159,839
Cost of sales		(86,383)	(148,413)
Gross profit		8,016	11,426

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (Re-presented)
Interest income		232	573
Other income	4	7,994	11,467
Distribution and selling expenses		(5,934)	(8,230)
Administrative expenses		(126,539)	(143,465)
Reversal of impairment loss/(impairment loss) on various assets	8b	974	(77,145)
Written-off on various assets	8b	(2,653)	(63,433)
Loss from operation		(117,910)	(268,807)
Finance costs	6	(6,771)	(7,936)
Loss before tax		(124,681)	(276,743)
Income tax credit	7	–	7,597
Loss for the year from continuing operation	8a	(124,681)	(269,146)
Discontinued operation			
Loss for the year from discontinued operation		(103,334)	(231,868)
Loss for the year		(228,015)	(501,014)
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		(69,601)	35,588
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		(21,504)	–
		(319,120)	(465,426)
<i>Items that will not be reclassified to profit or loss</i>			
Surplus arising on revaluation of property, plant and equipment		48,227	–
Deferred tax effect arising on revaluation of property, plant and equipment		(8,120)	–
Total comprehensive expenses for the year		(279,013)	(465,426)

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (Re-presented)
Loss for the year attributable to			
Owners of the Company			
Loss from continuing operation		(99,249)	(192,813)
Loss from discontinued operation		(96,812)	(134,129)
		<u>(196,061)</u>	<u>(326,942)</u>
Loss attributable to owners of the Company			
		(196,061)	(326,942)
Non-controlling interests			
Loss from continuing operation		(25,432)	(76,333)
Loss from discontinued operation		(6,522)	(97,739)
		<u>(31,954)</u>	<u>(174,072)</u>
		(31,954)	(174,072)
		<u>(228,015)</u>	<u>(501,014)</u>
Total comprehensive expenses for			
the year attributable to			
Owners of the Company		(207,385)	(301,029)
Non-controlling interests		(71,628)	(164,397)
		<u>(279,013)</u>	<u>(465,426)</u>
Loss per share from continuing and			
discontinued operation			
Basic (<i>HK cents per share</i>)	10	<u>(15.54)</u>	<u>(26.92)</u>
Diluted (<i>HK cents per share</i>)		<u>(15.54)</u>	<u>(26.92)</u>
Loss per share from continuing operation			
Basic (<i>HK cents per share</i>)		<u>(7.87)</u>	<u>(15.87)</u>
Diluted (<i>HK cents per share</i>)		<u>(7.87)</u>	<u>(15.87)</u>
Loss per share from discontinued operation			
Basic (<i>HK cents per share</i>)		<u>(7.67)</u>	<u>(11.05)</u>
Diluted (<i>HK cents per share</i>)		<u>(7.67)</u>	<u>(11.05)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		273,319	300,032
Deposits paid for acquisition of property, plant and equipment		2,077	18,985
Investment properties		–	57,952
Goodwill	<i>11</i>	–	119,256
Right-of-use assets		78,045	97,346
		<hr/> 353,441	<hr/> 593,571
Current assets			
Inventories		36,599	42,178
Properties for sale under development	<i>12</i>	–	993,657
Trade and other receivables, deposits and prepayments	<i>13</i>	300,458	583,917
Financial assets at fair value through profit or loss		104	54
Amount due from non-controlling shareholder of a subsidiary	<i>14</i>	–	262,107
Restricted bank balances		–	40,304
Bank and cash balances		6,252	12,643
		<hr/> 343,413	<hr/> 1,934,860
Current liabilities			
Trade and other payables	<i>15</i>	278,468	336,690
Contract liabilities	<i>16</i>	5,342	1,002,240
Borrowings	<i>17</i>	52,785	207,520
Lease liabilities		4,152	7,886
Tax payables		–	122,261
Amount due to the Controlling Shareholder		545	41
		<hr/> 341,292	<hr/> 1,676,638

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net current assets		<u>2,121</u>	<u>258,222</u>
Total assets less current liabilities		<u>355,562</u>	<u>851,793</u>
Non-current liabilities			
Lease liabilities		5,341	14,612
Deferred tax liabilities		<u>9,656</u>	<u>46,577</u>
		<u>14,997</u>	<u>61,189</u>
NET ASSETS		<u><u>340,565</u></u>	<u><u>790,604</u></u>
Capital and reserves			
Share capital		148,349	123,650
Reserves		<u>380,427</u>	<u>640,939</u>
Equity attributable to owners of the Company		528,776	764,589
Non-controlling interests		<u>(188,211)</u>	<u>26,015</u>
TOTAL EQUITY		<u><u>340,565</u></u>	<u><u>790,604</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 had discontinued its 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**”), and 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**”).

2. BASIS OF PREPARATION

The 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 consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment, and certain financial instruments, which are measured at revalued amounts or fair values. These 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 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 2022

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

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

(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 2022, and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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 17	Insurance Contracts	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 2024
HKFRS 16	Amendments in relation to Lease Liabilities in a Sale and Leaseback	1 January 2024
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1	Amendments in relation to Non-current Liabilities with Covenants	1 January 2024

3. REVENUE

The Group's revenue was derived from lithium ion motive battery products sold and internet sales during the year (2021: The Group's revenue was derived from lithium ion motive battery products sold, property development and cultural service 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 People's Republic of China (the "PRC") and recognised at a point in time when the customers obtain control of the goods or services.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lithium ion motive battery products	93,791	157,691
Property development and cultural service	7,809	11,455
Internet sales	608	2,148
	<u>102,208</u>	<u>171,294</u>
Representing		
Continuing operation	94,399	159,839
Discontinued operation (<i>Note 8</i>)	7,809	11,455
	<u>102,208</u>	<u>171,294</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants	306	4,725
Gain on disposal of scrap products	1,565	3,469
Gain on disposal of right-of-use assets	–	2,747
Fire insurance claim income for the written off property, plant and equipments	5,577	–
Gain on disposal of the subsidiary	25	–
Rental income	1,006	1,179
Gain on exchange difference	–	1,225
Others	665	2,518
	<u>9,144</u>	<u>15,863</u>
Representing		
Continuing operation	7,994	11,467
Discontinued operation (<i>Note 8</i>)	1,150	4,396
	<u>9,144</u>	<u>15,863</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 and Internet Sales Business. In the prior year, the Group's revenue was derived from the Lithium Ion Motive Battery Business, Internet Sales Business, Property and Cultural Business, the discontinued operation.

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:

	Continuing Operation			Discontinued Operation	
	Lithium Ion Motive Battery Business <i>HK\$'000</i>	Internet Sales Business <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property and Cultural Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022					
Revenue from external customers	93,791	608	94,399	7,809	102,208
Segment loss	(93,331)	(3,462)	(96,793)	(103,334)	(200,127)
Depreciation	57,563	65	57,628	319	57,947
Depreciation of right-of-use assets	4,992	474	5,466	2,064	7,530
Additions to segment non-current assets	22,402	–	22,402	303	22,705
At 31 December 2022					
Segment assets	687,009	4,385	691,394	–	691,394
Segment liabilities	254,818	2,779	257,597	–	257,597
Year ended 31 December 2021					
Revenue from external customers	157,691	2,148	159,839	11,455	171,294
Segment loss	(291,134)	(1,936)	(293,070)	(193,611)	(486,681)
Depreciation	67,610	19	67,629	932	68,561
Depreciation of right-of-use assets	5,398	205	5,603	2,999	8,602
Additions to segment non-current assets	7,007	–	7,007	18,550	25,557
At 31 December 2021					
Segment assets	577,941	15,474	593,415	1,932,279	2,525,694
Segment liabilities	280,858	7,294	288,152	1,319,713	1,607,865

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
Total revenue of reportable segments	102,208	171,294
Reclassification of discontinued operation	(7,809)	(11,455)
	<u>94,399</u>	<u>159,839</u>
Profit or loss		
Total losses of reportable segments	(200,127)	(486,681)
Corporate and unallocated loss	(27,888)	23,924
Reclassification of discontinued operation	103,334	193,611
	<u>(124,681)</u>	<u>(269,146)</u>
Assets		
Total assets of reportable segments	691,394	2,525,694
Corporate and unallocated assets	5,460	2,737
	<u>696,854</u>	<u>2,528,431</u>
Liabilities		
Total liabilities of reportable segments	257,597	1,607,865
Corporate and unallocated liabilities	98,692	129,962
	<u>356,289</u>	<u>1,737,827</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Hong Kong	1,424	1,179
The PRC	352,017	592,392
	<u>353,441</u>	<u>593,571</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on borrowings	10,814	20,346
Interest expenses on bills	–	96
Lease interests	1,177	1,727
Interest expenses on deposit received	–	1,019
	<u>11,991</u>	<u>23,188</u>
<i>Less: Interest capitalisation</i>	<u>(4,824)</u>	<u>(13,546)</u>
	<u><u>7,167</u></u>	<u><u>9,642</u></u>
Representing		
Continuing operation	6,771	7,936
Discontinued operation (<i>Note 8</i>)	396	1,706
	<u><u>7,167</u></u>	<u><u>9,642</u></u>

7. INCOME TAX EXPENSES/(CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC Enterprise Income Tax expenses/(credit) for the year	4	4
Deferred tax	–	(36,779)
	<u>4</u>	<u>(36,775)</u>
Representing		
Continuing operation	–	(7,597)
Discontinued operation (<i>Note 8</i>)	4	(29,178)
	<u>4</u>	<u>(36,775)</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 FOR THE YEAR

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

Continuing operation

a) The Group's loss for the year from continuing operation is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	1,000	1,180
Cost of inventories sold	86,383	148,413
Depreciation	58,221	68,387
Depreciation of right-of-use asset	6,218	6,407
Gain on disposal of right-of-use asset	–	(2,747)
Loss on disposal of property, plant and equipment	1,874	6,670
Research and development expenses	20,586	13,906
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	33,788	42,749
Retirement benefits	3,825	3,057
	<u>3,825</u>	<u>3,057</u>

b) (Reversal of impairment loss)/impairment loss and written-off on various assets of continuing operation:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Reversal of impairment loss)/impairment loss on various assets		
Impairment of inventories (<i>Note</i>)	–	20,564
Impairment loss on a joint venture	–	10,180
Impairment loss on trade receivables	1,435	38,784
(Reversal of impairment loss)/impairment loss on other receivables	(2,409)	7,617
	<u>(974)</u>	<u>77,145</u>
Written-off on various assets		
Written off of inventories (<i>Note</i>)	–	993
Written off of property, plant and equipment (<i>Note</i>)	2,653	62,440
	<u>2,653</u>	<u>63,433</u>

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.

Discontinued operation

(a) The Group's loss for the year from discontinued operation is stated after charging the followings:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	5,872	8,167
Depreciation	319	932
Depreciation of right-of-use assets	2,153	2,987
Provision of litigation issue	–	6,254
Loss on disposal of properties for sale under development	–	5,812
Staff costs (including director's remuneration):		
Salaries, bonus and allowances	11,575	22,795
Retirement benefits	965	1,664
	<u>11,575</u>	<u>22,795</u>

(b) Impairment loss on various assets of discontinued operation:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment loss on various assets		
Impairment on the properties for sale under development	–	130,084
Impairment on the goodwill	–	106,855
Impairment loss on trade receivables	–	1,726
	<u>–</u>	<u>238,665</u>

Discontinued Operation

As detailed in Note 18, the Group discontinued its Property and Culture Business. Loss for the year from discontinued operation is analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss from discontinued operation	(14,620)	(231,868)
Loss on disposal of discontinued operation (<i>Note 18</i>)	(88,714)	–
	<u>(103,334)</u>	<u>(231,868)</u>

The results and cash flows of the discontinued operation for the years ended 31 December 2022 was detailed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	7,809	11,455
Cost of goods sold	(5,872)	(8,167)
Gross profit	1,937	3,288
Interest income	100	191
Other income	1,150	4,396
Distribution and selling expenses	(2,875)	(6,449)
Administrative expenses	(14,532)	(35,292)
Impairment loss on various assets	–	(238,665)
Fair value gain on investment properties	–	13,191
Loss from operation	(14,220)	(259,340)
Loss on disposal of subsidiaries	(88,714)	–
Loss from operation	(102,934)	(259,340)
Finance costs	(396)	(1,706)
Loss before tax	(103,330)	(261,046)
Income tax (expense)/credit	(4)	29,178
Loss for the year	<u>(103,334)</u>	<u>(231,868)</u>
Operating cash flows	21,321	66,141
Investing cash flows	189,562	13,767
Financing cash flows	21,824	(69,608)
Total cash flows	<u>232,707</u>	<u>10,300</u>

For the purpose of presenting discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the weighted average number of 1,261,531,347 (2021: 1,214,571,508) ordinary shares in issue during the year, and loss for the year attributable to owners of the Company as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company		
From continued operation	99,249	192,813
From discontinued operation	96,812	134,129
	<u>196,061</u>	<u>326,942</u>
From continuing and discontinued operation	<u>196,061</u>	<u>326,942</u>

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 2022 and 2021.

11. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2021	220,408
Currency realignment	5,703
	<u>226,111</u>
At 31 December 2021 and 1 January 2022	226,111
Disposal of subsidiaries	(205,037)
Currency realignment	(21,074)
	<u>—</u>
At 31 December 2022	<u>—</u>
Accumulated impairment losses	
At 1 January 2021	—
Impairment loss recognised during the year	(106,855)
	<u>(106,855)</u>
At 31 December 2021 and 1 January 2022	(106,855)
Disposal of subsidiaries	97,665
Currency realignment	9,190
	<u>—</u>
At 31 December 2022	<u>—</u>
Carrying amount	
At 31 December 2022	<u>—</u>
At 31 December 2021	<u>119,256</u>

12. PROPERTIES FOR SALE UNDER DEVELOPMENT

	<i>HK\$'000</i>
At 1 January 2021	1,566,127
Additions	376,846
Transfer to investment property	(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 and 1 January 2022	993,657
Additions	47,971
Properties completed and sold	(393)
Disposals of subsidiaries	(940,177)
Currency realignment	(101,058)
	<hr/>
At 31 December 2022	<hr/> <hr/> –

All the properties under development were located in the PRC. At 31 December 2021, the properties for sale under development held by the Group located in Nanning, with carrying value of approximately HK\$444,004,000 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 AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	14,174	43,967
<i>Less:</i> Impairment losses	(1,398)	(6,804)
	<hr/>	<hr/>
	12,776	37,163
Value-added tax receivables	12,362	62,997
Other tax receivables	–	1,073
Consideration receivable	–	439,269
Consideration receivable from the vendor of disposals of subsidiaries (<i>Note 18</i>)	11,317	–
Amounts due from the subsidiaries disposed (<i>Note 18</i>)	230,163	–
Prepayment, deposits and other receivables	33,840	43,415
	<hr/>	<hr/>
	300,458	583,917
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	8,086	18,138
61 to 90 days	2,150	1,218
Over 90 days	2,540	17,807
	<u>12,776</u>	<u>37,163</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 2022					
Weighted average expected loss rate	0%	0%	0%	45%	
Receivable amount	10,633	416	–	3,125	14,174
Loss allowance	–	–	–	(1,398)	(1,398)
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)

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 on 26 October 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	40,302	82,929
Amounts payable on acquisition of property, plant and equipment	126,736	136,461
Amount due to a subsidiary disposed	2,853	–
Accruals and other payables	108,577	117,300
	<u>278,468</u>	<u>336,690</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	12,806	37,041
61 to 90 days	314	1,488
Over 90 days	27,182	44,400
	<u>40,302</u>	<u>82,929</u>

16. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	As at 1 January 2021 <i>HK\$'000</i>
Total contract liabilities	<u>5,342</u>	<u>1,002,240</u>	<u>938,905</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2022	–	1,026,276	
– 2023	6,636	–	
	<u>6,636</u>	<u>1,026,276</u>	

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Year ended 31 December		
Revenue recognised in the year that was included in contract liabilities at beginning of year	<u>3,254</u>	<u>–</u>
Significant changes in contract liabilities during the year:		
Increase due to operations in the year	1,773	67,149
Decrease due to disposals of subsidiaries (<i>Note 18</i>)	(905,506)	–
Currency realignment	(89,824)	(2,834)
Transfer of contract liabilities to revenue	<u>(3,341)</u>	<u>(980)</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans	–	122,520
Other borrowing	<u>52,785</u>	<u>85,000</u>
	<u>52,785</u>	<u>207,520</u>
Analysed as:		
Secured	–	122,520
Unsecured	<u>52,785</u>	<u>85,000</u>
	<u>52,785</u>	<u>207,520</u>

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

Bank borrowings for 2021 are denominated in RMB. Other borrowings for the years are denominated in HK\$.

At 31 December 2022, other borrowing of HK\$52,785,000 (2021: HK\$85,000,000) was unsecured and repayable within 1 year. The effective interest rates per annum at the end of the years were as follows:

	2022	2021
Borrowings:		
Fixed-rate	<u>8.00%</u>	<u>8.00%-8.50%</u>

The borrowings are repayable as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
On demand or within one year	<u>52,785</u>	<u>207,520</u>

18. DISPOSAL OF SUBSIDIARIES

On 10 October 2022, the Group disposed 64.6% indirectly owned subsidiary Nanjing Rongzhou Cultural Industry Investment Company Limited* (南京容州文化產業投資有限公司) at cash consideration of RMB20,000,000 (equivalent to approximately HK\$23,238,000) to an independent third party. As at 31 December 2022, the amount due from the disposal group were amounting to approximately HK\$230,163,000 (Note 13).

Net assets at the date of disposal were as follows:

	<i>HK\$'000</i>
Right-of-use assets	5,443
Property, plant and equipment	785
Investment properties	52,177
Goodwill	107,372
Amount due from non-controlling shareholder of a subsidiary	136,544
Inventory	284
Properties for sale under development	940,177
Trade receivables	13,482
Less: Impairment loss	(6,271)
Other receivables	238,755
Restricted bank balances	36,311
Bank and cash balances	4,647
Trade payables	(24,614)
Other payables	(45,495)
Contract liabilities	(905,506)
Amount due to the remaining group	(236,686)
Tax payable	(103,979)
Borrowings	(33,093)
Lease liabilities	(5,982)
Deferred tax liabilities	(40,364)
	<hr/>
Net assets disposed of	133,987
Release of foreign currency translation reserve	(21,645)
Non-controlling interests	(1,177)
	<hr/>
	111,165
Direct transaction costs incurred	787
Loss on disposal of subsidiaries	(88,714)
	<hr/>
Consideration	<u>23,238</u>
	<hr/>
Consideration received	23,238
Consideration receivable (Note 13)	(11,317)
Bank and cash balances disposed of	(4,647)
Direct transaction costs incurred	(787)
	<hr/>
Net cash inflow arising on disposal	<u>6,487</u>

19. CAPITAL COMMITMENTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for		
– Property, plant and equipment	40,759	40,462
– Investment in an associate	27,161	–
	<u>67,920</u>	<u>40,462</u>

At 31 December 2022, the acquisition of investment in an associate was secured by the pledge of property, plant and equipment held by the Group with carrying value of approximately HK\$12,047,000, which the acquisition is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

In 2022, development of the lithium ion battery market in the PRC was booming, the national lithium ion battery output was approximately 750GWh, representing a year-on-year increase of 130% in accordance to the news release from the Ministry of Industry and Information Technology of the PRC. The growth was mainly driven by the new energy vehicles which had achieved a year-on-year increase in sales of 93.4%. However, market development of battery products in the field of household applications was comparatively weak, annual revenue had increased slightly by 1.1% only.

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

Property and Cultural Business

In the first half of 2022, the COVID-19 pandemic spread in the PRC, sporadic cases were found in Jiangxi and Guangxi where Rongzhou Gangjiucheng* (容州港九城) and Fengxiang Terrace – Rongzhou Cultural Centre* (鳳翔台 – 容州文化中心), the property projects of the Group, were located. Certain control policies were then implemented and the construction work was temporary suspended. After the resumption of work, COVID-19 prevention measures which included regular whole-site disinfection and quarantine requirements continued to affect construction works, supply on construction materials was also affected by the outbreak in the nearby cities. Logistics on raw materials and manpower arrangement remained to be the key challenges in the construction period. As a result, construction of the Group's property projects was prolonged and no income was recorded from the transfer of residential units during the period. The temporary site closure in Guangzhou also resulted in re-schedule of several exhibitions, leading to a reduction in revenue of the Group's cultural business.

During the year, economic environment for the real estate industry in the PRC remained challenging and faced continuous downturn with tighter government control. Market confidence has not yet been restored from the series of social incidents including the pandemic spread and the discontinuance of the construction work of the leading real estate developers. Referencing to the statistics released by the National Bureau of Statistics, national real estate investment in 2022 had dropped by 10%, market for commodity residential housing units was worsen that its sales area had dropped by 26.8%, and its sales revenue dropped by 28.3%.

Under such critical operating environment, the Group decided to restructure its business portfolio and as one of the Group's restructuring strategies, the Group entered into a sales and purchase agreement in order to dispose the entire interests of the Group's Property and Cultural Business in June 2022. Through the disposal, the Group will be able to eliminate the negative impact brought by the downturn in the property market in the PRC and the tightening of monitoring to the real estate industry imposed by local government authority, at the same time reallocate more financial resources to its Lithium Ion Motive Battery Business for future development. The disposal was completed on 10 October 2022, more details were included in the circular of the Group dated 31 August 2022 and the announcement of the Group dated 10 October 2022.

Internet Sales Business

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

FUTURE PROSPECTS

Looking forward, given the environmentally-friendly and comparatively efficient features, also the extensive use of lithium-ion motive battery products, the Group holds positive view on the development of new energy business. Following the completion of re-organization of group structure, the Group will be able to focus its resources in research and development of the new energy products, small energy storage devices will continue to be the key products of the Group. In the future, besides strengthening our position in the PRC new energy market, the Group will explore new overseas market for our products to further diversify customer base starting from the South-east Asia, further to South Africa, gradually to the rest of the world, eventually establish a comprehensive sales network around the world and ultimately drive further business growth to generate higher return to its shareholders.

FINANCIAL REVIEW

Discontinued Operations

Property and Cultural Business

During the year, no revenue was generated from handover of residential units due to the prolonged construction period as abovementioned. Revenue of the Property and Cultural Business represented sales of commercial units and car park units amounted to approximately HK\$393,000 (2021: HK\$536,000), and event production service of approximately HK\$7,416,000 (2021: HK\$10,919,000). Segment loss for the year was approximately HK\$103,334,000, consisted of loss on disposal of subsidiaries of approximately HK\$88,682,000 while the rest mainly represented salary and other office expenses.

Disposal of the Property and Cultural Business was completed on 10 October 2022 as detailed in Note 18 to this announcement.

Continuing Operations

Revenue and gross profit ratio

Lithium Ion Motive Battery Business

During the year, logistics for raw materials, workplace operation and manpower arrangement were severely impacted by the pandemic occurred in Shaanxi Province. Battery production scale was reduced and led to reduction in revenue from HK\$157,691,000 to HK\$93,791,000. The increasing prices of raw materials together with the delay in the absorption of such increase in the selling price also narrowed down our gross profit to HK\$8,016,000 (2021: HK\$10,882,000).

Other income

Other income for the year ended 31 December 2022 decreased to approximately HK\$9,144,000 (2021: HK\$15,863,000), mainly represented fire insurance claim income of HK\$5,577,000 from the fire accident in the production base in Weinan, Shaanxi occurred in June 2021 whereas in 2021, other income mainly consisted of gain on disposal of scrap products of HK\$3,469,000 and gain from disposal of right-of-use assets at HK\$2,747,000.

Distribution and selling expenses

During the year, the Group incurred distribution and selling expenses at approximately HK\$5,934,000 (2021: HK\$8,230,000) which was consistent with the drop of the Group's revenue.

Administrative expenses

Administrative expenses for the year ended 31 December 2022 decreased to approximately HK\$126,539,000 from approximately HK\$143,465,000 in 2021. The decrease was mainly resulted from the drop in depreciation of property, plant and equipment from HK\$56,166,000 to HK\$39,945,000 as a consequence of assets written-off in the fire accident occurred in June 2021.

Finance costs

Finance costs net of interests capitalised in the year decreased to approximately HK\$7,167,000 (2021: HK\$9,642,000), the reduction was due to the partial settlement of other borrowings during the year.

Basic and diluted loss per share

Basic and diluted loss per share in the year ended 31 December 2022 were both (i) HK15.54 cents (2021: HK26.92 cents) for continuing and discontinued operations; (ii) HK7.87 cents (2021: HK15.87 cents) for continuing operations; and (iii) HK7.67 cents (2021: HK11.05 cents) for discontinued operations.

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 2022 with net current assets of approximately HK\$2,121,000 (31 December 2021: HK\$258,222,000) and bank and cash balances of approximately HK\$6,252,000 (31 December 2021: HK\$12,643,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was about 15.50% as at 31 December 2022 (31 December 2021: 26.25%).

EMPLOYMENT

As at 31 December 2022, the Group had approximately 341 employees (2021: 589), 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\$43,815,000 (2021: HK\$45,809,000).

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 2022, the Group did not have any material contingent liabilities (2021: nil).

PLEDGE OF ASSETS

Details of pledged assets as at 31 December 2022 are set out in Note 17 to this announcement.

USAGE OF FUND PROCEEDS

On 6 November 2022, the Company entered into the placing agreement with Shanxi Securities International 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 247,296,000 new shares at a price of HK\$0.043 per placing share, for and on behalf of the Company. On 25 November 2022, the Company completed placing of 246,993,000 shares at the placing price (“**Placing**”). The net proceeds from the Placing (after deducting professional fees and other relevant expenses) amounted to approximately HK\$14,272,000, were intended to be used for the purpose of general working capital of the Company. During the year ended 31 December 2022, 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 6 November 2022 and 25 November 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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 2022, save for the deviations disclosed below, the Company had complied with all the applicable provisions set out in the CG Code:

Pursuant to the Code Provision C.1.6, independent non-executive Directors and non-executive Directors should attend general meetings of the Company. However, two independent non-executive Directors were absent from the annual general meeting of the Company held on 5 July 2022 due to other business commitments. To ensure compliance with the CG Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings of the Company and take all reasonable measures to schedule meetings in such a way that all Directors can attend the general meetings.

Code Provision C.2.1 of the CG Code stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Tin Kong has been serving as the chairman and the chief executive officer of the Company (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 2022. The Model Code also applies to other specified senior management of the Group.

Other Significant Event

On 10 October 2022, Tesson New Energy (Shenzhen) Company Limited* (天臣新能源(深圳)有限公司) (“**Tesson Shenzhen**”), an indirect non-wholly owned subsidiary of the Company, entered into the capital increase agreement (the “**Capital Increase Agreement**”) with Tesson New Energy Company Limited* (天臣新能源有限公司) (the “**Target Company**”), Nanfang Black Sesame Group Co. Ltd.* (南方黑芝麻集团股份有限公司) (“**Nanfang Black Sesame**”) and; Dalian CBAK Power Battery Co., Ltd.* (大連中比動力電池有限公司) (“**Dalian CBAK**”). Pursuant to the Capital Increase Agreement, the registered capital of the Target Company is proposed to increase from approximately RMB500 million to RMB1,100 million, of which (i) Nanfang Black Sesame will contribute RMB500 million in the form of 100% equity interest of Jiangxi Xiaoheixiaomi Food Co., Ltd.* (江西小黑小蜜食品有限責任公司) (“**Jiangxi Xiaoheixiaomi**”) where the shortfall from the appraised value of 100% equity interest of Jiangxi Xiaoheixiaomi will be supplemented by cash; and (ii) Dalian CBAK, currently not a shareholder of the Target Company, would consider to contribute RMB100 million for the capital increase in the form of intellectual property including trademark and battery manufacturing technology, it is agreed amongst all the parties to the Capital Increase Agreement that the value of such intellectual property is RMB100 million. Tesson Shenzhen will waive the pre-emptive right and will not make any contribution to the Target Company under the Capital Increase Agreement.

Upon completion of the disposal, the Target Company and its subsidiaries (“**Target Group**”) will cease to be subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group, and the Target Company will become an associated company of the Company. The capital increase under the Capital Increase Agreement constitutes a very substantial disposal under Chapter 14 of the Listing Rules. As at the date of this announcement, the disposal has not yet been completed and may or may not materialise.

For more information, please refer to the announcements the Company dated 10 October 2022, 11 October 2022, 31 October 2022, 30 November 2022, 2 December 2022, 30 December 2022, 6 January 2023 and 28 February 2023.

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 2022.

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 2022 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 2022. 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 2022 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, 30 March 2023

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*