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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tesson Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		(Unaudited)	
		Six months ended 30 June	
	<i>Notes</i>	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
			(Re-presented)
Continuing operations			
Revenue	4	70,326	53,216
Cost of sales		<u>(66,396)</u>	<u>(50,660)</u>
Gross profit		3,930	2,556
Other income	5	9,613	7,245
Distribution and selling expenses		(2,290)	(2,316)
Administrative expenses		<u>(42,455)</u>	<u>(51,972)</u>

		(Unaudited)	
		Six months ended 30 June	
		2023	2022
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Re-presented)	
Loss from operation		(31,202)	(44,487)
Finance costs	6	<u>(2,470)</u>	<u>(3,694)</u>
Loss before tax		(33,672)	(48,181)
Income tax	7	<u>–</u>	<u>–</u>
Loss for the period from continuing operations	8	(33,672)	(48,181)
Discontinued operations			
Loss for the period from discontinued operations		<u>–</u>	<u>(8,810)</u>
Loss for the period		(33,672)	(56,991)
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(17,566)</u>	<u>(32,275)</u>
Total comprehensive loss for the period		<u>(51,238)</u>	<u>(89,266)</u>
Loss for the period attributable to:			
Owners of the Company			
Loss from continuing operations		(27,620)	(41,854)
Loss from discontinued operations		<u>–</u>	<u>(4,995)</u>
Loss attributable to owners of the Company		<u>(27,620)</u>	<u>(46,849)</u>
Non-controlling interests			
Loss from continuing operations		(6,052)	(6,327)
Loss from discontinued operations		<u>–</u>	<u>(3,815)</u>
Loss attributable to non-controlling interests		<u>(6,052)</u>	<u>(10,142)</u>
		<u>(33,672)</u>	<u>(56,991)</u>

		(Unaudited)	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Re-presented)
Total comprehensive loss for the period			
attributable to:			
Owners of the Company		(31,184)	(57,733)
Non-controlling interests		(20,054)	(31,533)
		<u>(51,238)</u>	<u>(89,266)</u>
Loss per share from continuing and discontinued operations			
	<i>10</i>		
Basic (<i>cents per share</i>)		<u>(1.86)</u>	<u>(3.79)</u>
Diluted (<i>cents per share</i>)		<u>(1.86)</u>	<u>(3.79)</u>
Loss per share from continuing operations			
Basic (<i>HK cents per share</i>)		<u>(1.86)</u>	<u>(3.39)</u>
Diluted (<i>HK cents per share</i>)		<u>(1.86)</u>	<u>(3.39)</u>
Loss per share from discontinued operations			
Basic (<i>HK cents per share</i>)		<u>–</u>	<u>(0.4)</u>
Diluted (<i>HK cents per share</i>)		<u>–</u>	<u>(0.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	235,124	273,319
Deposits paid for acquisition of property, plant and equipment		1,982	2,077
Right-of-use assets	13	63,690	78,045
		<u>300,796</u>	<u>353,441</u>
Current assets			
Inventories		27,251	36,599
Trade and other receivables, deposits and prepayments	14	284,784	300,458
Financial assets at fair value through profit or loss		78	104
Bank and cash balances		1,629	6,252
		<u>313,742</u>	<u>343,413</u>
Current liabilities			
Trade and other payables	15	250,047	278,468
Contract liabilities		2,485	5,342
Borrowings	16	52,785	52,785
Lease liabilities		4,904	4,152
Amount due to the controlling shareholder	17	129	545
		<u>310,350</u>	<u>341,292</u>

		(Unaudited) 30 June 2023 <i>HK\$'000</i>	(Audited) 31 December 2022 <i>HK\$'000</i>
Net current assets		<u>3,392</u>	<u>2,121</u>
Total assets less current liabilities		<u>304,188</u>	<u>355,562</u>
Non-current liabilities			
Lease liabilities		4,326	5,341
Other payable	15	1,320	–
Deferred tax liabilities		<u>9,215</u>	<u>9,656</u>
		<u>14,861</u>	<u>14,997</u>
NET ASSETS		<u><u>289,327</u></u>	<u><u>340,565</u></u>
Capital and reserves			
Share capital	18	148,349	148,349
Reserves		<u>349,243</u>	<u>380,427</u>
Equity attributable to owners of the Company		497,592	528,776
Non-controlling interests		<u>(208,265)</u>	<u>(188,211)</u>
TOTAL EQUITY		<u><u>289,327</u></u>	<u><u>340,565</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the Directors, the Company's controlling shareholder is Double Key International Limited (the "**Controlling Shareholder**"), a company incorporated in British Virgin Islands with limited liability. The 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. In 2022, the Group had discontinued its property development business, as well as its cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Property and Cultural Business**"). During the period, 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**").

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current and prior periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors do not anticipate that the application of these new or revised standards and amendments will have material impact on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

All revenue generated by the Group were derived from the People’s Republic of China (the “PRC”) and recognised at a point in time. Disaggregation of revenue from contracts with customers by major products or service lines is as follows.

	Continuing Operations			Discontinued Operations	
	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>
Period ended 30 June 2023 (Unaudited):					
Major product/services					
Batteries	<u>70,326</u>	<u>–</u>	<u>70,326</u>	<u>–</u>	<u>70,326</u>
Period ended 30 June 2022 (Unaudited):					
Major product/services					
Batteries	52,589	–	52,589	–	52,589
Properties	–	–	–	271	271
Provision of event production service	–	–	–	4,624	4,624
Internet sales	–	627	627	–	627
	<u>52,589</u>	<u>627</u>	<u>53,216</u>	<u>4,895</u>	<u>58,111</u>

(b) **Segment Information**

Information about reportable segments' profit or loss, assets and liabilities are as follows:

	Continuing Operations			Discontinued Operations	
	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>
Period ended 30 June 2023 (Unaudited):					
Revenue from external customers	70,326	–	70,326	–	70,326
Segment loss	(25,276)	(286)	(25,562)	–	(25,562)
Depreciation of property, plant and equipment	28,129	34	28,163	–	28,163
Depreciation of right-of-use assets	2,399	229	2,628	–	2,628
Additions to segment non-current assets	4,009	–	4,009	–	4,009
At 30 June 2023 (Unaudited):					
Segment assets	605,951	3,678	609,629	–	609,629
Segment liabilities	<u>220,493</u>	<u>2,418</u>	<u>222,911</u>	<u>–</u>	<u>222,911</u>
Period ended 30 June 2022 (Unaudited):					
Revenue from external customers	52,589	627	53,216	4,895	58,111
Segment loss	(35,382)	(2,406)	(37,788)	(8,810)	(46,598)
Depreciation of property, plant and equipment	32,229	34	32,263	246	32,509
Depreciation of right-of-use assets	2,589	246	2,835	1,453	4,288
Additions to segment non-current assets	2,089	–	2,089	23	2,112
At 31 December 2022 (Audited):					
Segment assets	687,009	4,385	691,394	–	691,394
Segment liabilities	<u>254,818</u>	<u>2,779</u>	<u>257,597</u>	<u>–</u>	<u>257,597</u>

Reconciliation of profit or loss is set out below:

	(Unaudited)	
	Six months ended 30 June 2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total loss of reportable segments	(25,562)	(46,598)
Corporate and unallocated loss	(8,110)	(10,393)
Reclassification of discontinued operations	–	8,810
Loss for the period	<u>(33,672)</u>	<u>(48,181)</u>

5. OTHER INCOME

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of right-of-use asset	8,257	–
Gain on disposal of scrap products	1,049	1,047
Interest income	242	216
Fire insurance claim income	–	5,786
Rental income	–	712
Others	65	303
	<u>9,613</u>	<u>8,064</u>
Representing		
Continuing operations	9,613	7,245
Discontinued operations	–	819
	<u>9,613</u>	<u>8,064</u>

6. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on borrowings	2,094	7,647
Lease interests	376	714
	<u>2,470</u>	<u>8,361</u>
<i>Less:</i> Interest capitalisation	–	(4,385)
	<u>2,470</u>	<u>3,976</u>
Representing		
Continuing operations	2,470	3,694
Discontinued operations	–	282
	<u>2,470</u>	<u>3,976</u>

7. INCOME TAX

No provision for Hong Kong profits tax was required since the Group has no assessable profits in Hong Kong for the periods 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 in the PRC, that are entitled to a preferential tax rate of 15% during year of 2023.

8. LOSS FOR THE PERIOD

The Group's loss is stated after charging the following:

(a) Continuing Operations

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of sales	66,396	50,660
Depreciation of property, plant and equipment	28,174	32,644
Depreciation of right-of-use assets	3,007	3,230
Research and development expenses (including depreciation and staff costs)	7,073	1,926
Directors' emoluments	2,652	2,652
Staff costs (including Directors' emoluments):		
Salaries, bonus and allowances	14,796	18,176
Retirement benefits scheme contributions	1,776	1,914
	<u>1,776</u>	<u>1,914</u>

(b) Discontinued operations

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of sales	–	3,953
Depreciation of property, plant and equipment	–	246
Depreciation of right-of-use assets	–	1,453
Staff costs:		
Salaries, bonus and allowances	–	6,747
Retirement benefits scheme contributions	–	580
	<u>–</u>	<u>580</u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2022: nil).

10. LOSS PER SHARE

(a) From continuing and discontinued operations

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\$27,620,000 (six months ended 30 June 2022: HK\$46,849,000) and the weighted average number of 1,483,486,700 (six months ended 30 June 2022: 1,236,493,700) ordinary shares in issue during the period.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the current and prior periods.

(b) From continuing operations

Earnings for the purposes of calculating basic and diluted earnings per share from continuing operations is based on the loss for the Reporting Period of approximately HK\$27,620,000 (six months ended 30 June 2022: HK\$41,854,000) attributable to owners of the Company. Denominators used for basic and diluted earnings per share are same as those detailed above.

(c) From discontinued operations

No basic/diluted earnings per share from discontinued operation are presented for the Reporting Period.

For the six months ended 30 June 2022, earnings for the purposes of calculating basic and diluted earnings per share from discontinued operations are based on the loss for the period of approximately HK\$4,995,000 attributable to owners of the Company. Denominators used for basic and diluted earnings per share are same as those detailed above.

11. DISCONTINUED OPERATIONS

On 10 October 2022, the Group disposed its 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) and its subsidiaries (the “**Disposal Group**”) at cash consideration of RMB20,000,000 (equivalent to approximately HK\$23,200,000) to an independent third party, since then the Group’s Property and Cultural Business was discontinued.

No results and cash flows were arisen from the Property and Cultural Business in the Reporting Period. For the results and cash flows for the six months ended 30 June 2022, which have been classified as discontinued operations and included in the unaudited condensed consolidated financial statements, are as follows:

	(Unaudited) Six months ended 30 June 2022 HK\$'000
Revenue	4,895
Cost of sales	<u>(3,953)</u>
Gross profit	942
Other income	819
Distribution and selling expenses	(1,905)
Administrative expenses	<u>(8,384)</u>
Loss from operations	(8,528)
Finance costs	<u>(282)</u>
Loss before tax	(8,810)
Income tax	<u>–</u>
Loss for the period	<u><u>(8,810)</u></u>
Operating cash flows	(44,455)
Investing cash flows	48,529
Financing cash flows	<u>(9,703)</u>
Total cash flows	<u><u>(5,629)</u></u>

For the purpose of presenting discontinued operations, the unaudited comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued had been discontinued at the beginning of the comparative period.

12. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has acquired property, plant and equipment of approximately HK\$1,435,000.

13. RIGHT-OF-USE ASSETS

During the Reporting Period, the Group entered into certain lease agreements for office premises, and therefore recognised the additions to right-of-use assets of approximately HK\$2,574,000.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
Trade receivables	29,820	14,174
<i>Less:</i> Impairment losses	<u>(1,334)</u>	<u>(1,398)</u>
	28,486	12,776
Value-added tax receivables	11,307	12,362
Consideration receivable from vendor of disposal of subsidiaries	10,798	11,317
Amounts due from the disposed subsidiaries	196,624	230,163
Other receivables, deposits and prepayments	<u>37,569</u>	<u>33,840</u>
	<u>284,784</u>	<u>300,458</u>

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 other customers. The following is an aging analysis of trade receivables, presented based on the invoice date at the end of the periods.

	(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
0 to 60 days	25,743	8,086
61 to 90 days	533	2,150
Over 90 days	<u>2,210</u>	<u>2,540</u>
	<u>28,486</u>	<u>12,776</u>

15. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2023 <i>HK\$'000</i>	(Audited) 31 December 2022 <i>HK\$'000</i>
Trade payables	50,234	40,302
Amounts payable on acquisition of property, plant and equipment	110,364	126,736
Amount due to a disposed subsidiary	–	2,853
Accruals and other payables	90,769	108,577
	<u>251,367</u>	<u>278,468</u>

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

	(Unaudited) 30 June 2023 <i>HK\$'000</i>	(Audited) 31 December 2022 <i>HK\$'000</i>
0 to 60 days	27,308	12,806
61 to 90 days	153	314
Over 90 days	22,773	27,182
	<u>50,234</u>	<u>40,302</u>

16. BORROWINGS

Borrowings for the periods presented are unsecured, denominated in HK\$, and repayable within 1 year.

17. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

The amount was unsecured, non-interest bearing and has no fixed repayment terms.

18. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>2,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2022	1,236,493,700	123,650
Issue of shares upon share placement	<u>246,993,000</u>	<u>24,699</u>
At 31 December 2022, 1 January 2023 and 30 June 2023	<u>1,483,486,700</u>	<u>148,349</u>

19. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2022: nil).

20. CAPITAL COMMITMENTS

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

	(Unaudited) 30 June 2023 HK\$'000	(Audited) 31 December 2022 HK\$'000
Contracted but not provided for:		
– Property, plant and equipment	38,287	40,759
– Investment in an associate	<u>19,436</u>	<u>27,161</u>
	<u>57,723</u>	<u>67,920</u>

21. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

The emoluments of the Directors, who are also identified as members of key management of the Group, are set out in Note 8.

22. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 30 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lithium Ion Motive Battery Business

In the first half of 2023, lithium ion battery industry in the PRC continued to flourish, though experience a downward sloping growth, the national production volume still exceeded 400GWh, representing a growth of over 43%, industrial revenue reached RMB600 billion. The use of lithium ion battery covered energy storage devices, electric vehicles, electric motor cycles, home appliance, digital products including computers and mobile phone, etc.. Among the various users of lithium ion motive battery, the Group's key customers were manufacturers of household appliance, electric two-wheeled vehicles and other small electric tools.

During the Reporting Period, domestic household appliance market in the PRC was comparatively stable, national sales and export amount reached RMB371.1 billion and RMB296.7 billion respectively, representing a growth rate of 2.8% and 5.2% respectively compared to same period last year. Disregarding the performance of large appliances and kitchen appliances, retail sales of different kinds of cleaning devices, which were generally equipped with lithium ion motive battery, experienced a sales growth of 5% to 9.5%. Considering the intelligent and automated development trend of those devices, it is expected that future demand for such products will keep growing.

On the other hand, electric two-wheeled vehicles had become more popular in the PRC, total sales volume in the PRC for the year 2022 represented over 70% on global sales. With the New National Standards which was implemented in 2019 offering a transitional period of 3-5 years for those electric two-wheeled vehicles which did not meet the new requirements from being prohibited on road, it was estimated that market demand for electric two-wheeled vehicles will continue to raise in the near future in response of the vehicle's replacement needs and its increasing popularity.

Benefited by the upward market performance, sales revenue of the Group had been increased by HK\$17.1 million or 32.15% in the Reporting Period, the management held positive views on the sales performance in the second half of 2023.

Internet Sales Business

In the Reporting Period, operation of the Group's Internet Sales Business was limited, the management will remeasure its continuance and may discontinue this business in current year.

Prospect

After shifting the Group's core production activities from phase I to phase II production base in Weinan, Shaanxi in mid-2021, and experiencing the production pressure to catch up with the increasing sales orders, the Group is planning to better deploy its resources in the development of its current production base in the near future, which include certain modification work and relocation of current facilities, machines and equipment. It was anticipated that modification work will enhance the production capacity of the Group, thus enable the Group to capture future potential growth in the lithium ion battery market, as well as to enjoy the advantage from scale production and reduction in marginal cost. In the meantime, the Group will keep on developing new battery products and work closely with its suppliers and customers to develop more tailor-made battery products specialised for their needs. Apart from current 18650 lithium ion battery, the Group may also involve in the production of lithium iron phosphate battery, prismatic lithium ion battery, or other kinds of battery products in order to further diversify its product portfolio and expand its customer base, eventually strengthen its position in the battery market.

FINANCIAL REVIEW

Revenue and gross profit margin

In the Reporting Period, the Group's revenue was derived from its Lithium Ion Motive Battery Business, which had been increased from HK\$52,589,000 for the six months ended 30 June 2022, to HK\$70,326,000 in current period mainly due to the increase in sales to current customers. Gross profit margin was 5.6% which was comparable to 5.8% for the same period last year.

Other income

Other income for the Reporting Period increased from approximately HK\$7,245,000 to approximately HK\$9,613,000, which mainly represented gain on disposal of right-of-use asset of HK\$8,257,000.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period were HK\$2,290,000 (for the six months ended 30 June 2022: HK\$2,316,000) which mainly represented staff costs and entertainment expenses.

Administrative expenses

As the Group's Interest Sales Business was inactive in the Reporting Period, together with other cost-control policy implemented, administrative expenses decreased from HK\$51,972,000 to HK\$42,455,000.

Finance costs

Finance costs for the Reporting Period dropped to approximately HK\$2,470,000 due to partial repayment of loan in late 2022.

Basic and diluted loss per share

Basic and diluted loss per share for the Reporting Period was HK1.86 cents as compared to HK3.79 cents for the six months ended 30 June 2022.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2023, the Group employed a total of approximately 328 employees (31 December 2022: 342 employees). The Group has provided training to its employees to update their expertise and enhance their skills and development. Competitive remuneration packages and fringe benefits, including provident fund contributions and medical insurance, are provided to attract, retain and motivate the employees of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (for the six months ended 30 June 2022: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group's bank and cash balances amounted to approximately HK\$1,629,000 (31 December 2022: HK\$6,252,000). Gearing ratio, which was expressed as a percentage of total borrowings over total equity, was 18.24% (31 December 2022: 15.50%).

BORROWINGS AND PLEDGE OF ASSETS

Details of pledged assets are set out in Note 16.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EXCHANGE EXPOSURE

As the Group's operations were mainly conducted in the PRC and the majority of the sales and purchases were transacted in RMB, the Directors were of the view that the Group's operating cash flows and liquidity were not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on 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 of 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 Reporting Period, save for the deviations disclosed below, the Company had complied with all the applicable provision set out in the CG Code:

Pursuant to the code provision C.1.6 of the CG Code, 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 23 June 2023 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 following the resignation of Mr. Sheng Siguang as the chief executive officer which was effective from 1 August 2019. Such practice deviates from code provision C.2.1 of the CG Code. The Board considers that the 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, skills 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 that business activities and decision making processes are regulated in a proper and prudent manner.

REVIEW OF INTERIM REPORT

The Audit Committee of the Company is accountable to the Board and the main duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is provided with other resources enabling it to discharge its duties fully.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including the review of the unaudited interim report for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2023 and the corresponding period in 2022 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This interim results announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM 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 interim report of the Company for the six months ended 30 June 2023 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

Hong Kong, 30 August 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*