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## **TESSON HOLDINGS LIMITED**

**天臣控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1201)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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 2023, together with the audited comparative figures for the corresponding period in 2022, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Continuing operation</b>			
Revenue	3	<b>129,159</b>	94,399
Cost of sales		<b>(126,967)</b>	(86,383)
Gross profit		<b>2,192</b>	8,016

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Other income and loss, net	4	<b>23,857</b>	6,547
Distribution and selling expenses		<b>(4,760)</b>	(5,934)
Administrative expenses		<b>(117,525)</b>	(126,539)
<b>Loss from operation</b>		<b>(96,236)</b>	(117,910)
Finance costs	6	<b>(4,777)</b>	(6,771)
<b>Loss before tax</b>		<b>(101,013)</b>	(124,681)
Income tax expenses	7	–	–
<b>Loss for the year from continuing operation</b>	8	<b>(101,013)</b>	(124,681)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	15	–	(103,334)
<b>Loss for the year</b>		<b>(101,013)</b>	(228,015)
<b>Other comprehensive expenses</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(10,444)</b>	(69,601)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		–	(21,504)
		<b>(111,457)</b>	(319,120)
<i>Items that will not be reclassified to profit or loss:</i>			
(Deficiency)/surplus arising on revaluation of property, plant and equipment		<b>(2,115)</b>	48,227
Deferred tax effect arising on revaluation of property, plant and equipment		<b>528</b>	(8,120)
<b>Total comprehensive expenses for the year</b>		<b>(113,044)</b>	(279,013)

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company			
Loss from continuing operation		<b>(89,726)</b>	(99,249)
Loss from discontinued operation		–	(96,812)
		<u>                    </u>	<u>                    </u>
Loss attributable to owners of the Company		<b>(89,726)</b>	(196,061)
		<u>                    </u>	<u>                    </u>
Non-controlling interests			
Loss from continuing operation		<b>(11,287)</b>	(25,432)
Loss from discontinued operation		–	(6,522)
		<u>                    </u>	<u>                    </u>
Loss attributable to non-controlling interests		<b>(11,287)</b>	(31,954)
		<u>                    </u>	<u>                    </u>
		<b>(101,013)</b>	(228,015)
		<u>                    </u>	<u>                    </u>
<b>Total comprehensive expenses for the year attributable to:</b>			
Owners of the Company		<b>(93,493)</b>	(207,385)
Non-controlling interests		<b>(19,551)</b>	(71,628)
		<u>                    </u>	<u>                    </u>
		<b>(113,044)</b>	(279,013)
		<u>                    </u>	<u>                    </u>
<b>Loss per share from continuing and discontinued operation</b>			
Basic ( <i>HK cents per share</i> )	<i>10</i>	<b>(6.05)</b>	(15.54)
		<u>                    </u>	<u>                    </u>
Diluted ( <i>HK cents per share</i> )		<b>(6.05)</b>	(15.54)
		<u>                    </u>	<u>                    </u>
<b>Loss per share from continuing operation</b>			
Basic ( <i>HK cents per share</i> )		<b>(6.05)</b>	(7.87)
		<u>                    </u>	<u>                    </u>
Diluted ( <i>HK cents per share</i> )		<b>(6.05)</b>	(7.87)
		<u>                    </u>	<u>                    </u>
<b>Loss per share from discontinued operation</b>			
Basic ( <i>HK cents per share</i> )		<b>N/A</b>	(7.67)
		<u>                    </u>	<u>                    </u>
Diluted ( <i>HK cents per share</i> )		<b>N/A</b>	(7.67)
		<u>                    </u>	<u>                    </u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>203,463</b>	273,319
Deposits paid for acquisition of property, plant and equipment		<b>635</b>	2,077
Right-of-use assets		<b>60,496</b>	78,045
		<b>264,594</b>	353,441
<b>Current assets</b>			
Inventories		<b>40,504</b>	36,599
Trade, bills and other receivables, deposits and prepayments	<i>11</i>	<b>291,284</b>	300,458
Financial assets at fair value through profit or loss		<b>50</b>	104
Bank and cash balances		<b>2,598</b>	6,252
		<b>334,436</b>	343,413
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>305,254</b>	278,468
Contract liabilities	<i>13</i>	<b>3,541</b>	5,342
Borrowings	<i>14</i>	<b>48,113</b>	52,785
Lease liabilities		<b>3,679</b>	4,152
Amount due to the Controlling Shareholder		<b>539</b>	545
		<b>361,126</b>	341,292
<b>Net current (liabilities)/assets</b>		<b>(26,690)</b>	2,121
<b>Total assets less current liabilities</b>		<b>237,904</b>	355,562

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,513</b>	5,341
Deferred tax liabilities		<b>8,870</b>	9,656
		<u><b>10,383</b></u>	<u>14,997</u>
<b>NET ASSETS</b>		<u><b>227,521</b></u>	<u>340,565</u>
<b>Capital and reserves</b>			
Share capital		<b>148,349</b>	148,349
Reserves		<b>269,678</b>	380,427
Equity attributable to owners of the Company		<b>418,027</b>	528,776
Non-controlling interests		<b>(190,506)</b>	(188,211)
<b>TOTAL EQUITY</b>		<u><b>227,521</b></u>	<u>340,565</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

### 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. In 2022, 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**”). In 2023, 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 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 2023**

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2023:

HKFRS 17	Insurance Contracts
HKAS 1	Amendments in relation to Disclosure of Accounting Policies
HKAS 8	Amendments in relation to Definition of Accounting Estimates
HKAS 12	Amendments in relation to International Tax Reform – Pillar Two Model Rules
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction

**(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 2023, and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
HK-int 5	Amendments in relation to Amendments to HKAS 1	1 January 2024
HKFRS 16	Amendments in relation to Lease Liability 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
HKFRS 7 and HKAS 7	Amendments in relation to Supplier Finance Arrangements	1 January 2024
HKAS 21	Amendments in relation to Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD

### 3. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lithium ion motive battery products	129,159	93,791
Property development and cultural service	–	7,809
Internet sales	–	608
	<u>129,159</u>	<u>102,208</u>
Representing		
Continuing operation	129,159	94,399
Discontinued operation ( <i>Note 15</i> )	–	7,809
	<u>129,159</u>	<u>102,208</u>

### 4. OTHER INCOME AND LOSS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income	334	332
Government grants	63	306
Gain on disposal of scrap products	5,623	1,565
Gain on disposal of right-of-use assets	8,114	–
Gain on waiver of account payable	17,401	–
Fire insurance claim income for the written off property, plant and equipment	–	5,577
Gain on disposal of the subsidiary	–	25
Rental income	–	1,006
Impairment loss on trade receivables	(709)	(1,435)
(Impairment loss)/reversal of impairment loss on other receivables	(7,050)	2,409
Written off of property, plant and equipment	–	(2,653)
Others	81	665
	<u>23,857</u>	<u>7,797</u>
Representing		
Continuing operation	23,857	6,547
Discontinued operation ( <i>Note 15</i> )	–	1,250
	<u>23,857</u>	<u>7,797</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, (the "Internet Sales Business"). In the prior year, the Group's revenue was derived from the Lithium Ion Motive Battery Business, Internet Sales Business and 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 HK\$'000	Internet Sales Business HK\$'000	Total HK\$'000	Property and Cultural Business HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>					
Revenue from external customers	129,159	–	129,159	–	129,159
Segment loss	(71,486)	(7,601)	(79,087)	–	(79,087)
Depreciation	64,576	65	64,641	–	64,641
Depreciation of right-of-use assets	4,203	451	4,654	–	4,654
Additions to segment non-current assets	6,571	–	6,571	–	6,571
<b>At 31 December 2023</b>					
Segment assets	594,943	2,621	597,564	–	597,564
Segment liabilities	270,788	2,219	273,007	–	273,007
<b>Year ended 31 December 2022</b>					
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
<b>At 31 December 2022</b>					
Segment assets	687,009	4,385	691,394	–	691,394
Segment liabilities	254,818	2,779	257,597	–	257,597

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	129,159	102,208
Reclassification of discontinued operation	–	(7,809)
	<u>129,159</u>	<u>94,399</u>
Consolidated revenue from continuing operation for the year	<u>129,159</u>	<u>94,399</u>
<b>Profit or loss</b>		
Total losses of reportable segments	(79,087)	(200,127)
Corporate and unallocated loss	(21,926)	(27,888)
Reclassification of discontinued operation	–	103,334
	<u>(101,013)</u>	<u>(124,681)</u>
Consolidated loss from continuing operation for the year	<u>(101,013)</u>	<u>(124,681)</u>
<b>Assets</b>		
Total assets of reportable segments	597,564	691,394
Corporate and unallocated assets	1,466	5,460
	<u>599,030</u>	<u>696,854</u>
Consolidated total assets	<u>599,030</u>	<u>696,854</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	273,007	257,597
Corporate and unallocated liabilities	98,502	98,692
	<u>371,509</u>	<u>356,289</u>
Consolidated total liabilities	<u>371,509</u>	<u>356,289</u>

### Geographical information

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

In 2023, 2 customers (2022: nil) individually contributed over 10% of total revenue of the Group.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>		
Hong Kong	634	1,424
The PRC	263,960	352,017
	<u>264,594</u>	<u>353,441</u>
Consolidated total non-current assets	<u>264,594</u>	<u>353,441</u>

## 6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses on borrowings	4,166	10,814
Lease interests	<u>611</u>	<u>1,177</u>
	4,777	11,991
<i>Less: Interest capitalisation</i>	<u>-</u>	<u>(4,824)</u>
	<u><u>4,777</u></u>	<u><u>7,167</u></u>
Representing		
Continuing operation	4,777	6,771
Discontinued operation ( <i>Note 15</i> )	<u>-</u>	<u>396</u>
	<u><u>4,777</u></u>	<u><u>7,167</u></u>

## 7. INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC Enterprise Income Tax expenses for the year	<u>-</u>	<u>4</u>
Representing		
Continuing operation	-	-
Discontinued operation ( <i>Note 15</i> )	<u>-</u>	<u>4</u>
	<u><u>-</u></u>	<u><u>4</u></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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration	900	1,000
Cost of inventories sold	126,967	86,383
Depreciation	64,672	58,221
Depreciation of right-of-use assets	7,419	6,218
Gain on disposal of right-of-use assets	(8,114)	–
Loss on disposal of property, plant and equipment	12	1,874
Fair value loss/(gain) on financial assets at fair value through profit or loss	54	(50)
Research and development expenses	24,351	20,586
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	27,837	33,788
Retirement benefits	3,292	3,825

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Impairment loss/(reversal of impairment loss) on various assets</b>		
Impairment loss on trade receivables	709	1,435
Impairment loss/(reversal of impairment loss) on other receivables	7,050	(2,409)
	<u>7,759</u>	<u>(974)</u>
<b>Written-off on various assets</b>		
Written off of property, plant and equipment	–	2,653

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: 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 1,483,486,700 (2022: 1,261,531,347) ordinary shares in issue during the year, and loss for the year attributable to owners of the Company as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company		
From continued operation	(89,726)	(99,249)
From discontinued operation	–	(96,812)
	<u>          </u>	<u>          </u>
From continuing and discontinued operation	<u><u>(89,726)</u></u>	<u><u>(196,061)</u></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 2023 and 2022.

## 11. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	30,239	14,174
Less: Impairment losses	(2,067)	(1,398)
	<u>          </u>	<u>          </u>
	28,172	12,776
Bills receivable	578	–
Value-added tax receivables	11,055	12,362
Consideration receivable from the vendor of disposals of subsidiaries	11,013	11,317
Amounts due from the subsidiaries disposed	209,620	230,163
Prepayment, deposits and other receivables	30,846	33,840
	<u>          </u>	<u>          </u>
	<u><u>291,284</u></u>	<u><u>300,458</u></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 all other customers. The following is an aging analysis of trade receivables, presented based on the invoice date at the end of the years:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	26,041	8,086
61 to 90 days	298	2,150
Over 90 days	1,833	2,540
	<u>28,172</u>	<u>12,776</u>

## Trade and bills receivables that are not impaired

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

	Current <i>HK\$'000</i>	Less than 60 days past due <i>HK\$'000</i>	Over 60 days and less than 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2023</b>					
Weighted average expected loss rate	0%	0%	0%	53%	
Receivable amount	24,454	2,464	3	3,896	30,817
Loss allowance	–	–	–	(2,067)	(2,067)
<b>At 31 December 2022</b>					
Weighted average expected loss rate	0%	0%	0%	45%	
Receivable amount	10,633	416	–	3,125	14,174
Loss allowance	–	–	–	(1,398)	(1,398)

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.

## 12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	77,795	40,302
Amounts payable on acquisition of property, plant and equipment	112,554	126,736
Amount due to a subsidiary disposed	–	2,853
Accruals and other payables	114,905	108,577
	<u>305,254</u>	<u>278,468</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	29,182	12,806
61 to 90 days	8,056	314
Over 90 days	40,557	27,182
	<u>77,795</u>	<u>40,302</u>

## 13. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>	As at 1 January 2022 <i>HK\$'000</i>
Total contract liabilities	<u>3,541</u>	<u>5,342</u>	<u>1,002,240</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2023	–	6,636	
– 2024	<u>3,608</u>	–	
	<u>3,608</u>	<u>6,636</u>	

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Year ended 31 December		
Revenue recognised in the year that was included in contract liabilities at beginning of year	<u><b>5,022</b></u>	<u>3,254</u>

Significant changes in contract liabilities during the year:

Increase due to operations in the year	<b>3,377</b>	1,773
Decrease due to disposals of subsidiaries	–	(905,506)
Currency realignment	<b>(137)</b>	(89,824)
Transfer of contract liabilities to revenue	<u><b>(5,041)</b></u>	<u>(3,341)</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.

#### 14. BORROWINGS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other borrowing	<u><b>48,113</b></u>	<u>52,785</u>

At 31 December 2023, other borrowing was denominated in HK\$, unsecured and repayable within 1 year. The effective interest rates per annum at the end of the years were as follows:

	<b>2023</b>	2022
Borrowings:		
Fixed-rate	<u><b>8.00%</b></u>	<u>8.00%</u>

The borrowings are repayable as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
On demand or within one year	<u><b>48,113</b></u>	<u>52,785</u>

## 15. 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.

No results and cash flow were arisen from the Property and Cultural Business for the year.

Financial information relating to the comparative period is extracted from the Company's consolidated financial statements for the year ended 31 December 2022 as below.

	2022 HK\$'000
Loss from discontinued operation	(14,620)
Loss on disposal of discontinued operation	(88,714)
	<u>(103,334)</u>

Net assets at the date of disposal were as follows:

	2022 HK\$'000
Net assets disposed of	133,987
Release of foreign currency translation reserve	(21,645)
Non-controlling interests	(1,177)
	<u>111,165</u>
Direct transaction costs incurred	787
Loss on disposal of subsidiaries	(88,714)
	<u>23,238</u>
Consideration	<u>23,238</u>
From discontinued operation:	
Basic loss per share (cents per share)	(7.67)
Diluted loss per share (cents per share)	(7.67)

## 16. CAPITAL COMMITMENTS

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

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for		
– Property, plant and equipment	34,265	40,759
– Investment in an associate	19,823	27,161
	<u>54,088</u>	<u>67,920</u>

At 31 December 2023, the acquisition of an associate was secured by the pledge of property, plant and equipment held by the Group with carrying value of approximately HK\$5,812,000 (2022: HK\$12,047,000), the acquisition is not yet completed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Lithium Ion Motive Battery Business**

In 2023, new energy storage technologies such as hydrogen fuel cells, sodium ion battery, compressed air energy storage, flow battery energy storage, and flywheel energy storage constantly emerged and developed, while lithium ion battery energy storage still played a key role in new energy storage technologies. Though experienced a lower yearly market growth, investments in new energy industry still increased by more than 34% in 2023 compared to last year in the PRC. Total lithium ion battery production exceeded 940GWh, representing a year-on-year increase of 25%, value of the industry's total output exceeded RMB1.4 trillion, total lithium ion battery exports increased by more than 33% and reached RMB457.4 billion.

The majority of the Group's customer was manufacturers of household appliance, electric two-wheeled vehicles and other small electric tools. During the year, solid performance was seen in the household appliance market, a growth of 7% in sales revenue was recorded comparing to last year. Certain non-traditional household products such as floor scrubbers even had a 45% increase in terms of sales quantity. Regarding new energy vehicles, a total of 6.69 million pure electric vehicles were sold in 2023 in the PRC, representing a year-on-year increase of 24.6%. Currently, the number of electric two-wheeled vehicles reached 350 million, sales volume exceeded 50 million in the two consecutive years from 2022.

Notwithstanding the increase in production scale and sales volume, product prices of the lithium ion battery dropped significantly by more than 50% during the year. The price decline was mainly driven by the increase in production capacity across the supply and industrial chains, coupled with growth in market demand which was weaker than expected. In the short run, overcapacity of the industry is likely to exert a downward pressure on the prices of the lithium ion battery products.

The overall decline in market price also caused downward adjustment on price of the Group's lithium ion battery products. Though revenue for the year increased to HK\$129,159,000, gross profit had narrowed down to HK\$2,192,000.

#### **Internet Sales Business**

The Group's Internet Sales Business was in limited operation in the year, the management will remeasure its continuance and may discontinue this business in the near future.

#### **Prospect**

In the future, the Group will better deploy its resources to further develop its current production base in Weinan in order to enlarge production capacity to meet the expected increase in sales orders. The Group will focus on research and development on production of 18650 lithium ion battery products, at the meantime explore the feasibility of production on other battery products, which may include 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 ratio**

During the year, the Group's revenue was derived from its Lithium Ion Motive Battery Business, which had been increased from HK\$93,791,000 to HK\$129,159,000 mainly due to the increase in sales to current customers. Gross profit dropped from HK\$8,016,000 to HK\$2,192,000 as a result of adjustments to product price.

### **Other income and loss, net**

Other income and loss, net for the year increased to approximately HK\$23,857,000 (2022: HK\$6,547,000), mainly represented gain on waiver of account payables of HK\$17,401,000 and gain on disposal of right-of-use assets of HK\$8,114,000.

### **Distribution and selling expenses**

During the year, the Group incurred distribution and selling expenses at approximately HK\$4,760,000 (2022: HK\$5,934,000) which mainly consisted of staff costs and entertainment expenses.

### **Administrative expenses**

As the Group's Interest Sales Business was inactive in the year, together with other cost-control policy implemented, administrative expenses dropped from HK\$126,539,000 to HK\$117,525,000, which mainly represented depreciation of HK\$47,148,000 (2022: HK\$39,945,000) and staff cost of HK\$22,252,000 (2022: HK\$31,470,000).

### **Finance costs**

Finance costs for the year decreased to approximately HK\$4,777,000 (2022: HK\$6,771,000) due to partial settlement of other borrowings during the year and late 2022.

### **Basic and diluted loss per share**

Basic and diluted loss per share in the year ended 31 December 2023 were both (i) HK6.05 cents (2022: HK15.54 cents).

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had bank and cash balances of approximately HK\$2,598,000 (31 December 2022: HK\$6,252,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was about 21.15% as at 31 December 2023 (31 December 2022: 15.50%).

## **EMPLOYMENT**

As at 31 December 2023, the Group had approximately 294 employees (2022: 341), 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\$31,129,000 (2022: HK\$37,613,000).

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 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 2023, the Group did not have any material contingent liabilities (2022: nil).

## **PLEDGE OF ASSETS**

Details of pledged assets as at 31 December 2023 are set out in Note 16 to this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

On 1 February 2024, the Company completed the rights issue to the qualifying shareholders on the basis of three (3) rights share for every four (4) existing shares held on the record date at the subscription price of HK\$0.1 per rights share on a non-underwritten basis, as a result, a total of 593,365,583 rights shares were allotted and issued. As at the date of this announcement, 2,076,852,283 ordinary shares were issued by the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2023, 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 2023, 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 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 (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 C.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 2023. The Model Code also applies to other specified senior management of the Group.

## **REVIEW BY THE AUDIT COMMITTEE**

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed with the management its risk management and internal controls systems and financial reporting matters including the review of the annual results of the Group for the year ended 31 December 2023.

## **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 2023 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 2023. 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 2023 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, 28 March 2024

*As at the date of this announcement, the Board comprises Mr. Tin Kong, Mr. Chan Wei, Ms. Cheng Hung Mui, Ms. Liu Liu and Ms. Yu Xiaolei 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*