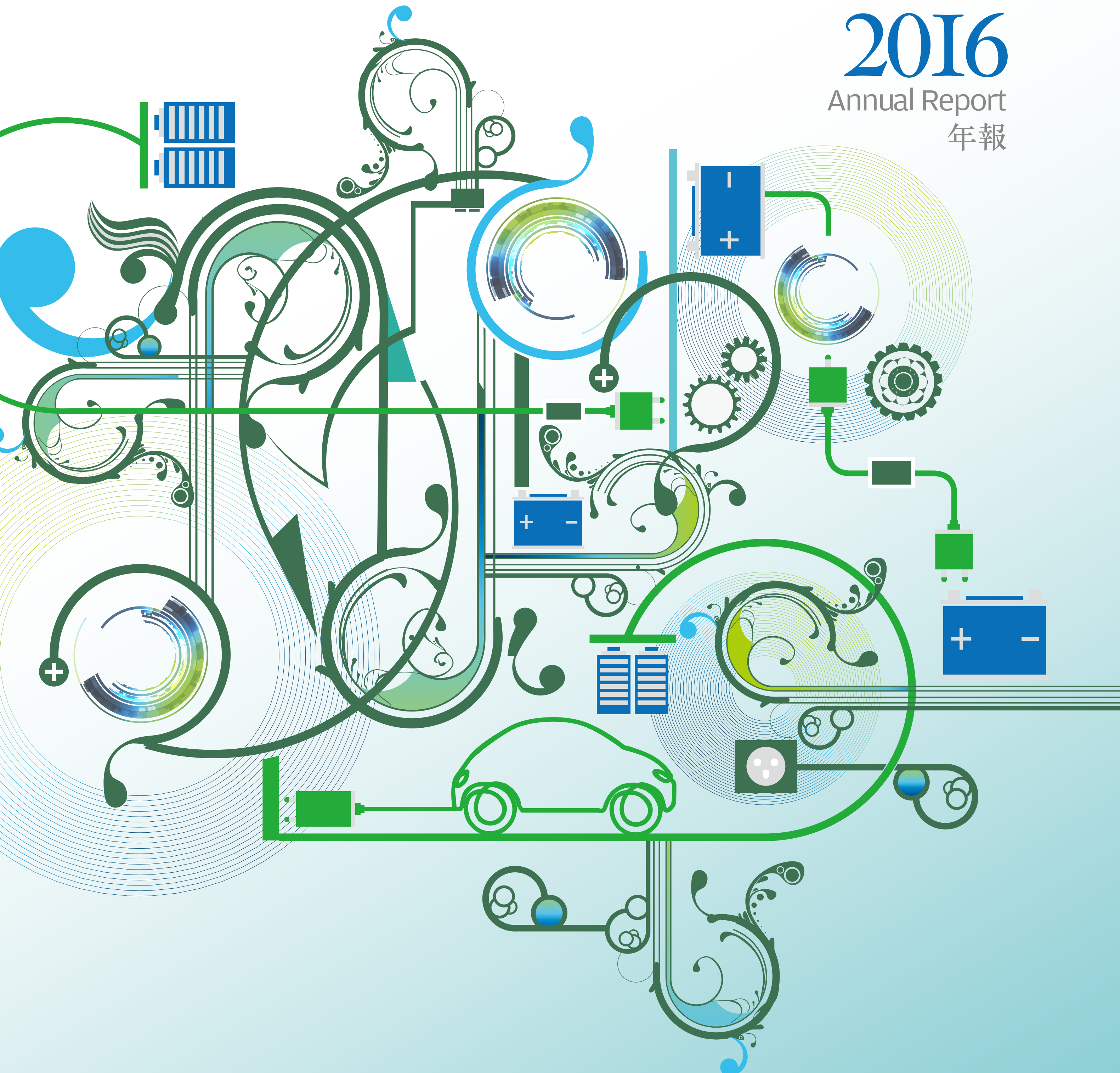
天臣控股有限公司
Tesson Holdings Limited

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號: 1201

2016
Annual Report
年報



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Cheng Hung Mui
Mr. Tin Kong *(Chairman)*
Mr. Zhou Jin
Mr. Chen Dekun
Mr. Tao Fei Hu
Mr. Sheng Siguang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlin
Mr. Ng Ka Wing
Mr. See Tak Wah

AUDIT COMMITTEE

Mr. See Tak Wah *(Chairman)*
Mr. Wang Jinlin
Mr. Ng Ka Wing

REMUNERATION COMMITTEE

Mr. Ng Ka Wing *(Chairman)*
Mr. Tin Kong
Mr. Wang Jinlin
Mr. See Tak Wah

NOMINATION COMMITTEE

Mr. Tin Kong *(Chairman)*
Mr. Wang Jinlin
Mr. Ng Ka Wing
Mr. See Tak Wah

INTERNAL CONTROL COMMITTEE

Mr. Tin Kong *(Chairman)*
Mr. Wang Jinlin
Mr. Ng Ka Wing
Mr. See Tak Wah

COMPANY SECRETARY

Mr. Chan Wei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
(formerly known as Condan Services Limited)
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
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Wanchai, Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1007, Tsim Sha Tsui Centre, West Wing
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Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China CITIC Bank International Limited
Bank of China (Hong Kong) Limited

HONG KONG LEGAL ADVISER

MinterEllison
Room 2501, Level 25
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Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
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18 Whitfield Road, Causeway Bay
Hong Kong

WEBSITE

www.tessonholdings.com

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below:

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Profit/(loss) for the year	96,980	(646,976)	105,074	75,407	**39,428**
Attributable to:					
Owners of the Company	55,365	(676,091)	65,171	28,248	**6,021**
Non-controlling interests	41,615	29,115	39,903	47,159	**33,407**
	96,980	(646,976)	105,074	75,407	**39,428**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	748,730	663,281	631,325	645,755	**995,452**
Current assets	1,071,137	453,540	468,249	768,850	**1,016,051**
Current liabilities	(775,629)	(803,439)	(694,754)	(311,647)	**(592,345)**
Non-current liabilities	(47,519)	(42,368)	(36,619)	(457,906)	**(415,057)**
Net Assets	996,719	271,014	368,201	645,052	**1,004,101**
Attributable to:					
Owners of the Company	623,876	(52,703)	10,304	261,848	**572,246**
Non-controlling interests	372,843	323,717	357,897	383,204	**431,855**
Total Equity	996,719	271,014	368,201	645,052	**1,004,101**

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "**Board**") of Tesson Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), I am pleased to announce the operational results of the Group and to present the annual report for the year ended 31 December 2016.

REVIEW

Since completing the Group's reorganization in 2015 and trading of share was resumed, the management fully devoted in its operation and the Packaging Printing Business continued its stable development, laying a solid foundation for the Lithium Ion Motive Battery Business as well as the Group's diversified development. At the same time, the Group raised a capital of approximately HK$600,000,000 from the market and shareholders through an open offer, preparing for subsequent developments.

The new packaging printing plant in Yunnan has completed its relocation in 2016 and was put into full operation. Its production was not influenced by the factory relocation, this business achieved its performance indicators in 2016 and continued to bring stable income to the Group.

In addition, the Lithium Ion Motive Battery Business started to contribute income in 2016, which was mainly attributable to the production base for technology reform completion in the fourth quarter in 2016 of Shaanxi Leaders Battery Co. Ltd ("**Shaanxi Leaders**") acquired by the Group during the year ("**Phase I**"). Meanwhile, the Group also invested to build a new production base with higher capacity ("**Phase II**"), which the construction was commenced in the third quarter in 2016, and is expected to be completed in the third quarter in 2017, providing development momentum for its operation in 2017 and subsequent development.

PROSPECTS

Although Packaging Printing Business provides the Group's main source of income, with the market's temporary change and the impact of the macro-economic environment, the future development potential of this business albeit limited but relatively stable. With new energy vehicles becoming more and more popular and vigorous promotion carried by the government of the People's Republic of China ("**PRC**"), vehicles with energy conservation, environmentally-friendly, low carbon emission and zero pollution features will become the mainstream in the future. It is estimated that the number of new energy vehicles will reach 800,000 units by 2017 and to 5,000,000 by 2020. It is no doubt that lithium ion battery, the "heart" of new energy vehicles, will embrace infinite development opportunities. 2016 was the year of investment for the Group's Lithium Ion Motive Battery Business, during which, the Group endeavored to develop products, set up automatic production lines, conduct staff training and achieved a breakthrough from having zero revenue. The Board believes that the Lithium Ion Motive Battery Business will be our highlight in future, generating profitability for the Group and our shareholders.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude and appreciation to the Board for their support, to the devotion of our management team and staff over the past year. Last but not least, I, on behalf of the Board of the Group, management and all staff, would like to give our sincere thanks to our shareholders, business partners and customers for their continued support and trust.

Tin Kong
Chairman

Hong Kong, 29 March 2017

BUSINESS REVIEW

For the year ended 31 December 2016, the Group engaged in printing and manufacturing of packaging products (the "**Packaging Printing Business**") and the manufacturing and sales of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materiels machines and production lines, new energy solution and sales of relevant equipment, investment holding and import and export trading (the "**Lithium Ion Motive Battery Business**").

Lithium Ion Motive Battery Business

External Development

New energy vehicle is the industry that is gaining tremendous support from the PRC government. According to the "Plan on Energy Saving and New Energy Vehicles Industry Development of the State Council (2012-2020)" (國務院關於印發節能與新能源汽車產業發展規劃(2012–2020年)) and the "Guidance on Accelerating the Application of New Energy Vehicles by the General Office of the State Council" (國務院辦公廳關於加快新能源汽車推廣應用的指導意見), the PRC government will further accelerate the promotion of new energy vehicles, with an expected output sales of pure electric vehicles and plug-in hybrid vehicles reaching 5 million by 2020, so as to alleviate the pressure on energy needs and the environment. Thus, it offers huge market potential for the sustainable development of automobile motive batteries, being the core of electric vehicles.

The Group focuses on the research and manufacturing of 18650 Ternary Material Batteries. In 2016, the PRC government loosened the utilization of ternary material batteries in passenger vehicles. Comparing to the traditional lithium ferrous phosphate batteries, ternary material batteries have higher energy density, longer travelling distance and the Group is able to receive higher subsidy from the PRC government based on its current policy. Due to the shortage in market supply of ternary, cylindrical and 18650 automobile motive batteries, the Board is of the view that the Group will benefit from the market development opportunity.

Internal Construction and Development

The year 2016 marked the investment and construction stage of the Lithium Ion Motive Battery Business. During the year, the Group carried out technological upgrade and transformation to the production base (Phase I) of the manufacturing site of Shaanxi Leaders.

The upgrading and raise of production capacity was completed in the fourth quarter of 2016 and since then maintained the trial production run. At the same time, the Group also invested and constructed a brand-new production base (Phase II) with larger production capacity. The work was conducted in the third quarter of 2016 and one of its production line was completed and commenced its trial production on 28 December 2016. The whole construction of Phase II is expected to be completed in third quarter of 2017.

During the year under review, the Group also established a research institute in Nanjing and invested resources to develop the research and development technology as well as the skills for its battery sector for the long-term development of the Group. Meanwhile, the Group also invested resources in the research and development of packaging and arrangement of batteries and battery management system (BMS), paving the way for its further development.

The year 2016 was our year of investment for the Lithium Ion Motive Battery Business. The Group focused on initial development, which included the research and development of new ternary, cylindrical batteries, the training of technical workers and to get acquainted with equipment, internal control and system construction, in order to lay a good foundation for the long-term development of the business.

During the year under review, the Group did not set any sales target due to its investment and trial production run. The sales of lithium ion motive batteries were approximately HK$18,038,000. This business suffered loss mainly due to the research and development expenses, brand name promotion and salaries. For more details please refer to Financial Review in Management Discussion and Analysis.

Packaging Printing Business

The construction of a new production facility for the Packaging Printing Business was completed in December 2016. All machinery were reallocated to the new manufacturing plant. The Board believes that Yunnan Qiaotong Package Printing Company Limited ("**Yunnan Qiaotong**") will benefit from the relocation and upgrade of its production facilities and better logistics network of Zhaoyang Industrial Park in Yunnan where the new production facility is located.

During the year under review, the Board decided to dispose of certain subsidiaries as detailed in note 32 to the consolidated financial statements. Those subsidiaries continually suffered losses and did not represent a significant part of the Group's overall operation. The Board believes that the Group will benefit from the disposal.

Turnover from Packaging Printing Business for the year ended 31 December 2016 was approximately HK$781,023,000, representing a slight decrease of 1.8% from 2015. Gross profit margin remained steady at 29.3% compared to 30.5% in 2015. Tobacco package printing is still the core product line of the Packaging Printing Business, which accounted for over 82.5% of the total turnover of the business. Other product lines of the Packaging Printing Business includes medicine package printing and liquor package printing.

In addition, the Group made environmental protection efforts and implemented environmentally friendly policies in respect of our Packaging Printing Business, which includes replacing traditional ink with water-based ink, applying self-developed alcohol-free printing techniques, as well as recycling of post-printing ink disposal and cleaning solvent by qualified recyclable material collector, so as to minimize pollution from our production process. In terms of energy conservation and reducing carbon emission, the Group has adopted an eco-friendly design at our new plant in Zhaoyang Industrial Park in Yunnan which uses natural light and geothermal energy to maintain the room temperature for buildings and plants in order to minimize carbon emission.

FUTURE PROSPECTS

Lithium Ion Motive Battery Business

In 2017, the Group endeavors to increase production capacity and expects to achieve full production capacity in second half of 2017 to meet the increasing market demand for ternary and cylindrical batteries. At the same time, the Group will constantly seek opportunities to cooperate with downstream sectors, such as setting up battery pack production lines or cooperating with vehicle manufacturers.

With the substantial support and promotion from the PRC government, electric vehicles become increasingly popular, which offers a huge market potential for selling automobile motive batteries. The fact that the Group is able to gain a foothold in such a rapidly-developing industry will create enormous value for its shareholders.

Packaging Printing Business

The Packaging Printing Business has maintained its performance throughout the years. Despite challenging market condition in the PRC, the management believes that this business will continue to contribute stable returns to the Group.

The Board is of the view that after the completion of the construction of the new manufacturing facilities in Zhaoyang Industrial Park in Yunnan, the Group will have higher profitability from the increased production capacity and efficiency.

FINANCIAL REVIEW

Decrease of profit for the year

The decrease in profit for the year in the amount of approximately HK$35,979,000 was mainly due to (i) the interest expenses of approximately HK$16,571,000 incurred to a related company, the details and nature of such interest expenses have been previously disclosed in the Group's interim and annual reports; and (ii) the segment loss in the Lithium Ion Motive Battery Business of approximately HK$27,611,000. The segment loss for the Lithium Ion Motive Battery Business of approximately HK$8,889,000 was previously disclosed in the interim report 2016.

Profit of the Packaging Printing Business

Excluding the effect from Lithium Ion Motive Battery Business and significant non-operating items, profit of the Packaging Printing Business for the year ended 31 December 2016 was approximately HK$75,982,000 (2015: approximately HK$75,366,000), which remain stable compared to that of the year 2015.

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**39,428**	75,407
Add: Equity settled share-based payment expenses	**846**	–
Add: Finance costs	**16,571**	6,796
Add: Impairment loss on properties, plant and equipment on disposal of subsidiaries	**12,495**	–
Less: Gain on bargain purchase	**(17,489)**	–
Less: Gain on disposal of subsidiaries	**(3,480)**	–
Less: Restructuring costs and gain on execution of the schemes of arrangement	**–**	(6,837)
Add: Segment loss on Lithium Ion Motive Battery Business	**27,611**	–
Profit for the year (excluding Lithium Ion Motive Battery Business and significant non-operating items)	**75,982**	75,366

Loss of the Lithium Ion Motive Business

As mentioned above, the Lithium Ion Motive Business is still under the investment stage and only generated a revenue of approximately HK$18,038,000 for the year ended 31 December 2016. Segment expenses were mainly staff costs at approximately HK$24,742,000, depreciation and amortisation at approximately HK$11,140,000, and expenses for advertisement and business development of approximately HK$4,006,000.

EBITDA AND ADJUSTED EBITDA

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**39,428**	75,407
Add: Income tax	**32,365**	20,827
Add: Depreciation	**54,024**	57,658
Add: Amortization of prepaid land lease payments	**2,387**	713
Add: Finance costs	**16,571**	6,796
EBITDA	**144,775**	161,401
Add: Equity settled share-based payment expenses	**846**	–
Add: Impairment loss on properties, plant and equipment on disposal of subsidiaries	**12,495**	–
Less: Gain on bargain purchase	**(17,489)**	–
Less: Gain on disposal of subsidiaries	**(3,480)**	–
Less: Restructuring costs and gain on execution of the schemes of arrangement	**–**	(6,837)
Add: Segment loss on Lithium Ion Motive Battery Business excluding depreciation and amortisation of prepaid land lease payments	**16,471**	–
Adjusted EBITDA excluding Lithium Ion Motive Battery Business and significant non-operating items	**153,618**	154,564

EBITDA (adjusted) excluding the Lithium Ion Motive Battery Business and significant non-operating items for the year was approximately HK$153,618,000 (2015: approximately HK$154,564,000), which remain stable compare to that of the year 2015.

Revenue and gross profit ratio

Revenue for the year ended 31 December 2016 was approximately HK$799,061,000 (2015: approximately HK$795,307,000). Revenue from Packaging Printing Business slightly decreased to HK$781,023,000 (2015: HK$795,307,000), representing approximately 1.8% mainly because the tobacco market was affected by the overall economic environment in the PRC. During the year under review, the Group had started the Lithium Ion Motive Battery Business which contributed to the Group's revenue in the amount of approximately HK$18,038,000 (2015: Nil). As a result, revenue of the Group slightly increased by approximately 0.5%.

Gross profit margin slightly decreased from 30.5% for the year ended 31 December 2015 to approximately 29.3% in the corresponding year in 2016. The decrease was mainly driven by the product mix because of different selling prices of the products under the Packaging Printing Business. Besides, as the Lithium Ion Motive Battery Business was still under an investment stage, no significant contribution from such business was reflected in the year under review.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 was approximately HK$180,394,000 (2015: approximately HK$147,340,000), which mainly consisted of staff costs (including directors' remuneration) of approximately HK$28,366,000 (2015: HK$22,255,000), depreciation and amortisation of approximately HK$30,882,000 (2015: HK$33,350,000), and impairment loss on property, plant and equipment on disposal of subsidiaries of approximately HK$12,495,000 (2015: Nil). The increase in administrative expenses was mainly contributed by the administrative expenses incurred by the Lithium Ion Motive Battery Business and the impairment loss on property, plant and equipment of the disposal of subsidiaries.

Distribution and selling expenses

The distribution and selling expenses had been increased by 59.7% to approximately HK$7,049,000 (2015: approximately HK$4,414,000) mainly due to the increase in transportation cost, as more products were transported to the subcontractor in Anhui for further processing during the relocation of the Group's manufacturing base in Yunnan.

Other income

Other income for the year ended 31 December 2016 was approximately HK$32,882,000 (2015: approximately HK$13,052,000) representing an increase of approximately 151.9%. It mainly comprised of gain on bargain purchase of approximately HK$17,489,000 (2015: Nil) as detailed in note 31 to the consolidated financial statements. The remaining amount mainly included government grants of approximately HK$9,299,000 (2015: HK$6,350,000) and dividend income of approximately HK$2,145,000 (2015: HK$3,343,000).

Gain on disposal of subsidiaries

On 8 December 2016, the Company disposed of the certain subsidiaries to Courage Forever Limited, an independent third party, as the Directors were of the view that the disposal allowed the Group to focus its resources on developing its core businesses. A gain of HK$3,480,000 was resulted from the disposal as detailed in note 32 to the consolidated financial statements.

Finance costs

Finance costs for the year ended 31 December 2016 had been increased to approximately HK$16,571,000 (2015: approximately HK$6,796,000) because of interest charged on the amount due to a related company since 1 July 2016 at 8% per annum. The Group also capitalised interests incurred on the Packaging Printing Business as the corresponding borrowing was used for the construction of the manufacturing plant.

Basic and diluted earnings per share

Basic and diluted earnings per share for the year ended 31 December 2016 decreased to 0.82 cents as compared to 7.59 cents in 2015. 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 2016 with net current assets of approximately HK$423,706,000 (31 December 2015: approximately HK$457,203,000) and pledged bank deposits and bank and cash balances in aggregate of approximately HK$210,026,000 (31 December 2015: approximately HK$204,359,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings over total equity) was about 8.7% as at 31 December 2016 (31 December 2015: approximately 13.8%).

The Group's current assets also consisted of HK$420,394,000 (31 December 2015: HK$313,839,000) trade and bills receivables from customers. Debtors turnover days increased to 168 days (31 December 2015: 129 days) (note 1).

The Group's inventories increased to HK$229,459,000 (31 December 2015: HK$167,937,000. Inventory turnover days were 128 days (31 December 2015: 104 days) (note 2). Trade and bills payables increased to HK$251,865,000 from HK$103,817,000 in 2015 which was in line with the increase in inventory scale. Creditor turnover days were approximately 115 days (31 December 2015: 79 days) (note 3).

Notes

1. Calculated on the basis of average trade and bills receivables as at the end of the reporting years divided by revenue, and multiplied by 365 days.

2. Calculated on the basis of average inventory balance as at the end of the reporting years divided by cost of sales, and multiplied by 365 days.

3. Calculated on the bases of average trade and bills payables, divided by cost of sales, and multiplied by 365 days.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year under review, the Company acquired a group of subsidiaries for the Lithium Ion Motive Battery Business and disposed of certain subsidiaries which continually suffered losses. For the details of the such acquisition and disposal, please refer to the notes 31 and 32 to the consolidated financial statements.

EMPLOYMENT

As at 31 December 2016, the Group had approximately 1,608 employees (2015: approximately 1,000), most of whom were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including directors' remuneration were approximately HK$130,121,000 (2015: HK$116,108,000).

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 to its management and employees to promote career advancement of the staff.

FOREIGN EXCHANGE EXPOSURE

All sales and purchase for the Packaging Printing Business and Lithium Ion Motive Battery Business are denominated in Renminbi ("**RMB**"), the management considers the exposure to exchange risks is minimized. However, the Company faces foreign exchange risk in its fund raising activities in Hong Kong (HK$) and remittance of funds to the subsidiaries in the PRC (RMB). The RMB devaluated recently, the Company recorded net gain on such transactions. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: Nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain inventories, trade receivables and bank deposits of the Group were pledged to secure banking facilities and bills payable for the Group. For the details of the pledge, please refer to notes 21 to 23 to the consolidated financial statements.

USAGE OF FUND PROCEEDS

On 9 September 2016, the Company completed an open offer of 444,135,300 offer shares of HK$0.1 each ("**Offer Shares**") at an open offer subscription price of HK$0.80 per Offer Share on the basis of three Offer Shares for every four Shares ("Open Offer"). The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) amounted to approximately HK$352,919,000, of which (1) approximately HK$170,592,000 was subsequently used for development of facilities and equipment of the Lithium Ion Motive Battery Business; (2) approximately HK$38,307,000 was used for purchase of materials; (3) approximately HK$41,254,000 was used for settlement of liabilities of a group of subsidiaries acquired during the year; and (4) approximately HK$102,766,000 for its general working capital. Details of the Open Offer were disclosed in the Company's announcements dated 17 June 2016, 8 September 2016, and the Company's prospectus dated 18 August 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 9 September 2016, the Company issued 444,135,300 Offer Shares in accordance with the Open Offer.

Save as disclosed above, during the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EXECUTIVE DIRECTORS

Ms. Cheng Hung Mui

Ms. Cheng Hung Mui ("**Ms. Cheng**"), aged 46, is a Hong Kong resident and an individual investor. Ms. Cheng was appointed an executive Director of the Company on 27 June 2014. Ms. Cheng is the beneficial owner and director of Double Key International Limited.

Mr. Tin Kong

Mr. Tin Kong ("**Mr. Tin**"), aged 56, is a Hong Kong resident. Mr. Tin was appointed an executive Director of the Company on 27 August 2015. He is the chairman of the Group, the Nomination Committee and the Internal Control Committee, and a member of the Remuneration Committee. Mr. Tin is the director of Double Key International Limited. He graduated from 北京文化幹部管理學院經濟管理學系 (translated as department of Economics and Management in Beijing Academy of Cultural Administration).

Mr. Zhou Jin

Mr. Zhou Jin ("**Mr. Zhou**"), aged 57, was appointed an executive Director of the Company on 27 May 1998. He was one of the founding members of Yunnan Qiaotong. He is currently the vice chairman of Yunnan Qiaotong, and is responsible for investment management and setting up of new production facilities and branches. Mr. Zhou is a senior economist in the PRC and graduated from the Chinese Academy of Social Sciences with a master degree in Commerce and Economics. Prior to joining the Group in March 1993, he was engaged in academic and research activities with a school and a governmental bureau respectively in Yunnan Province of the PRC.

Mr. Chen Dekun

Mr. Chen Dekun ("**Mr. Chen**"), aged 54, was appointed an executive Director of the Company on 25 June 2015. He has more than thirty years' experience in investment, trading and management.

Mr. Tao Fei Hu

Mr. Tao Fei Hu ("**Mr. Tao**"), aged 63, was appointed an executive Director of the Company on 6 August 2013. He is the general manager of Anhui Qiaofeng Package Printing Co. Ltd. ("Auhui Qiaofeng"), a subsidiary of the Company engaged in the Packaging Printing Business in the PRC. Prior to his appointment with Anhui Qiaofeng in January 2010, he was the deputy general manager and a founding member of Yunnan Qiaotong. Mr. Tao has over 40 years of working experience in production and marketing management in the PRC.

Mr. Sheng Siguang

Mr. Sheng Siguang ("**Mr. Sheng**"), aged 44, was appointed an executive Director of the Company on 8 March 2016. He received a master degree in industrial economy from Nanjing Southeast University. He also graduated from Nanjing University of Aeronautics and Astronautics with an associate degree and a bachelor degree in applied electronic technology. Mr. Sheng has served in a major state-owned electronic enterprise in the PRC and held positions of quality manager, head of quality department and head of purchasing department. Mr. Sheng has extensive experience in investment management. Mr. Sheng's spouse, Ms. Wang Jin, is a beneficial owner of one of the Company's substantial shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Jinlin

Mr. Wang Jinlin ("**Mr. Wang**"), aged 52, was appointed an independent non-executive Director of the Company on 24 March 2015. He is a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Internal Control Committee. Mr. Wang graduated from Zhejiang University and obtained a bachelor degree in 1984. He is a senior engineer and used to serve as deputy general manager of Jiaxing Silk Spinning Factory (嘉興絹紡廠), deputy general manager and general manager of Zhejiang Jinying Silk Spinning Co., Ltd. (浙江金鷹絹紡有限公司), and deputy general manager of Zhejiang Jinying Holding Limited, possessing rich experience in corporate management and practice. He was a member of CPPC of Jiaxing, a member of Chinese Silk Industry Association (中國絲綢工業協會) and vice chairman of the silk spinning branch of the Chinese Silk Industry Association.

Mr. Ng Ka Wing

Mr. Ng Ka Wing ("**Mr. Ng**"), aged 61, was appointed an independent non-executive Director of the Company on 8 March 2016. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Internal Control Committee. Mr. Ng has extensive experience in the manufacturing of motor vehicles. Mr. Ng is the managing director of a bus manufacturer and the chairman of Hong Kong Bus Suppliers Association.

Mr. See Tak Wah

Mr. See Tak Wah ("**Mr. See**"), aged 53, was appointed an independent non-executive Director of the Company on 27 January 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Internal Control Committee. Mr. See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies. He is a member of the Institute of Chartered Accountants of Australia and New Zealand, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. See has over 30 years of experience in financial and general management as he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited and held key management positions in the North Asia offices of Philips and Siemens. In September 2016, Mr. See has resigned as an independent non-executive director and ceased to act as the chairman of the audit committee and a member of the nomination committee of Unisplendour Technology (Holdings) Limited (formerly known as Sun East Technology (Holdings) Limited) (Stock Code: 0365).

Mr. See currently runs his own boutique management consultancy practice focus on business strategies formulation and transformation consultation. In addition, he is currently an independent non-executive director and chairman of audit committee of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Ltd (Stock Code: 01938).

SENIOR MANAGEMENT

Mr. Chen Weixi

Mr. Chen Weixi ("**Mr. Chen**"), aged 43, is the Chief Executive Officer of the Company. He first joined the Company on 8 March 2016 as an independent non-executive Director, then resigned as an independent non-executive Director and was appointed as the Chief Executive Officer of the Company on 1 November 2016. Mr. Chen obtained a bachelor degree in economics from Renmin University of China, and an EMBA master degree from the Hong Kong University of Science and Technology. Mr. Chen is a Certified Public Accountant in China, with practising qualification for 20 years. He is also a licensed securities (futures) intermediary in China, and an associate member of the Association of International Accountants (AIA).

Mr. Chan Wei

Mr. Chan Wei ("**Mr. Chan**"), aged 38, is the Chief Financial Officer and Company Secretary of the Company since 7 March 2016. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Associate of Chartered Certified Accountants. Mr. Chan received a Bachelor of Science in applied accounting degree from the Oxford Brookes University. He has over 14 years of experience in auditing, accounting and financial advisory. Before joining the Company, he was working in a listed company as financial controller.

Mr. Zhang Jing

Mr. Zhang Jing ("**Mr. Zhang**"), aged 57, has been employed by Yunnan Qiaotong since its inception in 1993 and is currently the general manager. He is responsible for the overall management of Yunnan Qiaotong. Mr. Zhang graduated from the People's University of China with a master degree in Business Administration.

Mr. Wen Jie

Mr. Wen Jie ("**Mr. Wen**"), aged 54, has been employed by Yunnan Qiaotong since its inception in 1993 and is currently its deputy general manager. He is responsible for the product design and technique development of Yunnan Qiaotong. Mr. Wen holds a bachelor degree of Science from the University of Yunnan in the PRC.

Mr. Jiang Fei

Mr. Jiang Fei ("**Mr. Jiang**"), aged 55, has been employed by Yunnan Qiaotong since its inception in 1993 and is currently its deputy general manager. He is responsible for the management of production and workmanship of Yunnan Qiaotong. Mr. Jiang is an engineer in the PRC and holds a bachelor degree from the Kunming Industrial University of China.

Mr. Zhang Nan Zheng

Mr. Zhang Nan Zheng ("**Mr. Zhang**"), aged 55, has been employed by Yunnan Qiaotong since its inception in 1993 and is currently its deputy general manager. He is responsible for the administration and financial management of Yunnan Qiaotong. Mr. Zhang has had over 18 years of procurement experience in the printing industry.

Mr. Chen Tong Kun

Mr. Chen Tong Kun ("**Mr. Chen**"), aged 52, was employed by Yunnan Qiaotong since its inception in 1993 and has been transferred to Anhui Qiaofeng since its inception in 2004 as the deputy general manager for production management of the operation. Mr. Chen is a graduate of the Beijing Institute of Graphic Communication in the PRC. He has had over 24 years of working experience in production technique management in the PRC's printing industry.

Mr. Huang Li San

Mr. Huang Li San ("**Mr. Huang**"), aged 50, has been employed by Anhui Qiaofeng since its inception in 2004, and is currently its deputy general manager and is responsible for the sales and marketing activities. Mr. Huang is an art designer and has had over 28 years of experience in the PRC's printing industry.

Mr. Li Li Bin

Mr. Li Li Bin ("**Mr. Li**"), aged 53, has been employed by Anhui Qiaofeng since its inception in 2004 and is currently its deputy general manager and is responsible for management of production facilities. Mr. Li has had over 27 years of experience in the PRC's printing industry.

The board (the "**Board**") of directors (the "**Directors**") of Tesson Holdings Limited (the "**Company**") and together with its subsidiaries (the "**Group**") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Bermuda, and its principal place of business in Hong Kong is Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are engaging in packaging printing business and lithium ion motive battery business. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on pages 6 to 7 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

CHARGES ON GROUP'S ASSETS

Details of the charges on the Group's assets are set out in notes 21 to 23 to the consolidated financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in notes 35 and 36 to the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2016, the Company's issued share capital is HK$103,631,570 and the number of its issued ordinary shares is 1,036,315,700 shares of HK$0.10 each.

The Company raised approximately HK$352,919,000 (after dealing professional fees and other relevant expenses), by way of an open offer of 444,135,300 Offer Shares at the price of HK$0.8 per share on the basis of three offer shares for every four shares. The Offer Shares were issued on 9 September 2016. Details on usage of fund are set out in Usage of Fund Proceeds in Management Discussion and Analysis.

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the financial year under review are set out on page 48 of this Annual Report and note 29 to the consolidated financial statement. The Company had no distributable reserves as at 31 December 2016.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Ms. Cheng Hung Mui
Mr. Zhang Xiaofeng (resigned with effect from 4 March 2016)
Mr. Tin Kong
Mr. Zhou Jin
Mr. Chen Dekun
Mr. Tao Fei Hu
Mr. Sheng Siguang (appointed on 8 March 2016)

Independent Non-executive Directors
Mr. Ho Chun Chung, Patrick (resigned with effect from 26 April 2016)
Mr. Lee Kwong Yiu (resigned with effect from 26 April 2016)
Mr. Wang Jinlin
Mr. Chen Weixi (appointed on 8 March 2016 and resigned with effect from 1 November 2016)
Mr. Ng Ka Wing (appointed on 8 March 2016)
Mr. See Tak Wah (appointed on 27 January 2017)

By virtue of bye-law 87 of the bye-laws of the Company, Ms. Cheng Hung Mui, Mr. Tin Kong and Mr. Wang Jinlin shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

By virtue of bye-law 86 of the bye-laws of the Company, Mr. See Tak Wah shall hold office only until the forthcoming annual general meeting and being eligible, offer himself for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensations).

DIRECTORS' SERVICE CONTRACTS

The executive Director namely Mr. Zhou Jin was appointed without a fixed term on 27 May 1998. Under the Listing Rule 13.69, Directors' service contracts entered into by the issuer or any of its subsidiaries in accordance with the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**") on or before 31 January 2004 are exempt from the shareholders' approval requirement under rule 13.68.

The executive Directors, namely Mr. Tao Fei Hu, Ms. Cheng Hung Mui, Mr. Chen Dekun and Mr. Tin Kong have entered into service agreements with the Company for a term of 2 years commencing from 6 August 2013, 27 June 2014, 25 June 2015 and 27 August 2015 respectively.

The independent non-executive Director, namely Mr. Wang Jinlin has entered into service agreement with the Company for a term of 2 years commencing from 24 March 2015.

The executive Director, namely Mr. Sheng Siguang, and the independent non-executive Directors, namely Mr. Ng Ka Wing and Mr. See Tak Wah were appointed on 8 March 2016, 8 March 2016 and 27 January 2017 respectively without service agreement and specific term.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, according to the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("**SFO**") and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:

Long position

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Cheng Hung Mui	Interest of controlled corporation	635,887,534 *(Note 1)*	61.36%
Double Key International Limited	Beneficial owner	635,887,534 *(Note 1)*	61.36%
Burgeon Max Holdings Limited	Beneficial owner	100,000,000 *(Note 2)*	9.65%
Lankai Limited	Beneficial owner	100,000,000 *(Note 3)*	9.65%
Wang Jin	Interest of controlled corporation	100,000,000 *(Note 2)*	9.65%
Sheng Siguang	Interest of spouse	100,000,000 *(Note 2)*	9.65%
Wu Siqing	Interest of controlled corporation	100,000,000 *(Note 2)*	9.65%
Li Yujun	Interest of controlled corporation	100,000,000 *(Note 3)*	9.65%

Note 1: The entire issued share capital of Double Key International Limited is owned by Ms. Cheng Hung Mui. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the 635,887,534 Shares held by Double Key International Limited pursuant to the SFO.

Note 2: The issued share capital of Burgeon Max Holdings Limited is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing. Therefore, Ms. Wang Jin and Ms. Wu Siqing is deemed to be interested in the 100,000,000 Shares interested in by Burgeon Max Holdings Limited pursuant to the SFO. Besides, Mr. Sheng Siguang is the spouse of Ms. Wang Jin and is accordingly deemed to be interested in the shares beneficially owned by Ms. Wang Jin through her controlled corporation, Burgeon Max Holdings Limited pursuant to the SFO.

Note 3: The entire issued share capital of Lankai Limited is owned by Mr. Li Yujun. Therefore, Mr. Li Yujun is deemed to be interested in the 100,000,000 Shares interested in by Lankai Limited pursuant to the SFO.

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short position in the shares and underlying shares" below), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of Company (the "**Model Code**") contained in the Listing Rules were as follows:

(i) Long positions in issued shares

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest of Controlled Corporation	635,887,534 *(Note 1)*	61.36%
Sheng Siguang	Interest of spouse	100,000,000 *(Note 2)*	9.65%

Note 1: The entire issued share capital of Double Key International Limited is owned by Ms. Cheng Hung Mui. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the 635,887,534 Shares held by Double Key International Limited pursuant to the SFO.

Note 2: Mr. Sheng Siguang is the spouse of Ms. Wang Jin who is interested in 100,000,000 Shares. Mr. Sheng Siguang is deemed to be interested in all the Shares in which Ms. Wang Jin is interested in by virtue of the SFO.

(ii) Long positions in underlying shares

Some of the Directors and chief executive of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Equity-linked agreements – Share Option Scheme" below.

(iii) Long positions in associated corporations

Name of director	Nature of Interest	Name of associated corporation	No. of shares held	Percentage to that associated corporation's issued share capital as at 31 December 2016
Cheng Hung Mui	Corporate interest	Double Key International Limited	100	100%

Apart from the foregoing, as at 31 December 2016, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares and underlying shares of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Share Option Scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the special general meeting of the Company held on 13 June 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12 June 2022. Under the Scheme, the Board may grant options to all Directors of the Company (including independent non-executive Directors) and any fulltime/part time employees of the Group, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The total number of securities available for issue under the Scheme as at 31 December 2016 was 39,218,040 shares which represented 10% of the total number of ordinary shares of the Company in issue as at 21 May 2015. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the Scheme, the Company has granted to certain Directors and eligible participant options to subscribe Shares. Details of which as at 31 December 2016 were as follows:

					Number of Share Options					
Name of director/ employee	Date of Grant	Exercisable period	Exercise Price per Share HK$	Closing Price of the Shares immediately before the Date of Grant HK$	Outstanding options as at 1.1.2016	Granted and accepted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding options as at 31.12.2016	Approximate percentage of shareholding
Director										
Tin Kong	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	–	600,000	–	–	600,000	0.06%
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	–	600,000	–	–	600,000	0.06%
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	–	800,000	–	–	800,000	0.08%
Chen Dekun	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	–	300,000	–	–	300,000	0.03%
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	–	300,000	–	–	300,000	0.03%
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	–	400,000	–	–	400,000	0.04%
Sub-total:					–	3,000,000	–	–	3,000,000	
Chief Executive										
Chen Weixi	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	–	600,000	–	–	600,000	0.06%
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	–	600,000	–	–	600,000	0.06%
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	–	800,000	–	–	800,000	0.08%
Senior Management (in aggregate)*	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	–	5,790,000	–	–	5,790,000	0.50%
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	–	5,790,000	–	–	5,790,000	0.50%
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	–	7,720,000	–	–	7,720,000	0.67%
Sub-total:					–	21,300,000	–	–	21,300,000	
Total:					–	24,300,000	–	–	24,300,000	

* Due to resignation of one senior management personnel on January 2017, among which 400,000 share options have lapsed on January 2017. Information on the accounting policy for share options granted and the weighted average value per option is provided in note 3 and note 30 to the consolidated financial statements respectively.

CHANGES OF DIRECTORS' INFORMATION

Following the resignation of Mr. Zhang Xiaofeng as executive Director on 4 March 2016, Mr. Sheng Siguang, was appointed as executive Director, and Mr. Chen Weixi and Mr. Ng Ka Wing were appointed as independent non-executive Directors on 8 March 2016 without service agreement and specific term. Mr. Chen Weixi then resigned as an independent non-executive Director and was appointed as the Chief Executive Officer of the Company on 1 November 2016. Following the resignation of Mr. Chen Weixi as independent non-executive Director, Mr. See Tak Wah was appointed as independent non-executive Director on 27 January 2017 without service agreement and specific term. Each of Mr. Sheng Siguang, Mr. Ng Ka Wing and Mr. See Tak Wah is entitled to a director's fee of HK$15,000 per month.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this Annual Report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this directors' report and note 30 to the consolidated financial statements about the Company's share option scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable any Directors (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

As at the end of the year or at any time during the year, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director had, whether directly or indirectly, a material interest.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all the independent non-executive Directors, the annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

CONTINUING CONNECTED TRANSACTIONS

Connected sales transaction

During the year, the Group has entered into sales transaction with Yunnan Zhaotong Cigarette Factory, Hongta Tobacco (Group) Company Limited ("**Zhaotong Cigarette Factory**"), which is a subsidiary of Yunnan Hehe (Group) Co., Ltd (formerly known as Yunnan Hongta Group Company Limited), a 10% equity shareholder in a subsidiary of the Company, amounting to approximately HK$275,746,000. The Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of the Listing Rules, and the independent non- executive Directors of the Company have confirmed that these transactions were carried out in compliance with the conditions set out in the waivers granted by the Stock Exchange. In addition, the Group has entered into sales and purchase transactions with fellow subsidiaries of Zhaotong Cigarette Factory, amounting to approximately HK$282,007,000 and HK$32,036,000 respectively.

The independent non-executive Directors confirm that the above transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreement, if any, governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor has confirmed to the Board that (i) the above transactions have been approved by the Board, (ii) for transactions involving the provision of goods or services by the Group, these transactions are in accordance with the pricing policies of the Company, (iii) the above transactions have been entered into in accordance with the relevant agreements governing the transactions and (iv) the aggregate sales amount of approximately HK$557,753,000 have not exceeded the annual cap disclosed in the Company's circular dated 28 June 1999.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 71% of the Group's total revenue for the year. In particular, sales to the largest customer of the Group accounted for approximately 35% of the Group's total revenue for the year.

During the year ended 31 December 2016, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

As far as the Directors are aware, neither the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's five largest customers or five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 9 September 2016, the Company issued 444,135,300 Offer Shares in accordance with the Open Offer.

Save as disclosed above, during the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2016 are set out in note 37 to the financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations and business would be affected by numerous risks and uncertainties including market risk, foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme is shown in note 5 to the consolidated financial statements.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group considers employees as the key to success and continues to implement people-oriented policy in human resources management, including the offer of appropriate training programs, performance linked discretionary bonus, and implement a sound and complete performance appraisal system to promote career advancement and opportunity of the staff.

Customers and Suppliers

The Group maintained sound relationships with its customers and suppliers, and did not have material disputes with them during the year ended 31 December 2016.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2016, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

PERMITTED INDEMNITY

In accordance with bye-law 166 of the bye-laws of the Company, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that any such persons has not committed any fraud or dishonesty.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) SUMMARY

The Group is committed to conducting our business in an environmentally sound manner and has adopted the Environmental, Social and Governance Reporting Guide as required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules). The Board will continue to monitor such policies to ensure the Company remains compliant with the relevant laws and regulations that have a significant impact on the Company in relation to the environment, employment, labor and operation. In addition to carrying out the corporate-wide programs the Company has initiated, all of our employees are required to be familiar with environmental laws and regulations relevant to their employment responsibilities and to comply with them. Details of the above information will be set out in our ESG report which is scheduled to be published within 3 months after the issuance of this Annual Report.

DIVIDENDS

The Board does not recommend the payment of interim and final dividend for the year ended 31 December 2016 (2015: Nil).

DONATION

During the year, the Group made charitable donation amounting to approximately HK$560,000.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2016 are set out in note 38 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 was audited by ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited will retire at the forthcoming annual general meeting and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Tesson Holdings Limited

Tin Kong
Chairman
Hong Kong, 29 March 2017

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 (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 2016, save for the deviations disclosed below, the Company has complied with all the applicable provisions set out in the CG Code:

According to Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election, Mr. Chen Weixi and Mr. Ng Ka Wing were appointed as independent non-executive Directors on 8 March 2016 and Mr. See Tak Wah was appointed on 27 January 2017. Mr. Chen Weixi resigned as an independent non-executive Director and was appointed as the chief executive officer of the Company on 1 November 2016. Mr. Ng Ka Wing and Mr. See Tak Wah have not been appointed for a specific term but will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company.

Pursuant to Code Provision A.6.7, independent non-executive Directors and non-executive Directors of the Company should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. However, one independent non-executive Director was absent from the annual general meeting held on 31 May 2016 and two independent non-executive Directors were absent from the special general meeting of the Company held on 5 August 2016 due to other business commitments. To ensure compliance with this Code Provision 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.

According to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors. Following the change of Board structure on 8 March 2016, Mr. Tin Kong, an executive Director, was temporarily assigned as the chairman of the remuneration committee until Mr. Ng Ka Wing, an independent non-executive Director, was appointed as the chairman of the remuneration committee on 31 March 2016.

The Board will continuously 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions 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 of all Directors, the Company reported that the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016. The Model Code also applies to other specified senior management of the Group.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises:

Executive Directors:	Ms. Cheng Hung Mui Mr. Tin Kong *(Chairman)* Mr. Zhou Jin Mr. Chen Dekun Mr. Tao Fei Hu Mr. Sheng Siguang
Independent Non-executive Directors:	Mr. Wang Jinlin Mr. Ng Ka Wing Mr. See Tak Wah

The Board comprises of six executive Directors and three independent non-executive Directors. One of the independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Biographical details of the directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 14 to 16.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 14 to 16. Save as disclosed under "Biographical Details of Directors and Senior Management", the Board members have no financial, business, family or other material/ relevant relationships with each other. The formation of the Board has met Rule 3.10A of the Listing Rules for the Board to have at least one-third in number of its members comprising independent non-executive Directors.

The main focus of the Board is on the formulation of overall strategies and policies of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

The independent non-executive Directors are from professional background with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills and expertise ensure strong independent views and judgment in the Board. They also serve important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the independence criteria as set out under the guidelines by the Listing Rules.

All directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its directors.

Directors' Training and Professional Development Programme

The Directors have undergone satisfactory training throughout the year and provided the training record to the Company. During the year ended 31 December 2016, the training records of the Directors are set out below:

Directors	*Note*	Corporate Governance/update on laws, rules and regulations Read Materials	 Attend Seminars, Briefings and conferences
Executive Directors			
Ms. Cheng Hung Mui		✓	✓
Mr. Zhang Xiaofeng	*1*	✓	–
Mr. Tin Kong *(Chairman)*		✓	✓
Mr. Zhou Jin		✓	✓
Mr. Chen Dekun		✓	✓
Mr. Tao Fei Hu		✓	✓
Mr. Sheng Siguang	*2*	✓	✓
Independent Non-executive Directors			
Mr. Ho Chun Chung, Patrick	*3*	✓	–
Mr. Lee Kwong Yiu	*3*	✓	–
Mr. Wang Jinlin		✓	✓
Mr. Chen Weixi	*4*	✓	✓
Mr. Ng Ka Wing	*2*	✓	✓
Mr. See Tak Wah	*5*	N/A	N/A

Notes

1 Mr. Zhang Xiaofeng resigned with effect from 4 March 2016.

2 Mr. Sheng Siguang and Mr. Ng Ka Wing were appointed on 8 March 2016.

3 Mr. Ho Chun Chung, Patrick and Mr. Lee Kwong Yiu resigned with effect from 26 April 2016.

4 Mr. Chen Weixi was appointed on 8 March 2016 and resigned with effect from 1 November 2016.

5 Mr. See Tak Wah was appointed on 27 January 2017.

Directors' Attendance at the Board Meetings and General Meetings

The individual attendance record of each Director at the Board meetings (not including other ad hoc meetings of the Board held from time to time), audit committee meetings, nomination committee meeting, remuneration committee meeting, internal control committee meeting and general meetings during the year ended 31 December 2016 is set out below:

	Attendance/Number of Meetings					
Name of Directors	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Internal Control Committee Meetings	Board Meetings	General Meetings
Executive Directors						
Cheng Hung Mui	N/A	N/A	N/A	N/A	3/16	0/2
Zhang Xiaofeng (resigned with effect from 4 March 2016)	N/A	N/A	N/A	N/A	0/2	N/A
Tin Kong	N/A	2/2	2/3	N/A	13/16	2/2
Zhou Jin	N/A	N/A	N/A	N/A	3/16	0/2
Chen Dekun	N/A	N/A	N/A	N/A	13/16	1/2
Tao Fei Hu	N/A	N/A	N/A	N/A	4/16	0/2
Sheng Siguang (appointed on 8 March 2016)	N/A	N/A	N/A	N/A	4/13	2/2
Independent Non-executive Directors						
Ho Chun Chung, Patrick (resigned with effect from 26 April 2016)	1/1	1/2	1/2	N/A	4/5	N/A
Lee Kwong Yiu (resigned with effect from 26 April 2016)	1/1	N/A	0/1	N/A	2/5	N/A
Wang Jinlin	2/2	2/2	3/3	N/A	10/16	0/2
Chen Weixi (appointed on 8 March 2016 and resigned with effect from 1 November 2016)	1/2	0/1	0/1	N/A	8/10	1/2
Ng Ka Wing (appointed on 8 March 2016)	2/2	0/1	1/2	N/A	7/13	2/2

DIRECTORS' AND OFFICERS' INSURANCE

The company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. During the year ended 31 December 2016, the Chairman of the Company is Mr. Tin Kong. During the period between 1 January 2016 and 4 March 2016, Mr. Zhang Xiaofeng was the chief executive officer (the "CEO") and executive Director of the Company. Since the resignation of Mr. Zhang Xiaofeng as the CEO and executive Director on 4 March 2016, the CEO was vacated upon the appointment of Mr. Chen Weixi as the CEO on 1 November 2016.

The roles of Chairman are to provide leadership to the Board and responsible for the effective functioning and ensuring that directors receive adequate, reliable and complete information in timely manner. The Chairman assumes the primary responsibility for ensuring that good corporate governance practices and procedures are established.

The CEO is responsible for administering and managing the Group's business, including the implementation of major strategies and initiatives decreed and delegated by the Board.

BOARD COMMITTEES

As at the date of this report, the Board has established four committees, namely, the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the internal control committee (the "**Internal Control Committee**") of the Company, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Each Board committee consists of a majority of independent non-executive Directors (“**INED**”). The list of the chairman and members of each Board committee as at the date of this report is set out below:

Audit Committee

Mr. See Tak Wah *(Chairman) (INED)*
Mr. Wang Jinlin *(INED)*
Mr. Ng Ka Wing *(INED)*

Remuneration Committee

Mr. Ng Ka Wing *(Chairman) (INED)*
Mr. Tin Kong *(executive Director)*
Mr. Wang Jinlin *(INED)*
Mr. See Tak Wah *(INED)*

Nomination Committee

Mr. Tin Kong *(Chairman) (executive Director)*
Mr. Wang Jinlin *(INED)*
Mr. Ng Ka Wing *(INED)*
Mr. See Tak Wah *(INED)*

Internal Control Committee

Mr. Tin Kong *(Chairman) (executive Director)*
Mr. Wang Jinlin *(INED)*
Mr. Ng Ka Wing *(INED)*
Mr. See Tak Wah *(INED)*

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

Pursuant to Rule 3.10 of the Listing Rules, every listed issuer is required to have at least three INED, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Besides, according to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2). As a result of the resignation of Mr. Chen Weixi with effect from 1 November 2016, the numbers of INED and the members of the Audit Committee fell below the minimum number as required under Rules 3.10(1) and 3.21 of the Listing Rules respectively, until Mr. See Tak Wah was appointed with effect from 27 January 2017. The resignation of Mr. Chen Weixi constitutes non-compliance of Rule 3.10(1) and Rule 3.21 of the Listing Rules by the Company. Throughout the year, the Board at all times fully complied with Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors has professional qualifications, or accounting or related financial management expertise.

AUDIT COMMITTEE

The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director. The Audit Committee currently comprises three independent non-executive Directors. Written terms of reference, which describe the authority and duties of the Audit Committee, have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

As at the reporting date, the Audit Committee comprised three members, all the independent non-executive Directors namely, Mr. Wang Jinlin, Mr. Ng Ka Wing and Mr. See Tak Wah as members. The chairman of audit committee is Mr. See Tak Wah who possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the audit committee is a former partner of the Company's existing external auditor. The audit committee has separate and independent access to the advice and services of the senior management of the Company, and is able to seek independent professional advice at the Company's expense upon reasonable request.

The main duties of the Audit Committee include the following:

(a) To review the consolidated financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors with reference to the work performed by the external auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has, inter alia, reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the annual financial information for the year ended 31 December 2016 and the interim financial information for the six months ended 30 June 2016.

The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee, who is of opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

NOMINATION COMMITTEE

According to the code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The Company has set up a Nomination Committee with its written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules to ensure fair and transparent procedures for appointment, re-election and removal of Directors to the Board. The Nomination Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by an executive Director who is the Chairman of the Board.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors and assessed the Board Diversity Policy.

The Nomination Committee formulated the board diversity policy of the Company (the "**Board Diversity Policy**"). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

REMUNERATION COMMITTEE

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, make recommendations to the Board on the remuneration of non-executive Directors and determine the remuneration packages of individual executive Directors and senior management.

The Company believes that by offering the eligible persons a shareholding stake in the Company, the interests of the eligible persons and the Company will align and thereby the eligible persons with additional incentives to improve the Company's performance.

According to the Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, and according to the Rule 3.26 of the Listing Rules, the board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

The Company has set up a Remuneration Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 of the Listing Rules to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors and senior management. The Remuneration Committee currently comprises three independent non-executive Directors and one executive Director, and was chaired by an independent non-executive Director.

The Remuneration Committee has reviewed the remuneration of the Directors and senior management.

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out in note 14 to the consolidated financial statements.

COMPANY SECRETARY

According to the Rule 3.28 of the Listing Rules, the issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The former company secretary Mr. Au Yeung Chi Hang, Jimmy held the position of Company Secretary for the period from 16 March 2015 to 6 March 2016. Mr. Chan Wei was appointed as the Company Secretary on 7 March 2016.

The company secretary supports the Board by ensuring information flow within the Board and that the Board policy and procedures are followed. The company secretary is responsible for advising the Board on the corporate governance matters and professional development of the Directors.

During the financial year, the Company Secretary has taken no less than 15 hours of relevant professional training.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the systems of internal control and risk management of the Company and for reviewing their effectiveness on a regular basis, covering financial, operational, compliance controls and risk management functions.

The Board is committed to design and implement effective and sound risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The systems are implemented to manage and minimize, rather than eliminate, the risk of failure in operation systems, and to provide reasonable assurance against material misstatement or loss. The Board has delegated to executive management the implementation of the systems of risk management and internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework. Our risk management and internal control systems are renewed at least on an annual basis.

For the year ended 31 December 2016, Netis Advisory Limited, an external consultant, has been appointed to assist the Internal Control Committee to review the risk management and internal control systems of the Group. For risk assessment, the management and functional responsible persons are required to evaluate the likelihood and impact of each identified risk item in a risk register. Once significant risks are identified, mitigating measures are required to put in place immediately in order to manage such risks. For internal control review, once areas of improvement have been identified, appropriate measures and follow-up actions are required to be put in place in order to enhance the internal control system.

The Company has put in place the policies and procedures for the handling and dissemination of inside information. The Company regularly reminds the Directors and employees for the due compliance with all polices regarding the inside information and also keeps them for the latest regulatory updates. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public.

Besides, the Company has set up the risk management team on January 2017 to specifically assess and evaluate the internal control and risk management systems for its subsidiaries in the PRC. The risk management team carried out an internal audit function, which is independent of the Group's daily operation. The Board considered that the Company's internal control and risk management systems are adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2016.

AUDITOR'S RESPONSIBILITY STATEMENT

The auditor's responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 40 to 43.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the total remuneration of the Group's auditor for statutory audit services was approximately HK$1,680,000. The Group also paid to the Group's auditor of approximately HK$455,000 for non-auditing services. Non-auditing services comprised the review of results announcements and unaudited interim financial statements of the Group and issuance of comfort letters in relation to the open offer and the major transaction circulars and issuance of review report in relation to continuing connected transactions.

SHAREHOLDER RIGHTS

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene a SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one (1) week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Chan Wei
Room 1007, Tsim Sha Tsui Centre, West Wing,
66 Mody Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Fax: (852) 3520 3181
Email: info@tessonholdings.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2016.

INVESTOR RELATIONS

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.tessonholdings.com, where updates on the Company's business developments and operations, financial information and news can always be found. There was no significant change in the Company's constitutional documents.

CODE OF CONDUCT

The Company is committed to high standard of business ethics and integrity. A code of conduct is enforced on all employees of the Group. The employees at all levels are expected to act in an honest, diligent and responsible manner. No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Business partners and customers are reminded from time to time that its policy forbids any employee or agent of the Group from accepting any gift from them.

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
TESSON HOLDINGS LIMITED
天臣控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Tesson Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 44 to 104, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Property, plant and equipment

Refer to Note 17 to the consolidated financial statements.

The Group performed revaluation review on the carrying amounts of property, plant and equipment. The implication of revaluation review is significant to our audit because the revalued amounts of property, plant and equipment, other than construction in progress, of approximately HK$720,334,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's revaluation review involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's revaluation review for property, plant and equipment, other than construction in progress, is supported by the available evidence.

(ii) Inventories

Refer to Note 21 to the consolidated financial statements.

The Group preformed recoverability review on the carrying amounts of inventories. The implication of recoverability review is significant to our audit because the carrying amount of inventory of HK$229,459,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's recoverability review involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on ordering and holding of inventories;

– Evaluating the Group's recoverability assessment;

– Assessing the marketability of the inventories;

– Assessing the ageing of the inventories;

– Assessing the net realisable values of the inventories; and

– Checking subsequent sales and usage of the inventories.

We consider that the Group's recoverability review for inventories is supported by the available evidence.

(iii) Trade and other receivables, deposits and prepayments

Refer to Note 22 to the consolidated financial statements.

The Group performed recoverability review on the amounts of trade and other receivables, deposits and prepayments. The implication of recoverability review is significant to our audit because the carrying amount of trade and other receivables, deposits and prepayments of approximately HK$574,508,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;

– Assessing the Group's relationship and transaction history with the customers and debtors;

– Evaluating the Group's recoverability assessment;

– Assessing aging of the debts;

– Checking subsequent settlements and usage of the receivable balance; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's recoverability review on trade and other receivables, deposits and prepayments is supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA’s website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor’s report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**799,061**	795,307
Cost of sales		**(564,958)**	(552,398)
Gross profit		**234,103**	242,909
Other income	8	**32,882**	13,052
Distribution and selling expenses		**(7,049)**	(4,414)
Administrative expenses		**(180,394)**	(147,340)
Profit from operation		**79,542**	104,207
Reversal of impairment/(impairment) loss on trade receivables		**5,342**	(8,014)
Gain on disposal of subsidiaries	32	**3,480**	–
Restructuring costs		**–**	(23,575)
Gain on execution of the schemes of arrangement	10	**–**	30,412
Profit from operation		**88,364**	103,030
Finance costs	11	**(16,571)**	(6,796)
Profit before tax		**71,793**	96,234
Income tax	12	**(32,365)**	(20,827)
Profit for the year	13	**39,428**	75,407
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(66,646)**	(47,116)
Foreign currency translation reserve reclassified to profit or loss upon disposal of subsidiaries		**(4,951)**	–
		(32,169)	28,291
Items that will not be reclassified to profit or loss:			
Deficit arising on revaluation of property, plant and equipment		**(6,936)**	–
Deferred tax effect arising on revaluation of property, plant and equipment		**280**	–
Total comprehensive (loss)/income for the year		**(38,825)**	28,291

	Notes	2016 HK$'000	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company		**6,021**	28,248
Non-controlling interests		**33,407**	47,159
		39,428	75,407
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(43,367)**	988
Non-controlling interests		**4,542**	27,303
		(38,825)	28,291
Earnings per share	*16*		(Restated)
Basic and diluted (HKcents per share)		**0.82**	7.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**768,759**	571,527
Prepaid land lease payments	18	**72,942**	46,080
Deposits paid for acquisition of property, plant and equipment		**121,080**	10,242
Intangible assets	19	**15,916**	–
Available-for-sale financial assets	20	**16,755**	17,906
		995,452	645,755
Current assets			
Inventories	21	**229,459**	167,937
Trade and other receivables, deposits and prepayments	22	**574,508**	395,579
Prepaid land lease payments	18	**1,665**	560
Held-for-trading investments		**393**	415
Pledged bank deposits	23	**77,249**	–
Bank and cash balances	23	**132,777**	204,359
		1,016,051	768,850
Current liabilities			
Trade and other payables	24	**440,676**	184,171
Tax payables		**12,303**	7,086
Dividend payable to non-controlling shareholders		**3**	1,480
Borrowings	25	**87,128**	88,907
Amount due to a related company	26	**24,280**	–
Amount due to the controlling shareholder	26	**27,955**	30,003
		592,345	311,647
Net current assets		**423,706**	457,203
Total assets less current liabilities		**1,419,158**	1,102,958
Non-current liabilities			
Amount due to a related company	26	**378,117**	422,397
Deferred tax liabilities	27	**36,940**	35,509
		415,057	457,906

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
NET ASSETS		**1,004,101**	645,052
Capital and reserves			
Share capital	*28*	**103,632**	59,218
Reserves	*29(a)*	**468,614**	202,630
Equity attributable to owners of the Company		**572,246**	261,848
Non-controlling interests		**431,855**	383,204
TOTAL EQUITY		**1,004,101**	645,052

The consolidated financial statements on pages 44 to 104 were approved and authorised for issue by the board of directors on 29 March 2017 and are signed on its behalf by:

Tin Kong
Director

Cheng Hung Mui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company													
	Share capital *HK$'000*	Capital redemption reserve *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Enterprise expansion fund *HK$'000*	Reserve fund *HK$'000*	Other reserve *HK$'000*	Capital reserve *HK$'000*	Share-based payment reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	(Accumulated losses)/ retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2015	26,145	624	74,215	41,243	69,397	30,012	79,143	(200)	–	118,878	(429,153)	10,304	357,897	368,201
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	–	–	–	(27,260)	28,248	988	27,303	28,291
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(2,315)	–	–	–	–	–	–	2,315	–	–	–
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	354	–	–	–	–	–	–	–	354	191	545
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(2,187)	(2,187)
Transfer to enterprise expansion fund	–	–	–	–	9,420	–	–	–	–	–	(9,420)	–	–	–
Issue of share under open offer	13,073	–	77,129	–	–	–	–	–	–	–	–	90,202	–	90,202
Issue of shares under specific mandate	20,000	–	140,000	–	–	–	–	–	–	–	–	160,000	–	160,000
At 31 December 2015	59,218	624	291,344	39,282	78,817	30,012	79,143	(200)	–	91,618	(408,010)	261,848	383,204	645,052
At 1 January 2016	59,218	624	291,344	39,282	78,817	30,012	79,143	(200)	–	91,618	(408,010)	261,848	383,204	645,052
Total comprehensive (loss)/income for the year	–	–	–	(1,909)	–	–	–	–	–	(47,479)	6,021	(43,367)	4,542	(38,825)
Revaluation surplus released upon impairment/disposal of property, plant and equipment	–	–	–	(8,437)	–	–	–	–	–	–	8,437	–	–	–
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(16,603)	(16,603)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	89	89
Disposal of subsidiaries	–	–	–	(1,587)	–	(1,559)	(2,726)	–	–	–	5,872	–	2,970	2,970
Capital injection from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	57,653	57,653
Transfer to enterprise expansion fund	–	–	–	–	17,860	–	–	–	–	–	(17,860)	–	–	–
Issue of share under open offer	44,414	–	308,505	–	–	–	–	–	–	–	–	352,919	–	352,919
Equity settled share-based transactions	–	–	–	–	–	–	–	–	846	–	–	846	–	846
At 31 December 2016	103,632	624	599,849	27,349	96,677	28,453	76,417	(200)	846	44,139	(405,540)	572,246	431,855	1,004,101

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Profit before tax	**71,793**	96,234
Adjustments for:		
Finance costs	**16,571**	6,796
Interest income	**(837)**	(401)
Depreciation	**54,024**	57,658
Amortisation of prepaid land lease payments	**2,387**	713
Amortisation of intangible assets	**1,819**	–
Impairment loss on property, plant and equipment on disposal of subsidiaries	**12,495**	–
Gain on bargin purchase	**(17,489)**	–
(Reversal of impairment)/impairment loss on trade receivables	**(5,342)**	8,014
Gain on disposal of subsidiaries	**(3,480)**	–
Fair value changes on held-for-trading investments	**15**	25
Equity settled share-based payment expenses	**846**	–
Loss on disposal of property, plant and equipment	**4,996**	4,390
Operating cash flows before working capital changes	**137,798**	173,429
Change in inventories	**(75,242)**	(27,965)
Change in trade and other receivables, deposits and prepayments	**(188,246)**	(152,494)
Change in trade and other payables	**152,299**	73,375
Cash generated from operations	**26,609**	66,345
Interest received	**837**	401
Tax paid	**(27,025)**	(19,164)
Net cash generated from operating activities	**421**	47,582
Cash flows from investing activities		
Acquisition of subsidiaries	**(22,886)**	–
Disposal of subsidiaries	**(64)**	–
Purchase of property, plant and equipment	**(228,328)**	(105,827)
Proceeds from disposal of property, plant and equipment	**3,345**	1,609
Deposits paid for acquisition of property, plant and equipment	**(105,151)**	(4,639)
Changes in pledged deposits	**(77,249)**	–
Purchase of available-for-sale financial asset	**–**	(12,534)
Net cash used in investing activities	**(430,333)**	(121,391)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Cash flows from financing activities		
New short-term bank loans raised	**176,491**	203,979
(Repayment to)/advances from the controlling shareholder	**(2,050)**	25,003
Repayment of bank loans	**(172,559)**	(168,550)
Interest paid	**(5,240)**	(6,796)
Capital injection from non-controlling interest	**57,653**	–
Dividends distributed to non-controlling interest of subsidiaries	**(16,603)**	(2,187)
Proceeds from issue of shares	**352,919**	250,202
Repayment to a related company	**(20,000)**	(82,724)
Net cash generated from financing activities	**370,611**	218,927
Net (decrease)/increase in cash and cash equivalents	**(59,301)**	145,118
Cash and cash equivalents at beginning of year	**204,359**	53,702
Effect of changes in foreign exchange rate	**(12,281)**	5,539
Cash and cash equivalents at end of year	**132,777**	204,359
Analysis of cash and cash equivalents		
Bank and cash balances	**132,777**	204,359

1. GENERAL INFORMATION

Tesson Holdings Limited (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 1007, Tsim Sha Tsui Centre, West Wing, 66 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 Company and its subsidiaries (collectively the "**Group**") were principally engaged in printing and manufacturing of packaging products (the "**Packaging Printing Business**") and 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**"). The principal activities of the Company's subsidiaries are set out in note 38 to the consolidated financial statement.

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

The Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. 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 financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These 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, as explained in the accounting policies set out below. 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 consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Revaluation increases of property, plant and equipment are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued property, plant and equipment, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the shorter of the term of the lease or 25 years
Plant and Machinery	4%-33%
Office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 10 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Leases that do not substantially transfer all the risks and rewards of ownership of assets to the Group are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the trading and sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers;

(b) Interest income is recognised on a time-proportion basis using the effective interest method; and

(c) Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs (Continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than investment, inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (Continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Deferred tax for withholding tax

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January, 2008 onwards. Deferred tax has been provided for in the consolidated financial statements in respect of the undistributed earnings of the Group's PRC subsidiaries to the extent that such earnings are estimated to be distributed in the foreseeable future. The Group is able to control the timing of the reversal of these temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal and present value of estimated future cash flows. Where the fair value less costs of disposal and future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal and future estimate cash flows, a material impairment loss may arise.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities of HK$ and Renminbi ("**RMB**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivable, other receivables, deposits and prepayments. In order to minimise credit risk, the management review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the management consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 42% (2015: 42%) and 74% (2015: 82%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period and the earliest date the Group can be required to pay).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Carrying amounts	Total contractual undiscounted cash flow				
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016						
Trade and other payables	**440,676**	**440,676**	**440,676**	**–**	**–**	**–**
Dividend payable to non-controlling shareholders	**3**	**3**	**3**	**–**	**–**	**–**
Short-term bank loans	**87,128**	**88,158**	**88,158**	**–**	**–**	**–**
Amount due to the controlling shareholder	**27,955**	**27,955**	**27,955**	**–**	**–**	**–**
Amount due to a related company	**402,397**	**740,410**	**52,312**	**50,702**	**142,448**	**494,948**
	958,159	**1,297,202**	**609,104**	**50,702**	**142,448**	**494,948**
31 December 2015						
Trade and other payables	184,171	184,171	184,171	–	–	–
Dividend payable to non-controlling shareholders	1,480	1,480	1,480	–	–	–
Short-term bank loans	88,907	90,040	90,040	–	–	–
Amount due to the controlling shareholder	30,003	30,003	30,003	–	–	–
Amount due to a related company	422,397	777,210	–	54,912	154,597	567,701
	726,958	1,082,904	305,694	54,912	154,597	567,701

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group's amount due to a related company and bank borrowings bear interests at fixed interest rates.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Financial instruments by category

The carrying amounts of each of the category of the Group's financial instruments at the end of the reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss, held-for-trading	**393**	415
Available-for-sale financial assets	**16,755**	17,906
Loans and receivables (including cash and cash equivalents)	**721,454**	535,477
Financial liabilities		
Financial liabilities at amortised cost	**958,159**	726,958

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy:

	2016				2015
	Fair value measurements using:				Fair value measurements using:
	Level 1	Level 2	Level 3	Total	Level 1
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:					
Financial assets at fair value through profit or loss					
Listed securities in Hong Kong	393	–	–	393	415
Property, plant and equipment (excluding construction in progress)	–	–	720,334	720,334	–
	393	–	720,334	720,727	415

(b) Reconciliation of property, plant and equipment measured at fair value based on level 3:

	2016
	HK'000
At 1 January	483,354
Addition	221,147
Total gains or losses recognised in other comprehensive income [#]	(6,936)
Disposal	(14,747)
Impairment	(12,495)
Depreciation	(54,024)
Transfer	132,996
Exchange difference	(28,961)
At 31 December	720,334
[#] Include gains or losses for assets held at end of reporting period	(6,936)

The total gains or losses recognised in other comprehensive income are presented in deficit arising on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016:

The Group's finance team is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance team reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the finance team and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 *HK$'000*
Buildings	Direct comparison	Market value that properties can be sold	RMB3,100-7,200/m^2	Increase	
	Depreciated replacement cost	Current cost of replacing the improvement	RMB1,100-2,000/m^2	Increase	236,495
Plant and machinery, Motor vehicles, Office equipment	Direst comparison and depreciated replacement cost	Market value for similar assets	RMB439,017	Increase	483,839

7. REVENUE

The Group's revenue arising from packaging printing products and lithium ion motive battery products for the year.

	2016 ***HK$'000***	2015 *HK$'000*
Packaging printing products	**781,023**	795,307
Lithium ion motive battery products	**18,038**	–
	799,061	795,307

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Net exchange gains	**260**	406
Interest income	**837**	401
Government grants	**9,299**	6,350
Dividend income	**2,145**	3,343
Proceeds from disposal of scrap materials	**1,656**	1,781
Gain on bargin purchase *(note 31)*	**17,489**	–
Others	**1,196**	771
	32,882	13,052

9. 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 ended 31 December 2016, the Group's revenue was derived from the Packaging Printing Business and the Lithium Ion Motive Battery Business. For the year ended 31 December 2015, the Group's revenue was derived from the Packaging Printing Business.

Segment profits or losses do not include impairment loss on property, plant and equipment on disposal of subsidiaries, gain on disposal of subsidiaries, gain on bargain purchase from acquisition of subsidiaries, restructuring costs, gain on execution of the schemes of arrangement and unallocated corporate income and expenses. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

9. SEGMENT INFORMATION (CONTINUED)

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

	Packaging Printing Business *HK$'000*	Lithium Ion Motive Battery Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2016:			
Revenue from external customers	**781,023**	**18,038**	**799,061**
Segment profit/(loss)	**97,410**	**(27,611)**	**69,799**
Depreciation	**44,627**	**9,397**	**54,024**
Amortisation of prepaid land lease payments	**644**	**1,743**	**2,387**
Other material non-cash items:			
Reversal of impairment of trade receivables	**5,342**	**–**	**5,342**
Additions to segment non-current assets	**82,083**	**396,046**	**478,129**
At 31 December 2016:			
Segment assets	**1,235,742**	**721,147**	**1,956,889**
Segment liabilities	**356,198**	**204,666**	**560,864**
Year ended 31 December 2015:			
Revenue from external customers	795,307	–	795,307
Segment profit	88,253	–	88,253
Depreciation	57,512	–	57,512
Amortisation of prepaid land lease payments	713	–	713
Other material non-cash items:			
Impairment loss of trade receivables	8,014	–	8,014
Additions to segment non-current assets	105,095	–	105,095
At 31 December 2015:			
Segment assets	1,411,700	–	1,411,700
Segment liabilities	316,493	–	316,493

9. SEGMENT INFORMATION (CONTINUED)

Reconciliations of profit or loss:

	2016 *HK$'000*	2015 *HK$'000*
Profit or loss:		
Total profit of reportable segments	**69,799**	88,253
Impairment loss on property, plant and equipment	**(12,495)**	–
Gain on disposal of subsidiaries	**3,480**	–
Gain on bargin purchase	**17,489**	–
Restructuring costs	**–**	(23,575)
Gain on execution of the schemes of arrangement	**–**	30,412
Corporate and unallocated loss	**(38,845)**	(19,683)
Consolidated profit for the year	**39,428**	75,407

	2016 *HK$'000*	2015 *HK$'000*
Reconciliations of reportable segments' assets and liabilities:		
Assets:		
Total assets of reportable segments	**1,956,889**	1,411,700
Corporate and unallocated assets	**54,614**	2,905
Consolidated total assets	**2,011,503**	1,414,605
Liabilities:		
Total liabilities of reportable segments	**560,864**	316,493
Corporate and unallocated liabilities	**446,538**	453,060
Consolidated total liabilities	**1,007,402**	769,553

9. SEGMENT INFORMATION (CONTINUED)

Geographical information:

All the Group's revenue are derived from the People's Republic of China (the "**PRC**").

Information about revenue from the Group's three (2015: two) customers from the Group's Packaging Printing Business individually contributing over 10% of total consolidated revenue of the Group as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**275,749**	217,096
Customer B	**105,977**	136,380
Customer C	**85,987**	N/A#

Customer C did not contribute more than 10% of the total consolidated revenue of the Group for the year ended 31 December 2015.

In presenting the geographical information, revenue is based on the location of the customers. At the end of the reporting period, the non-current assets (Note) of the Group were located as follows:

	2016	2015
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**802**	932
The PRC	**977,895**	626,917
	978,697	627,849

Note: Non-current assets by geographical location exclude available-for-sale financial assets.

10. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

For the year ended 31 December 2015, the Group's gain of approximately HK$30,412,000 on the execution of the schemes of arrangement from the Group's debt restructuring represented the net distribution attributable to the Group from the execution of the arrangement of certain debts compromise, waiver and settlement in accordance with the terms of the schemes.

11. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on bank loans	**5,240**	6,796
Interest expenses on amount due to a related company	**16,571**	–
	21,811	6,796
Amount capitalised	**(5,240)**	–
	16,571	6,796

12. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax for the year	**26,211**	20,086
Under-provision of PRC Enterprise Income Tax	**3,841**	1,306
	30,052	21,392
Deferred tax *(note 27)*	**2,313**	(565)
	32,365	20,827

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, the tax rate for certain PRC subsidiaries of the Company is 25% from 1 January 2008 onwards. Yunnan Qiaotong Package Printing Company Limited ("**Yunnan Qiaotong**"), a PRC subsidiary of the Company is qualified for the tax benefit of China's Western Campaign and is entitled to a preferential PRC Enterprise Income Tax rate of 15% from year 2013 to 2020, which is approved by the PRC tax authorities in 2013.

12. INCOME TAX (CONTINUED)

The reconciliation between the income tax and the profit before tax is as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before tax	**71,793**	96,234
Notional tax on profit before tax calculated at the PRC statutory rate	**17,948**	24,059
Tax effect of non-taxable income	**(8,129)**	(7,904)
Tax effect of non-deductible expenses	**13,867**	6,394
Tax effect of tax losses not recognised	**8,107**	–
Under-provision in respect of prior years	**3,841**	1,306
Effect of different tax rates in other tax jurisdictions and tax concessions	**(3,269)**	(6,781)
Deferred tax charge on dividend withholding tax	**–**	3,753
Income tax for the year	**32,365**	20,827

13. PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**1,680**	1,300
Cost of inventories sold	**564,958**	552,398
Depreciation	**54,024**	57,658
Amortisation of prepaid land lease payments	**2,387**	713
Amortisation of intangible assets	**1,819**	–
Minimum lease payments under operating leases in respect of office premises	**4,555**	1,578
(Reversal of impairment)/impairment loss on trade receivables	**(5,342)**	8,014
Loss on disposal of property, plant and equipment	**4,996**	4,390
Impairment loss on property, plant and equipment on disposal of subsidiaries	**12,495**	–
Staff costs (including directors' remuneration – *note 14*):		
Salaries, bonus and allowances	**130,121**	116,108
Equity-settled share-based payment expenses	**846**	–

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	Notes	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Share-based payment *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Ms. Cheng Hung Mui		180	360	–	17	557
Mr. Zhang Xiao Feng	*1*	77	191	–	9	277
Mr. Tin Kong		180	470	70	36	756
Mr. Chen Dekun		180	455	35	–	670
Mr. Zhou Jin		180	125	–	–	305
Mr. Tao Fei Hu		180	249	–	–	429
Mr. Sheng Siguang	*2*	147	2,135	–	–	2,282
Independent Non-Executive Directors						
Mr. Ng Ka Wing	*2*	147	–	–	–	147
Mr. Chen Weixi	*3*	147	–	–	–	147
Mr. Ho Chun Chung, Patrick	*4*	80	60	–	–	140
Mr. Lee Kwong Yiu	*4*	80	60	–	–	140
Mr. Wang Jinlin		180	–	–	–	180
Chief executive officer						
Mr. Chen Weixi	*5*	–	200	70	5	275
Total for the year ended 31 December 2016		1,758	4,305	175	67	6,305

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (CONTINUED)

	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors						
Ms. Cheng Hung Mui		152	–	–	–	152
Mr. Zhang Xiao Feng		152	588	–	26	766
Mr. Tin Kong	*6*	62	158	–	11	231
Mr. Chen Dekun	*7*	93	330	–	–	423
Mr. Zhou Jin		155	393	–	–	548
Mr. Tao Fei Hu		146	756	–	–	902
Mr. Wang Feng Wu	*8*	136	192	–	–	328
Mr. Liu Qing Chang	*9*	59	–	–	–	59
Mr. Liu Shi Hong	*9*	59	–	–	–	59
Mr. Wei Ren	*9*	59	–	–	–	59
Non-Executive Directors						
Mr. Gou Min	*10*	134	–	–	–	134
Ms. Zhang Xiaohua Connie	*9*	59	–	–	–	59
Independent Non-Executive Directors						
Mr. Ho Chun Chung, Patrick		192	–	–	–	192
Mr. Lee Kwong Yiu	*12*	179	–	–	–	179
Mr. Liang Zhong	*11*	121	–	–	–	121
Mr. Wang Jinlin	*12*	139	–	–	–	139
Mr. Zhang Jianxing	*13*	134	–	–	–	134
Total for the year ended 31 December 2015		2,031	2,417	–	37	4,485

Notes:

1 Resigned as a director with effect from 4 March 2016
2 Appointed as a director on 8 March 2016
3 Appointed as a director on 8 March 2016 and resigned as a director with effect from 1 November 2016
4 Resigned as a director with effect from 26 April 2016
5 Appointed as a chief executive officer on 1 November 2016
6 Appointed as a director on 27 August 2015
7 Appointed as a director on 25 June 2015
8 Resigned as a director with effect from 21 September 2015
9 Retired as a director with effect from 25 June 2015
10 Resigned as a director with effect from 27 August 2015
11 Appointed as a director on 24 March 2015 and resigned as a director with effect from 27 August 2015
12 Appointed as a director on 24 March 2015
13 Appointed as a director on 24 March 2015 and resigned as a director with effect from 21 September 2015

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (CONTINUED)

The five highest paid employees during the year included two (2015: two) directors, details of whose remuneration are set out in information above. Details of the remuneration of the remaining three (2015: three) non-directors, highest paid employees for the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	2,115	2,381
Retirement benefits scheme contributions	20	51
	2,135	2,432

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Emolument band:		
HK$nil – HK$1,000,000	3	2
HK$1,000,001 – HK$1,500,000	–	1

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December 2016 and 2015, no directors waived any emoluments.

15. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year of approximately HK$6,021,000 (2015: HK$28,248,000) attributable to owners of the Company and the weighted average number of 736,932,969 (2015: 372,080,668 ordinary shares, as adjusted to reflect the impact of open offer on 9 September 2016) ordinary shares in issue during the year.

Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2016 and 2015.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 January 2015	136,533	452,896	4,954	12,397	13,956	620,736
Currency realignment	(9,212)	(23,498)	(605)	(412)	(3,841)	(37,568)
Additions	412	23,445	1,481	2,019	78,470	105,827
Disposals	–	(4,550)	(978)	(203)	(412)	(6,143)
At 31 December 2015 and 1 January 2016	127,733	448,293	4,852	13,801	88,173	682,852
Currency realignment	(11,919)	(30,157)	(662)	(550)	(5,696)	(48,984)
Additions	975	127,014	3,822	3,394	98,363	233,568
Disposals	–	(23,611)	(345)	(1,391)	–	(25,347)
Acquisition of subsidiaries	34,904	49,345	292	1,401	581	86,523
Disposal of subsidiaries	(8,558)	–	–	–	–	(8,558)
Transfers	132,996	–	–	–	(132,996)	–
Adjustment arising on revaluation	(39,636)	(101,938)	(5,197)	(4,524)	–	(151,295)
At 31 December 2016	236,495	468,946	2,762	12,131	48,425	768,759
Accumulated depreciation and impairment						
At 1 January 2015	11,588	44,477	2,058	1,155	–	59,278
Currency realignment	(1,081)	(4,044)	(191)	(151)	–	(5,467)
Charge for the year	11,457	41,653	2,093	2,455	–	57,658
Disposals	–	(52)	–	(92)	–	(144)
At 31 December 2015 and 1 January 2016	21,964	82,034	3,960	3,367	–	111,325
Currency realignment	(1,321)	(12,555)	(249)	(202)	–	(14,327)
Charge for the year	11,131	38,901	2,203	1,789	–	54,024
Impairment	–	12,215	255	25	–	12,495
Disposals	–	(16,537)	(255)	(229)	–	(17,021)
Disposal of subsidiaries	(2,137)	–	–	–	–	(2,137)
Eliminated on revaluation	(29,637)	(104,058)	(5,914)	(4,750)	–	(144,359)
At 31 December 2016	–	–	–	–	–	–
Carrying amounts						
At 31 December 2016	236,495	468,946	2,762	12,131	48,425	768,759
At 31 December 2015	105,769	366,259	892	10,434	88,173	571,527

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment losses of approximately HK$12,495,000 of property, plant and equipment were arising from a subsidiary which has ceased business and has been disposed of in second half of 2016.

Had all the categories of the Group's property, plant and equipment, other than construction in progress, been carried at cost less accumulated depreciation, the carrying values of property, plant and equipment would have been stated as follows:

	2016			2015		
	Cost	**Accumulated depreciation and impairment**	**Carrying amounts**	Cost	Accumulated depreciation and impairment	Carrying amounts
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Building	**337,411**	**93,161**	**244,250**	192,615	88,324	104,291
Plant and machinery	**715,985**	**487,616**	**228,369**	696,768	510,616	186,152
Motor vehicles	**21,303**	**14,614**	**6,689**	21,264	17,572	3,692
Office equipment	**20,124**	**13,583**	**6,541**	19,836	14,145	5,691
	1,094,823	**608,974**	**485,849**	930,483	630,657	299,826

18. PREPAID LAND LEASE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Non-current asset	**72,942**	46,080
Current asset	**1,665**	560
	74,607	46,640

19. INTANGIBLE ASSETS

	Patent *HK$'000*
Cost	
Acquisition of subsidiaries during the year	18,705
Currency realignment	(1,046)
At 31 December 2016	17,659
Accumulated amortisation and impairment	
Amortisation for the year	1,819
Currency realignment	(76)
At 31 December 2016	1,743
Carrying amount	
At 31 December 2016	15,916

As at 31 December 2016, patent represented the costs in relation to the design and specification of the battery products held by a newly acquired subsidiary of the Company during the year. It is stated at costs less accumulated amortization and impairment loss. The amortization is charged on straight line basis over its estimated useful life of 10 year. The average remaining amortisation period of the patent is 9.33 years (2015: Nil).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	*HK$'000*
Unlisted investments		
– Investments outside Hong Kong *(note)*	**16,755**	17,906

Note:

The unlisted investments outside Hong Kong represent an investment in a bank in the PRC. The investments are measured at cost less accumulated impairment at the end of the reporting period as the Directors are of the opinion that their fair values cannot be measured reliably.

21. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**124,306**	118,907
Work in progress	**31,125**	19,017
Finished goods	**74,028**	30,013
	229,459	167,937

Included in inventories of the Company as at 31 December 2016 were pledged inventories approximately HK$46,302,000 (2015: Nil) to secure for bank borrowings of the Group.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**410,558**	315,511
Less: impairment losses	**(7,299)**	(19,593)
	403,259	295,918
Bills receivable	**17,135**	17,921
Down payment in relation to acquisition of restructuring debt of a target company for a potential acquisition	**–**	53,717
Value-added tax receivables	**53,051**	3,858
Prepayment, deposits and other receivables	**101,063**	24,165
	574,508	395,579

As at 31 December 2016, approximately HK$72,936,000 (2015: Nil) of trade receivables were pledged to a bank to secure bank loans as set out in note 25 to the consolidated financial statements.

Trade and bills receivable

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

The Group allows an average credit period of 30 to 60 days to its trade customers. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**267,164**	267,649
61 to 90 days	**101,646**	16,611
Over 90 days	**34,449**	11,658
	403,259	295,918

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Impairment of trade receivables

The movements in impairment losses of trade receivables are as follows:

	2016	2015
	HK$'000	HK$'000
At beginning of the reporting period	19,593	10,983
(Reversal of impairment)/impairment loss on trade receivables	(5,342)	8,014
Amounts written off	–	(41)
Disposal of subsidiaries	(5,764)	–
Currency realignment	(1,188)	637
At the end of the reporting period	7,299	19,593

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$7,299,000 (2015: HK$19,593,000) which are due to long outstanding/or default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

Trade receivables that are not impaired

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	292,745	245,946
Less than 60 days past due	107,348	48,059
Over 60 days past due	3,166	1,913
	403,259	295,918

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.

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to secure general banking facilities, say bills payable, granted to the Group.

At the end of reporting period, the bank and cash balances of Group denominated in RMB amounted equivalent to approximately HK$122,564,000 (2015: HK$171,232,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Bank balances carry average interest rate of 0.01% (2015: 0.01%) per annum.

24. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**174,629**	91,585
Bills payable	**77,236**	12,232
Accruals and other payables	**188,811**	80,354
	440,676	184,171

The aging of bills payable at the end of reporting period falls within 60 days.

At 31 December 2016, bills payable totalling HK$77,236,000 (2015: HK$12,232,000) were secured by pledged bank deposits of HK$77,249,000 (2015: HK$nil).

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

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**104,027**	74,113
61 to 90 days	**26,718**	5,150
Over 90 days	**43,884**	12,322
	174,629	91,585

25. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Bank loans	**87,128**	88,907
Analysed as:		
Secured	**67,022**	–
Unsecured	**20,106**	88,907
	87,128	88,907

The secured bank borrowings of the Group were secured by (i) pledged inventories with an aggregate carrying amount of approximately HK$46,302,000 (2015: Nil); and (ii) assignment of trade receivable of approximately HK$72,963,000 (2015: Nil).

The effective interest rate per annum at the end of the reporting period were as follows:

	2016	2015
Short-term bank loans:		
fixed rate	**4.42%**	4.11%-5.74%

26. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER/AMOUNT DUE TO A RELATED COMPANY

The amount due to the controlling shareholder are unsecured, non-interest bearing and have no fixed repayment terms.

Upon the schemes of arrangement being effective on 18 March 2015, the restructured debts of approximately HK$505,121,000 (including trade and other payables of approximately HK$71,960,000 and borrowings of approximately HK$433,161,000) have been transferred as payable to the scheme company which was initially owned by the schemes administrator. On 17 July 2015, the schemes administrator has transferred its entire issued share capital in the scheme company to the Company's controlling shareholder upon execution of the principal terms of the schemes of arrangement and the amount payables to the scheme company has been reclassified as amount due to a related company since then.

The amount due to a related company is unsecured and interest bearing starting from 1 July 2016 at 8% per annum. The amount due to a related company, together with the related interests thereon, have been initially scheduled to be repayable by annual equal instalments from 30 June 2017 to 30 June 2036. The Company, at its discretion, may either make early repayment or request to defer repayment in accordance with the initial repayment schedule if the Company does not have sufficient funds or if such deferral of repayment is agreed between the Company and the related company.

27. DEFERRED TAX

The following are the details deferred tax liabilities and assets recognised by the Group.

	Revaluation of property, plant and equipment	Depreciation allowances in excess of related PRC tax depreciation	Undistributed earnings of subsidiaries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	12,309	21,686	2,584	40	36,619
– (Credit)/charge to consolidated statement of profit or loss	–	(4,318)	3,753	–	(565)
– Credit to equity for the year	(545)	–	–	–	(545)
At 31 December 2015 and 1 January 2016	11,764	17,368	6,337	40	35,509
– (Credit)/charge to consolidated statement of profit or loss	(564)	2,877	–	–	2,313
– Credit to other comprehensive income for the year	(280)	–	–	–	(280)
– Disposal of subsidiaries	(602)	–	–	–	(602)
At 31 December 2016	10,318	20,245	6,337	40	36,940

At the end of the reporting period, subject to the agreements with the tax authority, the Group has unused tax losses of approximately HK$119,386,000 (2015: HK$76,488,000) for subsidiaries incorporated in Hong Kong available for offset against future profits of approximately HK$119,386,000 (2015: HK$76,488,000) and such tax losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of those subsidiaries.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has been provided for in the consolidated financial statements in respect of the undistributed earnings of the Group's PRC subsidiaries to the extent that such earnings are estimated to be distributed in the foreseeable future. At the end of the reporting period, the aggregate amount of the undistributed earnings of the Group's PRC subsidiaries which the corresponding deferred taxation has not been provided for in the consolidated financial statements amounted to approximately HK$176,915,000 (2015: HK$118,836,000), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Notes	*Number of shares*	*HK$'000*
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2015, 31 December 2015 and 1 January 2016		1,000,000,000	100,000
Increase of authorised share capital		1,000,000,000	88,993
At 31 December 2016		2,000,000,000	188,993
Issued and fully paid:			
Ordinary shares of HK$0.10 each at 1 January 2015		261,453,600	26,145
Open offer	*(1)*	130,726,800	13,073
Issue of shares under specific mandate	*(2)*	200,000,000	20,000
At 31 December 2015 and 1 January 2016		592,180,400	59,218
Open offer	*(3)*	444,135,300	44,414
At 31 December 2016		1,036,315,700	103,632

Notes

(1) Completion of the open offer took place on 18 March 2015 pursuant to which 130,726,800 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK$0.69 per offer share. Accordingly, the Company's issued share capital was increased by approximately HK$13,073,000 and its share premium account was increased by approximately HK$77,129,000, total proceeds before the expenses were approximately HK$90,202,000.

(2) Completion of the share subscription took place on 30 December 2015 pursuant to which 200,000,000 subscribe shares were issued under the subscription agreement at the subscription price of HK$0.80 per subscribe share. Accordingly, the Company's issued share capital was increased by approximately HK$20,000,000 and its share premium account was increased by approximately HK$140,000,000, total proceeds before the expenses were approximately HK$160,000,000.

(3) Completion of the open offer took place on 9 September 2016 pursuant to which 444,135,300 offer shares were issued under the open offer on the basis of three offer share for every four shares held by the qualifying shareholders at the subscription price of HK$0.80 per offer share. Accordingly, the Company's issued share capital was increased by approximately HK$44,414,000 and its share premium account was increased by approximately HK$308,505,000. Net proceeds from the issues were approximately HK$352,919,000, after deduction of expenses of approximately HK$2,389,000.

28. SHARE CAPITAL (CONTINUED)

Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buyback shares, raise new debts, redeem existing debts or sell assets to reduce debts.

29. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Share-based payment reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	74,215	624	29,509	–	(251,600)	(147,252)
Loss for the year	–	–	–	–	(24,543)	(24,543)
Issue of share under open offer	77,129	–	–	–	–	77,129
Issue of shares under specific mandate	140,000	–	–	–	–	140,000
At 31 December 2015	291,344	624	29,509	–	(276,143)	45,334
At 1 January 2016	291,344	624	29,509	–	(276,143)	45,334
Loss for the year	–	–	–	–	(32,493)	(32,493)
Issue of share under open offer	308,505	–	–	846	–	309,351
At 31 December 2016	599,849	624	29,509	846	(308,636)	322,192

29. RESERVES (CONTINUED)

(c) Nature and purpose of reserves of the Group

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

(iii) Capital reserve

Capital reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and directors of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(v) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Kith Limited at the date on which it was acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

29. RESERVES (CONTINUED)

(c) Nature and purpose of reserves of the Group (continued)

(vi) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(vii) Asset revaluation reserve

Assets revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for property, plant and equipment in note 3 to the consolidated financial statements.

30. EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 13 June 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

30. EQUITY-SETTLED SHARE OPTION SCHEME (CONTINUED)

Details of the share options are as follows:

	Number	Contructural life of options
Options granted	24,300,000	4.86 Years

Details of the share options outstanding during the year are as follows:

	2016	
	Number of share options	Weighted average exercise price HK$
Granted during the year and outstanding at the end of the year	24,300,000	0.85
Exercisable at the end of the year	–	Nil

Details of the specific categories of options are as follows:

Categories	Date of grant	Vesting period	Exercise period	Exercise price *HK$*
2016A	11/11/2016	1 year	11/11/2017 to 10/11/2021	0.85
2016B	11/11/2016	2 years	11/11/2018 to 10/11/2021	0.85
2016C	11/11/2016	3 years	11/11/2019 to 10/11/2021	0.85

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.86 years and the exercise price is HK$0.85. The share options were granted on 11 November 2016. The estimated fair values of the options on those dates are approximately HK$10,473,000.

30. EQUITY-SETTLED SHARE OPTION SCHEME (CONTINUED)

These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Weighted average share price	HK$0.85
Weighted average exercise price	HK$0.85
Expected volatility	63%
Expected life	2-4 years
Risk free rate	0.84%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

31. ACQUISITION OF SUBSIDIARIES

On 28 January 2016, the Group acquired 100% equity interest of Shaanxi Leaders Battery Co. Ltd. and its subsidiary (the "**Acquired Group**") at a cash consideration of approximately RMB19,496,000 (approximately HK$23,068,000) to Shaanxi Shunqian Energy Technology Co. Limited. and Shaanxi Jinwen New Energy Co. Limited, the independent third parties. The Acquired Group is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials. Details of the above acquisition are set out in the announcement of the Company dated 3 January 2016.

The fair value of the identifiable assets and liabilities of the Acquired Group with reference to the independent valuation as performed by independent valuer, Ascents Partners Valuation Limited as at its date of acquisition was as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	86,523
Prepaid land lease payments	31,946
Intangible asset	18,705
Inventories	1,650
Trade and other receivables	17,574
Bank and cash balances	182
Trade and other payables	(115,934)
Total identifiable net assets at fair value	40,646

31. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	HK$'000
Goodwill arising from acquisition	
Consideration transferred	23,068
Add: Non-controlling interests	89
Less: Fair value of identifiable net assets acquired	(40,646)
Gain on bargin purchase	(17,489)
Satisfied by:	
Cash	23,068
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	(23,068)
Less: Bank and cash balances acquired	182
	(22,886)

If the acquisition had been completed on 1 January 2016, total Group revenue for the period would have been approximately HK$779,061,000 and profit for the period would have been approximately HK$78,955,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results. The cost in relation to this acquisition was approximately HK$179,000.

The fair value of the trade and other receivables acquired is HK$17,574,000. The gross amount due under the contracts is HK$17,574,000.

32. DISPOSAL OF SUBSIDIARIES

On 8 December 2016, the Group disposed 100% of the issued share capital of Grand Vista Investments Limited and its subsidiaries for a cash consideration of US$4 (equivalent to approximately HK$31) to Courage Forever Limited, an independent third party.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	6,421
Prepaid land lease payments	1,794
Inventories	1,960
Trade and other receivables	1,146
Bank and cash balances	64
Trade payables	(7,111)
Accruals and other payables	(3,774)
Dividend payable to non-controlling shareholders	(1,397)
Deferred tax liabilities	(602)
Net liabilities disposed of :	(1,499)
Release of foreign currency translation reserve	(4,951)
Non-controlling interests	2,970
Gain on disposal of subsidiaries	(3,480)
Net cash outflow arising on disposal:	
Bank and cash balances disposed of	(64)

33. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2016 *HK$'000*	2015 *HK$'000*
Non-current assets		
Investments in subsidiaries	**44,089**	44,089
Current assets		
Amounts due from subsidiaries	**827,246**	494,851
Other receivables, deposits and prepayments	**414**	757
Bank and cash balances	**11,247**	29,513
	838,907	525,121
Current liabilities		
Accruals and other payables	**15,366**	803
Amounts due to subsidiaries	**31,124**	31,124
Amount due to a related company	**24,280**	–
Amount due to the controlling shareholder	**27,954**	30,003
	98,724	61,930
Net current assets	**740,183**	463,191
Non-current liabilities		
Amount due to a related company	**358,448**	402,728
NET ASSETS	**425,824**	104,552
Capital and reserves		
Share capital	**103,632**	59,218
Reserves	**322,192**	45,334
TOTAL EQUITY	**425,824**	104,552

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2015: Nil).

35. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises and machinery are analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**4,374**	807
In the second to fifth year inclusive	**20,677**	–
After five years	**11,556**	–
	36,607	807

36. CAPITAL COMMITMENTS

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

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for		
– Property, plant and equipment	**382,821**	58,984
– Unpaid capital contribution for possible investment in a subsidiary	**–**	23,272
	382,821	82,256

37. RELATED PARTY TRANSACTIONS

	2016	2015
	HK$'000	*HK$'000*
Finance cost to a related company *(Note 11 and Note 26)*	**16,571**	–

Key management personnel remuneration

The emoluments of the Company's Directors, who are also identified as members of key management of the Group, are set out in Note 14.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the Company's indirect ownership interest 2016	2015	Principal activities
勁富投資有限公司 Gainful Investments Limited	Hong Kong	HK$4	**100%**	100%	Investment holding
雲南僑通包裝印刷有限公司* Yunnan Qiaotong Package Printing Co. Ltd. *#	The PRC	US$38,000,000	**60%**	60%	Printing and manufacturing of packaging products
安徽僑豐包裝印刷有限公司* Anhui Qiaofeng Package Printing Co. Ltd. *#	The PRC	US$9,380,000	**54.8%**	54.8%	Printing and manufacturing of packaging products
昭通新僑彩印有限責任公司** Zhaotong Xinqiao Printing Co. Ltd. **#	The PRC	RMB6,200,000	**60%**	60%	Printing and manufacturing of packaging products
天臣新能源(深圳)有限公司** Tesson New Energy (Shen Zhen) Limited **#	The PRC	RMB450,000,000	**88.89%**	–	Trading of lithium ion products
天臣新能源(渭南)有限公司** Tesson New Energy (Weinan) Limited **#	The PRC	RMB300,000,000	**88.89%**	–	Manufacturing of lithium ion products
陝西力度電池有限公司** Shaanxi Leaders Battery Co. Limited **#	The PRC	RMB75,275,523	**88.89%**	–	Manufacturing of lithium ion products
天臣新能源研究南京有限公司 Tesson New Energy Research (Nanjing) Limited **#	The PRC	RMB106,000,000	**88.89%**	–	Research and development centre

* These companies are sino-foregin equity joint ventures established in the PRC.

** These companies are limited liability company established in the PRC.

\# The English name is for identification purpose only

The Company directly holds the interest in Kith Limited. All other interests above are indirectly held by the Company.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	雲南僑通包裝印刷有限公司^		安徽僑豐包裝印刷有限公司		天臣新能源(深圳)有限公司^	
	2016	2015	**2016**	**2015**	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Principal place of business and country of incorporation	**PRC**		**PRC**		**PRC**	
% of ownership interests and voting rights held by NCI	**40%**	40%	**45.2%**	45.2%	**11.11%**	–
At 31 December:						
Non-current assets	**526,285**	504,842	**75,671**	118,613	**392,692**	–
Current assets	**560,989**	478,272	**72,797**	82,154	**328,455**	–
Current liabilities	**(267,964)**	(225,344)	**(45,038)**	(36,174)	**(204,666)**	–
Net assets	**819,310**	757,770	**103,430**	164,593	**516,481**	–
Accumulated NCI	**327,724**	303,108	**46,750**	74,396	**57,381**	–
Year ended 31 December:						
Revenue	**664,175**	654,217	**115,647**	137,963	**18,038**	–
Profit	**110,918**	113,563	**(12,775)**	4,611	**(27,611)**	–
Total comprehensive income	**60,714**	74,547	**(20,509)**	(38)	**(36,225)**	–
Profit allocated to NCI	**44,367**	45,425	**(5,774)**	2,084	**(2,883)**	–
Dividends distributed to NCI	**13,991**	–	**2,612**	2,187	**–**	–
Net cash generated from operating activities	**104,414**	49,973	**(11,972)**	19,049	**94,008**	–
Net cash used in investing activities	**(83,953)**	(72,825)	**(2,272)**	(6,914)	**(485,865)**	–
Net cash generated from financing activities	**4,190**	32,363	**–**	–	**520,080**	–
Net increase in cash and cash equivalents	**24,651**	9,511	**(14,244)**	12,135	**128,223**	–

^ included its subsidiaries

39. EVENTS AFTER THE REPORTING PERIOD

On 17 January 2017, the Company entered into the subscription agreement with Double Key International Limited (the Controlling Shareholder and the "**Subscriber**") and the Cloud Apex Global Limited (the "**Lender**"), pursuant to which (i) the Lender has conditionally agreed to assign all rights, titles, benefits and interests in and to the amount due to the Lender in favour of the Subscriber at completion; and (ii) the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds in the principal amount of HK$300,000,000, which would entitle the holder(s) thereof to convert the convertible bonds into a maximum of 187,500,000 conversion shares at the initial conversion price of HK$1.60 per conversion share (subject to adjustments) upon the full exercise of the conversion rights. Completion of the above transactions took place on 28 February 2017. Details of the above transactions are disclosed in the Company's announcements dated 17 January 2017 and 28 February 2017 respectively.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2017.

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