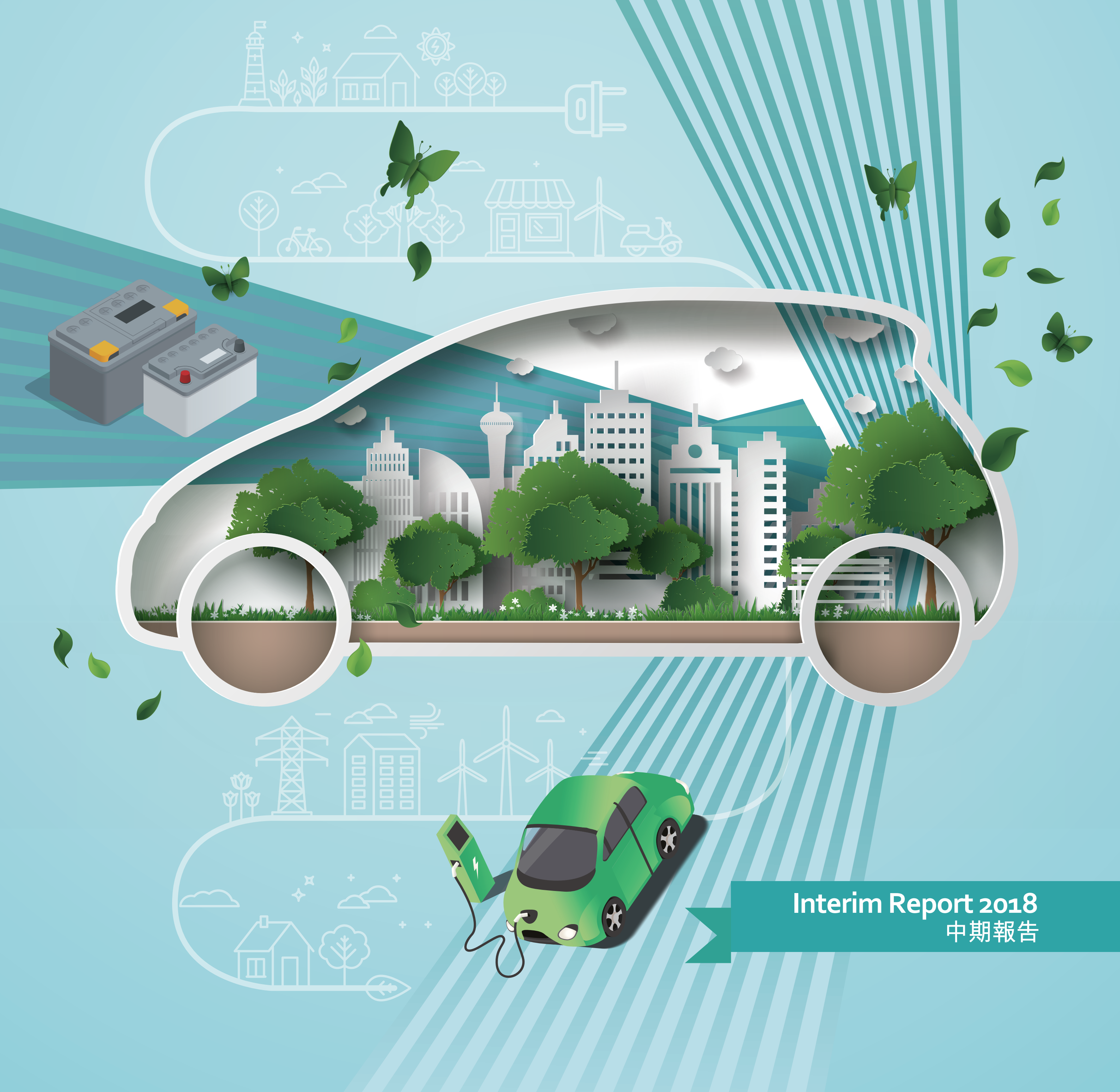
天臣控股有限公司
Tesson Holdings Limited

(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



Interim Report 2018
中期報告

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tin Kong *(Chairman)*
Ms. Cheng Hung Mui
Mr. Chen Dekun
Mr. Sheng Siguang
Mr. Zhou Jin (retired on 11 June 2018)
Mr. Tao Fei Hu (retired on 11 June 2018)

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

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PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kowloon
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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Hong Kong

AUDITOR

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Hong Kong

WEBSITE

www.tessonholdings.com

INTERIM RESULTS

The Board of directors (the "**Directors**") (the "**Board**") of Tesson Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		(Unaudited) Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*4*	**28,723**	127,541
Cost of sales		**(21,979)**	(90,765)
Gross profit		**6,744**	36,776
Other income	*5*	**248,759**	5,391
Distribution and selling expenses		**(3,642)**	(5,598)
Administrative expenses		**(49,674)**	(27,256)
Profit from operation		**202,187**	9,313
Finance costs	*6*	**(8,235)**	(9,064)
Profit before tax		**193,952**	249
Income tax	*7*	**–**	–
Profit for the period from continuing operations		**193,952**	249
Profit for the period from discontinued operations		**–**	19,855
Profit for the period	*8*	**193,952**	20,104
Other comprehensive (loss)/profit:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(27,682)**	30,740
Release of foreign currency translation reserve upon disposal of subsidiaries		**(88,037)**	–
Total comprehensive income for the period		**78,233**	50,844

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	(Unaudited) Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Restated)
Profit for the period attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		**199,512**	(1,188)
Profit from discontinued operations		**–**	8,263
Profit attributable to owners of the Company		**199,512**	7,075
Non-controlling interests			
(Loss)/profit from continuing operations		**(5,560)**	1,437
Profit from discontinued operations		**–**	11,592
(Loss)/profit attributable to non-controlling interests		**(5,560)**	13,029
		193,952	20,104
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**89,833**	23,975
Non-controlling interests		**(11,600)**	26,869
		78,233	50,844
Earnings per share from continuing and discontinued operations	*10*		
Basic *(cents per share)*		**18.14**	0.68
Diluted *(cents per share)*		**16.51**	0.68
Earnings/(loss) per share from continuing operations			
Basic *(cents per share)*		**18.14**	(0.11)
Diluted *(cents per share)*		**16.51**	(0.11)
Earnings per share from discontinued operations			
Basic *(cents per share)*		**N/A**	0.79
Diluted *(cents per share)*		**N/A**	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*12*	**526,887**	499,669
Investment property		**276,105**	–
Prepaid land lease payments		**29,752**	30,550
Deposits paid for acquisition of property, plant and equipment		**55,754**	6,260
Goodwill	*20*	**24,609**	–
Intangible assets		**20,777**	15,082
Interests in joint venture	*13*	**10,665**	–
		944,549	551,561
Current assets			
Inventories		**350,636**	61,088
Trade and other receivables, deposits and prepayments	*14*	**735,403**	604,276
Prepaid land lease payments		**771**	782
Investments at fair value through profit or loss		**186**	230
Pledged bank deposits		**23,111**	34,294
Bank and cash balances		**24,165**	41,014
		1,134,272	741,684
Assets held for sale		**–**	1,336,087
		1,134,272	2,077,771
Current liabilities			
Trade and other payables	*15*	**326,176**	384,012
Borrowings	*16*	**82,950**	20,421
Amount due to a related company	*17*	**–**	4,334
Amount due to the controlling shareholder	*17*	**2,985**	11,751

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
		412,111	420,518
Liabilities directly associated with assets held for sale		**–**	392,415
		412,111	812,933
Net current assets		**722,161**	1,264,838
Total assets less current liabilities		**1,666,710**	1,816,399
Non-current liabilities			
Amount due to a related company	*17*	**–**	17,702
Amount due to the controlling shareholder	*17*	**46,721**	74,456
Borrowings	*16*	**118,500**	120,124
Convertible bonds	*18*	**43,023**	216,506
Deferred tax liabilities		**3,745**	3,798
		211,989	432,586
NET ASSETS		**1,454,721**	1,383,813
Capital and reserves			
Share capital	*19*	**118,632**	103,632
Reserves		**1,075,964**	631,025
Equity attributable to owners of the Company		**1,194,596**	734,657
Non-controlling interests		**260,125**	649,156
TOTAL EQUITY		**1,454,721**	1,383,813

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company														
	Share capital	Capital redemption reserve	Share premium	Asset revaluation reserve	Convertible bond equity reserve	Enterprise expansion fund	Reserve fund	Other reserve	Capital reserve	Share-based payment reserve	Foreign currency translation reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	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
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	16,900	7,075	23,975	26,869	50,844
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(2,555)	–	–	–	–	–	–	–	2,555	–	–	–
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	375	–	–	–	–	–	–	–	–	375	250	625
Dividends distributed to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(20,776)	(20,776)
Issue of convertible bonds	–	–	–	–	73,784	–	–	–	–	–	–	–	73,784	–	73,784
Transfer to enterprise expansion fund	–	–	–	–	–	17,117	–	–	–	–	–	(17,117)	–	–	–
Equity settled share-based transactions	–	–	–	–	–	–	–	–	–	2,953	–	–	2,953	–	2,953
Lapse of share options	–	–	–	–	–	–	–	–	–	(14)	–	14	–	–	–
At 30 June 2017	103,632	624	599,849	25,169	73,784	113,794	28,453	76,417	(200)	3,785	61,039	(413,013)	673,333	438,198	1,111,531
At 1 January 2018	**103,632**	**624**	**599,849**	**15,698**	**79,916**	**114,131**	**28,453**	**76,417**	**(200)**	**6,233**	**102,016**	**(392,112)**	**734,657**	**649,156**	**1,383,813**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(109,679)**	**199,512**	**89,833**	**(11,600)**	**78,233**
Issue of shares upon conversion of Convertible Bonds	**15,000**	**-**	**223,070**	**-**	**(63,933)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**174,137**	**-**	**174,137**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,488**	**19,488**
Release of other reserve upon disposal of subsidiaries	**-**	**-**	**-**	**(8,772)**	**-**	**(114,131)**	**(28,453)**	**(70,347)**	**-**	**-**	**-**	**221,703**	**-**	**(409,475)**	**(409,475)**
Equity transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,491**	**181,328**	**194,819**	**12,556**	**207,375**
Equity settled share-based transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,150**	**-**	**-**	**1,150**	**-**	**1,150**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,691)**	**-**	**1,691**	**-**	**-**	**-**
At 30 June 2018	**118,632**	**624**	**822,919**	**6,926**	**15,983**	**-**	**-**	**6,070**	**(200)**	**5,692**	**5,828**	**212,122**	**1,194,596**	**260,125**	**1,454,721**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(783,610)**	119,252
Cash flows from investing activities		
Purchase of property, plant and equipment	**(49,069)**	(168,825)
Deposits paid for acquisition of property, plant and equipment	**(55,754)**	(9,010)
Net cash inflow on disposal of subsidiaries	**574,423**	–
Net cash inflow on acquisition of subsidiaries	**6,595**	–
Investment in joint venture	**(10,665)**	–
Others	**5,276**	1,613
Net cash generated from/(used in) investing activities	**470,806**	(176,222)
Cash flows from financing activities		
Repayment of borrowings	**(20,899)**	(111,503)
New borrowings	**86,053**	179,215
Dividends paid to non-controlling shareholders of subsidiaries	**–**	(11,562)
Repayment to the controlling shareholder	**(42,166)**	–
Repayment to a related company	**(22,126)**	–
Transaction costs paid on issuance of convertible bonds	**–**	(916)
Capital injection from non-controlling interest	**207,375**	–
Others	**(1,890)**	58,424
Net cash generated from financing activities	**206,347**	113,658
Net (decrease)/increase in cash and cash equivalents	**(106,457)**	56,688
Cash and cash equivalents at beginning of period	**124,069**	132,777
Effect of changes in foreign exchange rate	**6,553**	4,589
Cash and cash equivalents at end of period	**24,165**	194,054
Analysis of cash and cash equivalents		
Bank and cash balances	**24,165**	194,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the Directors, the Company's controlling shareholder is Double Key International Limited (the "**Controlling Shareholder**"), a company incorporated in British Virgin Islands with limited liability. The address of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 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 period, the Group had discontinued its business of printing and manufacturing of packaging products (the "**Packaging Printing Business**"), and principally engaged in the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading (the "**Lithium Ion Motive Battery Business**"), and commenced its cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the "**Cultural Business**").

2. BASIS OF PREPARATION

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

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, together with the followings:

Financial assets

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

Financial assets of the Group are classified under the following categories:

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

2. BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group'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.

2. BASIS OF PREPARATION (CONTINUED)

Joint arrangements (Continued)

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint 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 joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

Property that is being constructed or developed for future use as investment property is stated at cost less impairment losses until construction or development is complete, at which time it is stated at fair value. The difference between the fair value and the previous carrying amount is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

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

In the current period, the Group has adopted all the new and revised HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior periods.

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

4. REVENUE AND SEGMENT INFORMATION

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

	Continuing operations			Discontinued operations	
	Lithium Ion Motive Battery Business	Cultural Business	Total	Packaging Printing Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Period ended 30 June 2018 (Unaudited):					
Revenue from external customers	26,047	2,676	28,723	–	28,723
Segment loss	(27,539)	(1,243)	(28,782)	–	(28,782)
Depreciation	22,323	118	22,441	–	22,441
Amortisation of prepaid land lease payments	400	–	400	–	400
Additions to segment non-current assets	124,167	277,804	401,971	–	401,971
At 30 June 2018 (Unaudited):					
Segment assets	1,729,709	296,698	2,026,407	–	2,026,407
Segment liabilities	489,611	41,053	530,664	–	530,664

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Continuing operations			Discontinued operations	
	Lithium Ion Motive Battery Business	**Cultural Business**	**Total**	**Packaging Printing Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Period ended 30 June 2017 (Unaudited):					
Revenue from external customers	127,541	–	127,541	281,385	408,926
Segment profit	12,934	–	12,934	27,172	40,106
Depreciation	8,062	–	8,062	24,285	32,347
Amortisation of prepaid land lease payments	104	–	104	514	618
Addition to segment non-current assets	214,007	–	214,007	87,379	301,386
At 31 December 2017 (Audited):					
Segment assets	1,092,088	–	1,092,088	1,336,081	2,428,169
Segment liabilities	494,492	–	494,492	392,415	886,907

Reconciliations of profit or loss:

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Total (loss)/profit of reportable segments	**(28,782)**	40,106
Loss on disposal of property, plant and equipment	**–**	(2,978)
Gain on disposal of subsidiaries *(Note 21)*	**241,318**	–
Corporate and unallocated loss	**(18,584)**	(17,024)
Profit for the period	**193,952**	20,104

All revenue generated by the Group were derived from the PRC and recognised at a point in time. Segment revenue are mainly generated from sales of batteries products for the Lithium Ion Motive Battery Business and provision of event production service for the Cultural Business.

5. OTHER INCOME

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest income	**1,103**	735
Government grants	**1,616**	1,435
Gain on disposal of subsidiaries *(Note 21)*	**241,318**	–
Gain on settlement of amount due to the Controlling Shareholder	**–**	4,823
Refund of value-added tax in the PRC	**4,467**	–
Others	**255**	457
	248,759	7,450
Representing		
Continuing operations	**248,759**	5,391
Discontinued operations *(Note 11)*	**–**	2,059
	248,759	7,450

6. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank loans	**1,278**	3,067
Interest expenses on amounts due to a related company and the Controlling Shareholder	**2,469**	3,538
Imputed interest expense on Convertible Bonds	**3,875**	5,215
Finance lease charge	**613**	897
	8,235	12,717
Representing		
Continuing operations	**8,235**	9,064
Discontinued operations *(Note 11)*	**–**	3,653
	8,235	12,717

7. INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the period	–	4,823
– Over provision in prior years	–	(2,271)
Deferred tax	–	1,184
	–	3,736
Representing		
Continuing operations	–	–
Discontinued operations *(Note 11)*	–	3,736
	–	3,736

No provision for Hong Kong profits tax was required since the Group has no assessable profits in Hong Kong for the periods presented.

According to the Law of the People's Republic of China ("**PRC**" or "**China**") on Enterprise Income Tax, all group companies operating in the PRC are subject to the applicable tax rate of 25%, except for certain subsidiaries that are qualified for the tax benefit of being the National High-tech Enterprise or under the Western Campaign in the PRC, that are entitled to a preferential tax rate of 15% during year of 2018.

8. PROFIT FOR THE PERIOD

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

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Cost of sales	**21,979**	90,765
Depreciation	**22,824**	8,173
Amortisation of prepaid land lease payments	**400**	104
Amortisation of intangible assets	**1,041**	933
Minimum lease payments under operating leases	**4,033**	1,340
Research and development expenses (including depreciation and staff costs)	**6,030**	1,893
Gain on settlement of amount due to the Controlling Shareholder	**–**	(4,823)
Directors' emoluments	**3,978**	2,703
Staff costs (including directors' emoluments):		
Salaries, bonus and allowances	**28,749**	18,111
Retirement benefits scheme contributions	**2,814**	609
Discontinued operations		
Cost of sales	**–**	188,071
Depreciation	**–**	24,286
Amortisation of prepaid land lease payments	**–**	514
Loss on disposal of property, plant and equipment	**–**	2,978
Research and development expenses (including depreciation and staff costs)	**–**	7,717
Staff costs:		
Salaries, bonus and allowances	**–**	47,615
Retirement benefits scheme contributions	**–**	8,524

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period (2017: nil).

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$199,512,000 (six months ended 30 June 2017: HK$7,075,000) and the weighted average number of 1,099,649,033 (six months ended 30 June 2017: 1,036,315,700) ordinary shares in issue during the period.

Diluted earnings per share

The calculation of diluted earnings per share is based on the following date:

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to the owners of the Company	**199,512**	7,075
Effect of dilutive potential ordinary shares:		
Interest on Convertible Bonds (net of tax)	**3,235**	–
Earnings for purpose of diluted earnings per share	**202,747**	7,075

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue	**1,099,649,033**	1,036,315,700
Effect of dilutive potential ordinary shares:		
Share options	**3,523,226**	3,129,017
Convertible Bonds	**124,516,574**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,227,688,833**	1,039,444,717
Diluted earnings per share (cents per shares)	**16.51**	0.68

10. EARNINGS PER SHARE (CONTINUED)

(b) From continuing operations

Earnings for the purposes of basic and diluted earnings per share from continuing operations is based on the profit for the Reporting Period of approximately HK$199,512,000 and HK$202,747,000 respectively (Six months ended 30 June 2017: loss of HK$1,188,000 for both) attributable to owners of the Company. Denominators used for basic and diluted earnings per share are same as those detailed above.

(c) From discontinued operations

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

For the six months ended 30 June 2017, earnings for the purposes of basic and diluted earnings per share from discontinued operations are based on the profit for the period of approximately HK$8,263,000 attributable to owners of the Company. Denominators used for basic and diluted earnings per share are same as those detailed above.

11. DISCONTINUED OPERATIONS

On 22 September 2017, the Group entered into a sale and purchase agreement with AMVIG Investment Limited to dispose of its 100% interest in a wholly-owned subsidiary, Outstanding Viewpoint Limited, and its subsidiaries (the "**Disposal Group**") at cash consideration of HK$700,000,000. The disposal was completed on 2 January 2018, and since then the Group's Packaging Printing Business was discontinued.

11. DISCONTINUED OPERATIONS (CONTINUED)

No results and cash flows were arisen from the Packaging Printing Business in the Reporting Period. For the results and cash flows for the six months ended 30 June 2017, which have been classified as discontinued operations and included in the condensed consolidated financial statements, are as follows:

	Six months ended 30 June 2017 *HK$'000* (Unaudited)
Revenue	281,385
Cost of sales	(188,071)
Gross profit	93,314
Other income	2,059
Distribution and selling expenses	(2,571)
Administrative expenses	(65,558)
Profit from operations	27,244
Finance costs	(3,653)
Profit before tax	23,591
Income tax	(3,736)
Profit for the period	19,855
Operating cash flows	40,484
Investing cash flows	(64,815)
Financing cash flows	15,552
Total cash flows	(8,779)

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

12. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has acquired property, plant and equipment of approximately HK$57,228,000.

13. INTERESTS IN JOINT VENTURE

On 17 May 2018, the Group established Weinan Tesson Weicheng New Energy Automobile Co., Ltd.* ("**Tesson Weicheng**")（渭南天臣威晟新能源汽車有限公司）with certain independent third parties by capital contribution of RMB9,000,000 (equivalent to approximately HK$10,665,000) by the Group , representing 15% equity interests in Tesson Weicheng. Tesson Weicheng is a company established in the PRC with limited liability for the development of new energy vehicles, power system and related components to be produced by mainstream automobile manufacturers.

The joint arrangement provides the Group with only the rights to the net assets of the joint arrangement, and the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Tesson Weicheng. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the unaudited condensed consolidated financial statements using equity method.

Since its incorporation to the six months ended 30 June 2018, no operating results had been arisen by Tesson Weicheng, therefore no share of results were recorded in the Reporting Period.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**197,766**	218,309
Bills receivable	**78**	163,755
Down payment in relation to acquisition of land	**409,869**	156,161
Valued-added tax receivables	**97,396**	35,754
Other receivables, deposits and prepayments	**30,294**	30,297
	735,403	604,276

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

Trade and bills receivable

The Group allows an average credit period of 30 to 60 days to its customers which are state-owned enterprise or those with guarantee provided, and cash on delivery for all other customers (31 December 2017: 30 to 180 days for all customers). The following is an aging analysis of trade and bills receivables, presented based on the invoice date at the end of the corresponding periods.

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**78**	129,306
61 to 90 days	**836**	55,829
Over 90 days	**196,930**	196,929
	197,844	382,064

15. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**98,691**	81,178
Bills payable	**23,052**	34,294
Amounts payable on acquisition of property, plant and equipment	**160,895**	189,176
Deposits received for disposal of subsidiaries *(Note 21)*	**–**	30,000
Accruals and other payables	**43,538**	49,364
	326,176	384,012

The aging of bills payable at the end of the period falls within 180 days (31 December 2017: 60 days).

15. TRADE AND OTHER PAYABLES (CONTINUED)

At 30 June 2018, bills payable totaling HK$23,052,000 (31 December 2017: HK$34,294,000) were secured by pledged bank deposits of HK$23,111,000 (31 December 2017: HK$34,294,000).

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**49,321**	55,433
61 to 90 days	**35,705**	16,215
Over 90 days	**13,665**	9,530
	98,691	81,178

16. BORROWINGS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loans	**82,950**	9,850
Obligation under finance lease	**–**	10,571
Other borrowings	**118,500**	120,124
	201,450	140,545
Analysed as:		
Secured	**82,950**	10,571
Unsecured	**118,500**	129,974
	201,450	140,545

16. BORROWINGS (CONTINUED)

At 30 June 2018, bank loans were secured by a parcel of land held by the Group located in Weinan, Shaanxi with carrying value of approximately HK$11,877,000, the remaining borrowings were unsecured.

At 31 December 2017, obligation under finance lease was secured by certain equipments with an aggregate carrying amount of HK$65,847,000, the remaining borrowings were unsecured.

Other borrowing of approximately HK$118,500,000 (31 December 2017: approximately HK$120,124,000) represented advance from the Weinan government for the purpose of development of the Lithium Ion Motive Battery Business.

All borrowings for the periods presented are denominated in RMB.

17. AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER/A RELATED COMPANY

On 28 February 2017, Cloud Apex Global Limited agreed to assign all rights, titles, benefits and interests of approximately HK$382,728,000 debt to the Controlling Shareholder and the Controlling Shareholder agreed to subscribe for the convertible bonds in an aggregate principal amount of HK$300,000,000 (the "**Convertible Bonds**") issued by the Company as detailed in Note 18 to replace the loan amounting to HK$300,000,000.

At 30 June 2018, the amount due to the Controlling Shareholder of approximately HK$49,469,000 (31 December 2017: approximately HK$78,662,000), and principal amount of HK$nil (31 December 2017: approximately HK$19,669,000) due to a related company are unsecured, interest bearing at 8% per annum, and were repayable by annual equal instalments from 30 June 2017 to 30 June 2036 together with the related interests thereon. 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 respective party. The remaining amounts were unsecured, non-interest bearing and has no fixed repayment terms.

18. CONVERTIBLE BONDS

On 28 February 2017, the Company issued the Convertible Bonds in an aggregate principal amount of HK$300,000,000 with a coupon rate of 3% to the Controlling Shareholder as detailed in Note 17 payable quarterly in arrears, no proceeds were raised on the issue of Convertible Bonds. The Convertible Bonds will mature from the date of issue to 30 June 2036, representing maturity period of 18.8 years, and can be converted into a maximum of 187,500,000 conversion shares of the Company at the conversion price of HK$1.6 per conversion shares upon full exercise of the conversion rights by the end on the third anniversary to the date of issue of the Convertible Bonds. During the Reporting Period, 150,000,000 conversion shares were allotted and issued, representing conversion of Convertible Bonds at the principal amount of HK$240,000,000.

The Convertible Bonds recognised in the condensed consolidated statement of financial position had been split between liability and equity components, and are calculated as follows:

	Liability component *HK$'000* **(Unaudited)**	**Equity component** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
At 28 February 2017	**215,012**	**80,165**	**295,177**
Transaction costs	**(668)**	**(249)**	**(917)**
Issue of Convertible Bonds	**214,344**	**79,916**	**294,260**
Imputed interest expense	**9,707**	**–**	**9,707**
Interest payable	**(7,545)**	**–**	**(7,545)**
At 31 December 2017 and 1 January 2018	**216,506**	**79,916**	**296,422**
Conversion	**(174,137)**	**(63,933)**	**(238,070)**
Imputed interest expense	**3,875**	**–**	**3,875**
Interest paid/payable	**(3,221)**	**–**	**(3,221)**
At 30 June 2018	**43,023**	**15,983**	**59,006**

19. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each at 31 December 2017 and 30 June 2018	**2,000,000,000**	**200,000**
Issued and fully paid:		
At 31 December 2017	**1,036,315,700**	**103,632**
Issue of shares upon conversion of Convertible Bonds *(Note 18)*	**150,000,000**	**15,000**
At 30 June 2018	**1,186,315,700**	**118,632**

20. ACQUISITION OF SUBSIDIARIES

On 9 May 2018, the Group acquired 95% equity interest of Nanning Rongzhou Cultural Broadcasting Company Limited* ("**Nanning Culture**")（南寧容州文化傳播有限公司）and its subsidiary (the "**Acquired Group**"). Consideration for the acquisition was in the form of cash at RMB19,000,000 (equivalent to approximately HK$22,515,000) through subscribing 19,000,000 new ordinary shares of Nanning Culture at the price of RMB1 per ordinary share.

The Acquired Group is principally engaged in cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering. The acquisition was made as the Directors believe this will enable the Group to engage in the cultural and creative industries, so as to diversify the income streams of the Group and broaden its revenue base with a view to generate higher investment returns. For details, please refer to the announcement of the Company dated 9 May 2018.

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair value of the identifiable assets and liabilities of the Acquired Group with reference to the independent valuation as at its date of acquisition was as follows:

	HK$'000
	(Unaudited)
Net assets acquired:	
Property, plant and equipment	1,655
Investment property	276,105
Inventories	1,653
Trade and other receivables	5,440
Bank and cash balances	29,110
Trade and other payables	(296,569)
Total identifiable net assets at fair value	17,394
Goodwill arising from acquisition	
Consideration transferred	22,515
Add: Non-controlling interests	19,488
Less: Fair value of identifiable net assets acquired	(17,394)
Goodwill	24,609
Net cash inflow on acquisition of subsidiaries:	
Bank and cash balances acquired	6,595

Goodwill arising from the acquisition of Acquired Group, which is not deductible for tax purposes, is attributable to the anticipated profitability of the provision of Cultural Business.

If the acquisition had been completed on 1 January 2018, revenue of the Group for the period would have been approximately HK$30,535,000 and profit for the period would have been approximately HK$201,202,000. 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 2018, nor is it intended to be a projection of future results. The cost in relation to this acquisition was approximately HK$140,000.

21. DISPOSAL OF SUBSIDIARIES

As detailed in Note 11, disposal of the Disposal Group was completed on 2 January 2018.

Net assets at the date of disposal were as follows:

	HK$'000 (Unaudited)
Property, plant and equipment	615,165
Prepaid land lease payments	47,027
Deposits paid for acquisition of property, plant and equipment	16,251
Available-for-sale financial assets	18,019
Inventories	177,027
Trade and other receivables, deposits and prepayments	379,543
Bank and cash balances	83,055
Trade and other payables	(240,329)
Tax payables	(15,878)
Borrowings	(104,075)
Deferred tax liabilities	(32,133)
Amount due to the remaining group	(182,271)
Net assets disposed of	761,401
Release of foreign currency translation reserve	(88,037)
Non-controlling interests	(409,475)
	263,889
Waiver of amount due from the Disposal Group	182,271
Direct transaction costs incurred	12,522
Gain on disposal of subsidiaries	241,318
Consideration	700,000
Consideration	700,000
Deposit received in the year ended 31 December 2017	(30,000)
Consideration received during the period	670,000
Bank and cash balances disposed of	(83,055)
Direct transaction costs incurred	(12,522)
Net cash inflow arising on disposal	574,423

22. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities (31 December 2017: nil).

23. LEASE COMMITMENTS

At the end of the Reporting Period, total future minimum lease payments under non-cancellable operating leases in respect of certain office premises and production bases are analysed as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**9,747**	7,968
In the second to fifth year, inclusive	**23,235**	25,199
After five years	**6,777**	8,580
	39,759	41,747

24. CAPITAL COMMITMENTS

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
– Property, plant and equipment	**64,190**	74,236

25. RELATED PARTY TRANSACTIONS

	(Unaudited) Six month ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest expenses on amount due to a related company *(Note 6)*	**–**	780
Interest expenses on Convertible Bonds and amount due to the Controlling Shareholder *(Note 6)*	**6,344**	7,973

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 8.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 31 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Policy risk

The emerging industry for electric vehicles ("**EVs**") has thus far enjoyed the full support of the Chinese government. However to maintain sustainable growth, the EV industry must move away from being driven by government policy, to being driven by the market force. On 13 February 2018, the Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, and Law Reform Commission of the PRC jointly issued the Notice on Adjusting and Improving Financial Subsidies for Electric Vehicles* (the "**Notice**")（《關於調整完善新能源汽車推廣應用財政補貼政策的通知》）, which caused many automobile manufacturers to delay production plans in order to obtain maximum benefit under the new subsidy policy, resulting in concentrating demand for EV batteries in the second half of the year.

Market and credit risks

Under the policy background of deleveraging and tightening of the capital by the Chinese government since the end of 2017, the subsidies available for the EV industry have been adjusted downward, the EV industry as a whole is therefore facing a possible downturn. A number of battery manufacturers now have longer turnover days of receivables and weaker upstream demand, resulting in failures in punctual recovery of accounts receivable, insufficient cash flows, and the potential of reorganization or bankruptcy. To solve the problem of shortage of funding, several peers have sold their battery inventories at a lower price, which added pressure to profit margins across the entire industry.

Solutions

Responding to the shortage of market capital and increasing credit risk, the Group has adjusted its credit control policy. Customers that were not state-owned enterprises or large enterprises were required to pay on delivery or provide guarantees in order to reduce the Group's credit risk. Management believes that although the corresponding adjustment will cause a significant decline in sales in the short term, it will prevent bad debts and losses which may be caused by impairment thereof.

Additionally, during the Reporting Period, the Group actively expanded its strategic partnerships with EV manufacturers to better utilize its vertically integrated layout on the industrial chain. In May 2018, the Group, Weinan High-tech Industrial Development Co., Ltd.*（渭南高新區產業發展有限公司）, and Suzhou Zijing Qingyuan New Energy Automobile Technology Co., Ltd.*（蘇州紫荊清遠新能源汽車技術有限公司）, entered into an agreement to form a new joint venture company, Tesson Weicheng, for the research and development of EV power systems and related components for major automobile manufacturers, including reputable ones in the PRC. The Directors are of the view that the establishment of Tesson Weicheng will enable the Group to strategically capture the continuously growing demand from EV manufacturers for battery products, further enhancing reputation and brand awareness in the market and expanding its market share. To consolidate its technical advantages, on 29 May 2018, the Group also signed a strategic cooperation memorandum with K2 Energy (Suzhou) Co., Ltd. ("**K2 (Suzhou)**") to develop a commercial vehicle power system. Further technical cooperation agreement may be entered into between the Group and K2 Energy Solutions, Inc. the ultimate holding company of K2 (Suzhou). The Group believes the partnership will further enhance the quality, reliability, and stability of its battery products, power systems, and battery management systems.

Opportunities

In the first half of 2018, the Chinese economy has been growing steadily, the gross domestic product has reached RMB41.9 trillion, a year-on-year increase of 6.8%.[1] EVs have become especially popular and are now one of the seven strategic industries in the PRC. With the continuous support of national and local policies, EVs are likely to continue to flourish.

Under the Notice, subsidies for EVs are shifting towards higher energy density, leading to increasing battery life requirements from automobile manufacturers. The energy density of the Group's lithium ion motive battery is inline with the latest subsidy requirement, product's advantages of the Group will become more and more obvious.

Internal developments

In response to the industry's future development needs, the Group has been investing in the development of new technologies and intelligent manufacturing. The Group completed construction of its temporary plant in Lishui, Nanjing in the first half of 2018, and the plant was put into operation in the middle of the year. With the completion of debugging of two battery production lines and a production line for battery management system, the plant will be able to produce 1.2GWh in vehicle power and energy storage battery systems, and 100,000 sets of battery management systems.

[1] *National Bureau of Statistics http://www.statsgov.cn/tjsj/sjjd/201807/t20180717_1610380.html*

Meanwhile, the construction of the Group's power battery system assembly base in Lishui, Nanjing (the "**Nanjing Lishui System Assembly Project**") officially commenced in early March 2018. The Nanjing Lishui System Assembly Project covers an area around 400 acres, and will serve as the Group's base of operations, production, and research and development. After its completion, the assembly base is expected to produce 4GWh of power batteries and 400,000 sets of battery management systems per year.

Additionally, the Group's battery production base in Weinan, Shaanxi had accelerated production during the Reporting Period. Phase III production base in Weinan is currently under construction and will further optimize the Group's production capacity.

Other business developments

In addition to its core business, the Group continues to seek quality investment opportunities in the cultural and creative industries. In early May, the Group acquired a cultural communications company mainly engaged in cultural industry-related businesses, including large-scale event production, themed museums, architectural design, and engineering. The acquisition enables the Group to enter into the cultural and creative industries, which will diversify its operating income and risks, and serve as additional investment income.

Business development in EV requires a large, high-quality talent pool which is also the foundation of the enterprise's continuous development, the Group plans to build apartments to provide better living environment at preferential prices for its employees. By then, the Group may be involved in real estate development business.

FUTURE PROSPECTS

Looking beyond the second half of 2018, the Group remains optimistic about the demand for EVs. With increasing demand for lithium ion motive batteries compared to the first half of 2018, overall performance of the industry for 2018 will be improved. As of the beginning of June 2018, nine vehicle models powered by the Group's battery products were shortlisted in the Announcement on On-road Vehicle Manufacturers and Products*（《道路機動車輛生產企業及產品公告》）No. 301-308 batches from the Ministry of Industry and Information Technology in the PRC. With the better recognition of the EV products from downstream automobile manufacturers, the profitability of the Group's Lithium Ion Motive Battery Business is expected to improve in the foreseeable future.

At the same time, the Group will continue to strengthen its vertical industrial chain layout. In terms of battery production, the Group will concentrate on the phase III production base in Weinan to expand the Group's market share in automotive batteries.

The management believes that technological innovation is the core driver of future growth, and will therefore increase investment in this area, including conduction of research on new industry technologies through Tesson New Energy Research (Nanjing) Limited*（天臣新能源研究南京有限公司）, a subsidiary of the Group, especially in high-end, intelligent manufacturing equipment, and automated production processes for lithium ion motive batteries. In the future, the Group intends to operate Tesson Weicheng as a platform for strategic cooperation with automobile manufacturers to develop new EV solutions.

FINANCIAL REVIEW

Continuing Operations

Revenue and gross profit ratio

During the Reporting Period, the Packaging Printing Business was discontinued on 2 January 2018 and no results and cash flow were arisen from this segment. Revenue from the continuing operations were primarily from (i) the Lithium Ion Motive Battery Business which was amounted to approximately HK$26,047,000 (for the six months ended 30 June 2017: approximately HK$127,541,000), representing reduction of approximately HK$101,494,000; and (ii) the Cultural Business, which is the new business segment entered into by the Group in the Reporting Period, which revenue amounted to approximately HK$2,676,000 (for the six months ended 30 June 2017: nil).

Gross profit margin dropped from 28.8% to 23.5% for the Reporting Period. The decrease in revenue and gross profit margin was mainly led by the followings:

(i) it was disclosed in the circular of the Company dated 6 November 2017 that the Directors expected that sales to automobile manufactures will be the main source of income for the Lithium Ion Motive Battery Business. However, as detailed in Business Review, as the development of EV industry is heavily guided by governmental policies and initiatives, reduction of subsidy for new energy vehicles as a result of the change in government policy in early 2018, together with the absence of 2019 subsidy policy announcements has created speculations and anxieties among automobile manufacturers, leading to their prudent production plans and a reduction in the purchase of the Group's products. As a result, the performance of the Group's Lithium Ion Motive Battery Business was crucially affected in the Reporting Period;

(ii) the Group has enhanced credit risk management by implementing new credit policy, resulting in sales decrease from customers who habitually delay in making payments; and

(iii) the selling price decreased was mainly due to the large inventory supply in substantial discount from competitors experiencing credit default.

Other income

Other income for the Reporting Period was approximately HK$248,759,000, which mainly consisted of the gain on disposal of subsidiaries at approximately HK$241,318,000, and refund of value-added tax in the PRC at HK$4,467,000. For the six months ended 30 June 2017, other income amounted to approximately HK$5,391,000, which mainly consisted of gain on settlement of amount due to the Controlling Shareholder at HK$4,823,000. The remaining amount mainly comprised government grants and interest income.

Distribution and selling expenses

Distribution and selling expenses for the Reporting Period was HK$3,642,000 (for the six months ended 30 June 2017: approximately HK$5,598,000). The decrease was inline with reduction in revenue, which has been partly absorbed by increase in entertainment and sampling expenses in relation to potential sales to automobile manufacturers.

Administrative expenses

Administrative expenses for the Reporting Period were approximately HK$49,674,000 (for the six months ended 30 June 2017: approximately HK$27,256,000). The increase was mainly attributable to (i) the increase of research and development expenses from HK$1,893,000 to HK$6,030,000; (ii) increase of salaries excluding sum for the research team from HK$7,316,000 to HK$14,425,000, which was mainly incurred for experts and management personnel newly employed; and (iii) general increase of expenses which were inline with the Group's expansion.

Finance costs

Finance costs for the Reporting Period decreased to approximately HK$8,235,000 (for the six months ended 30 June 2017: approximately HK$9,064,000), mainly due to the reduced interest charged on the Convertible Bonds upon its partial conversion.

Basic and diluted earnings per share

Basic and diluted earnings per share for the Reporting Period increased to HK$18.14 cents and HK$16.51 cents as compared to loss of HK$0.11 cents and HK$0.11 cents, respectively for continuing operations. The increase was mainly attributable by the gain on disposal of subsidiaries in the Reporting Period.

HUMAN RESOURCES DEVELOPMENT

As at 30 June 2018, the Group employed a total of approximately 629 employees (31 December 2017: approximately 639 employees for its continuing operations). The number of employees dropped mainly due to automation of production process for the Lithium Ion Motive Battery Business which led to less demand in headcount. Most of the employees were hired by the Group's production plants in the PRC during the Reporting Period. The Group has provided training to its employees to update their expertise and enhance their skills and development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, are provided to attract, retain and motivate the employees of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2018 with net current assets of approximately HK$722,161,000 (31 December 2017: approximately HK$1,264,838,000) and bank and cash balances of approximately HK$24,165,000 (31 December 2017: approximately HK$41,014,000) and pledged bank deposits of approximately HK$23,111,000 (31 December 2017: HK$34,294,000). The gearing ratio of the Group (which was expressed as a percentage of total borrowings excluding the liabilities portion of the Convertible Bonds over total equity) was about 13.8% as at 30 June 2018 (31 December 2017: 10.2%). The inventory balance increased substantially at the end of Reporting Period. It was mainly due to the tightening of credit policy and sales volume dropped during the first half of year, leading to high level of inventories as at 30 June 2018. The management will closely monitor the inventory level and believes that it will return to an optimal level in the second half of year.

BORROWINGS AND PLEDGE OF ASSETS

Details of pledged assets are set out in Note 16.

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

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

EXCHANGE EXPOSURE

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company ("**Shares**") or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**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 as set out in Appendix 10 to (the "**Model Code**") the Listing Rules were as follows:

(i) Long positions in the issued Shares

Name of director	*Note*	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	*1*	Interest of Controlled Corporation	785,887,533	66.25%
Sheng Siguang	*2*	Interest of spouse	65,000,000	5.48%

Note 1: The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at 30 June 2018, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

Note 2: Mr. Sheng Siguang, an executive Director and a chief executive officer of the Company, is the spouse of Ms. Wang Jin who is interested in 65,000,000 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 the underlying Shares

As at 30 June 2018, Double Key International Limited held 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

Some of the Directors and the 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 "Share Options" below.

(iii) Long positions in associated corporations

Name of director	Nature of Interest	Name of associated corporation	Number of shares held	Percentage to that associated corporation's issued share capital as at 30 June 2018
Cheng Hung Mui	Corporate interest	Double Key International Limited	100	100%

Apart from the foregoing, as at 30 June 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, according to the register kept by the Company pursuant to Section 336 of the 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 were as follows:

Long position

Name of shareholder	*Notes*	Capacity	Number of issued ordinary Shares held/ underlying Shares	Percentage of the issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	823,387,533	69.41%
Double Key International Limited	*1*	Beneficial owner	823,387,533	69.41%
Lankai Limited	*2*	Beneficial owner	100,000,000	8.43%
Li Yujun	*2*	Interest of controlled corporation	100,000,000	8.43%
Burgeon Max Holdings Limited	*3*	Beneficial owner	65,000,000	5.48%
Wang Jin	*3*	Interest of controlled corporation	65,000,000	5.48%
Sheng Siguang	*3*	Interest of spouse	65,000,000	5.48%
Wu Siqing	*3*	Interest of controlled corporation	65,000,000	5.48%

Note 1: The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at 30 June 2018, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

Note 2: 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 Shares held by Lankai Limited pursuant to the SFO.

Note 3: 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 are deemed to be interested in the Shares held by Burgeon Max Holdings Limited pursuant to the SFO. Besides, Mr. Sheng Siguang, an executive Director and a chief executive officer of the Company, 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.

Save as disclosed above, as at 30 June 2018, 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 positions in shares and underlying shares" above), who had interests or short positions in the shares or underlying shares of the Company which would fall to be discloseable 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.

SHARE OPTIONS

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 full time/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 Shares available for issue under the Scheme as at 30 June 2018 was 103,631,570 shares representing 10% of the total number of ordinary shares of the Company in issue as at 23 May 2017. 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.

From the date of adoption of the Scheme and up to 30 June 2018, a total of 24,300,000 share options to subscribe for a total of 24,300,000 Shares were granted by the Company under the Scheme, among which 6,900,000 share options have lapsed. As at 30 June 2018, there were a total of 17,400,000 outstanding options, carrying rights to subscribe for 17,400,000 Shares.

Details of the movements of the share options granted under the Scheme during the Reporting Period are 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 31 December 2017	Granted and accepted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding options as at 30 June 2018
Director									
Tin Kong	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	600,000	–	–	–	600,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	600,000	–	–	–	600,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	800,000	–	–	–	800,000
Chen Dekun	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	300,000	–	–	–	300,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	300,000	–	–	–	300,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	400,000	–	–	–	400,000
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)	–
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	600,000	–	–	(600,000)	–
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	800,000	–	–	(800,000)	–
Senior Management (in aggregate)	11/11/2016	11/11/2017 to 10/11/2021	0.85	0.85	5,520,000	–	–	(1,200,000)	4,320,000
	11/11/2016	11/11/2018 to 10/11/2021	0.85	0.85	5,520,000	–	–	(1,200,000)	4,320,000
	11/11/2016	11/11/2019 to 10/11/2021	0.85	0.85	7,360,000	–	–	(1,600,000)	5,760,000
Sub-total:					20,400,000	–	–	(6,000,000)	14,400,000
Total:					23,400,000	–	–	(6,000,000)	17,400,000

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Company and the Directors strive to follow the internal control manuals and put in place sufficient resources to comply with the CG Code. During the Reporting Period, the Company has complied with all the applicable provision of the CG Code, except for code provision A.4.1.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term, subject to re-election. Directors of the Company (including independent non-executive Directors) were not appointed for a specific term but are subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws of the Company. In the opinion of the Directors, this meets the objective of the CG Code.

Save as disclosed above, the Directors are not aware of any other information that reasonably reveals that there is any non-compliance with or deviation from the CG Code by the Company anytime during the Reporting Period.

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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the date of the 2017 Annual Report are set out below:

Following the retirement of each of Mr. Zhou Jin and Mr. Tao Fei Hu as an executive Director at the conclusion of the annual general meeting of the Company held on 11 June 2018, the Board comprises of four executive Directors, namely, Ms. Cheng Hung Mui, Mr. Tin Kong, Mr. Chen Dekun and Mr. Sheng Siguang, and three independent non-executive Directors, namely, Mr. Wang Jinlin, Mr. Ng Ka Wing and Mr. See Tak Wah.

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

According to the 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). The majority of the audit committee members of the Company 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 of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. See Tak Wah (chairman of the Audit Committee), Mr. Wang Jinlin and Mr. Ng Ka Wing.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2018 and the corresponding period in 2017 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

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

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

Hong Kong, 31 August 2018

* *for identification purpose only*

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