



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

2015 Interim Report 中期報告



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Cheng Hung Mui
Mr. Zhang Xiaofeng (*Chief Executive Officer*)
Mr. Tin Kong (*Chairman*)(appointed on 27/8/2015)
Mr. Zhou Jin
Mr. Chen Dekun
Mr. Tao Fei Hu
Mr. Wang Feng Wu

NON-EXECUTIVE DIRECTOR

Mr. Gou Min (resigned on 27/8/2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chun Chung, Patrick
Mr. Lee Kwong Yiu
Mr. Wang Jinlin
Mr. Zhang Jianxing
Mr. Liang Zhong (resigned on 27/8/2015)

AUDIT COMMITTEE

Mr. Ho Chun Chung, Patrick (*Chairman*)
Mr. Lee Kwong Yiu
Mr. Wang Jinlin

REMUNERATION COMMITTEE

Mr. Lee Kwong Yiu (*Chairman*)
Mr. Zhang Xiaofeng
Mr. Ho Chun Chung, Patrick

NOMINATION COMMITTEE

Mr. Lee Kwong Yiu (*Chairman*)
Mr. Zhang Xiaofeng
Mr. Ho Chun Chung, Patrick

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Level 22, Hopewell Centre
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REGISTERED OFFICE

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

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PRINCIPAL BANKER

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ICBC Tower
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Hong Kong

HONG KONG LEGAL ADVISER

Michael Li & Co.
19/F., Prosperity Tower
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AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre
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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 interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015, together with the comparative figures for the corresponding period of 2014. The details are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Continuing operation			
Revenue	4	344,833	326,129
Cost of sales		<u>(223,787)</u>	<u>(218,631)</u>
Gross profit		121,046	107,498
Other income		7,169	5,792
Distribution and selling expenses		(2,111)	(1,171)
Administrative expenses		<u>(83,049)</u>	<u>(53,641)</u>
Profit from operation		43,055	58,478
Impairments loss on trade receivables		(1,724)	–
Fair value gain on held-for-trading investments		278	3
Restructuring costs		(23,575)	–
Gain on execution of the schemes of arrangement	5	29,439	–
Impairment loss on available-for-sale investments		–	(7,364)
Finance costs		<u>(4,892)</u>	<u>(8,063)</u>
Profit before tax		42,581	43,054
Income tax	6	<u>(9,215)</u>	<u>(10,378)</u>
Profit for the period from continuing operation		33,366	32,676
Discontinued operations			
Loss for the period from discontinued operations		<u>–</u>	<u>(314)</u>
Profit for the period	7	33,366	32,362

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
<i>Note</i>	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(8,206)</u>	<u>8,528</u>
Total comprehensive income for the period	<u>25,160</u>	<u>40,890</u>
Profit/(loss) for the period attributable to:		
Owners of the Company		
From continuing operation	10,219	15,970
From discontinued operations	<u>–</u>	<u>(314)</u>
Profit attributable to owners of the Company	10,219	15,656
Non-controlling interests		
From continuing operation	<u>23,147</u>	<u>16,706</u>
	<u>33,366</u>	<u>32,362</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	5,233	21,122
Non-controlling interests	<u>19,927</u>	<u>19,768</u>
	<u>25,160</u>	<u>40,890</u>
Earnings/(loss) per share	9	Restated
<i>Basic and diluted (cents per share)</i>		
From continuing operation	2.98	6.08
From discontinued operations	<u>–</u>	<u>(0.12)</u>
From continuing and discontinued operations	<u>2.98</u>	<u>5.96</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	588,703	561,458
Prepaid land lease payments		42,094	41,731
Deposits paid for acquisition of property, plant and equipment		11,465	22,457
Available-for-sale investments		5,679	5,679
		<u>647,941</u>	<u>631,325</u>
Current assets			
Inventories		166,180	147,999
Trade and other receivables, deposits and prepayments	11	277,829	265,495
Prepaid land lease payments		613	613
Held-for-trading investments		719	440
Bank and cash balances		184,254	53,702
		<u>629,595</u>	<u>468,249</u>
Current liabilities			
Trade and other payables	12	122,753	193,235
Tax payables		11,324	5,136
Dividend payable to non-controlling shareholders		1,698	1,677
Borrowings	13	89,846	489,706
Due to the controlling shareholder	14	30,004	5,000
		<u>255,625</u>	<u>694,754</u>
Net current assets/(liabilities)		<u>373,970</u>	<u>(226,505)</u>
Total assets less current liabilities		<u>1,021,911</u>	<u>404,820</u>
Non-current liabilities			
Payable to a scheme company	14	505,121	–
Deferred tax liabilities		36,660	36,619
		<u>541,781</u>	<u>36,619</u>
NET ASSETS		<u>480,130</u>	<u>368,201</u>
Capital and reserves			
Share capital	15	39,218	26,145
Reserves		66,521	(15,841)
Equity attributable to owners of the Company		105,739	10,304
Non-controlling interests		374,391	357,897
TOTAL EQUITY		<u>480,130</u>	<u>368,201</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Attributable to owners of the Company													
	Capital		Asset		Enterprise		Foreign			Non-		Total	
	Share capital	redemption reserve	Share premium	revaluation reserve	expansion fund	Reserve fund	Other reserve	Capital reserve	translation reserve	Accumulated losses	controlling interests		
Note	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)
At 1 January 2014	26,145	624	74,215	41,739	47,701	30,016	79,143	(200)	121,123	(473,209)	(52,703)	323,717	271,014
Total comprehensive income for the period	-	-	-	-	-	-	-	-	5,466	15,656	21,122	19,768	40,890
At 30 June 2014	<u>26,145</u>	<u>624</u>	<u>74,215</u>	<u>41,739</u>	<u>47,701</u>	<u>30,016</u>	<u>79,143</u>	<u>(200)</u>	<u>126,589</u>	<u>(457,553)</u>	<u>(31,581)</u>	<u>343,485</u>	<u>311,904</u>
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 income for the period	-	-	-	-	-	-	-	-	(4,986)	10,219	5,233	19,927	25,160
Issue of shares upon open offer	15	13,073	-	77,129	-	-	-	-	-	-	90,202	-	90,202
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3,433)	(3,433)
Transfer to enterprise expansion reserve	-	-	-	-	1,998	-	-	-	-	(1,998)	-	-	-
At 30 June 2015	<u>39,218</u>	<u>624</u>	<u>151,344</u>	<u>41,243</u>	<u>71,395</u>	<u>30,012</u>	<u>79,143</u>	<u>(200)</u>	<u>113,892</u>	<u>(420,932)</u>	<u>105,739</u>	<u>374,391</u>	<u>480,130</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	30,736	61,345
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,376)	(5,781)
Other investing cash flows (net)	–	(203)
Net cash used in investing activities	(43,376)	(5,984)
Cash flows from financing activities		
Proceeds from issue of shares upon open offer	90,201	–
Repayment of borrowings	(95,687)	26,022
Proceeds from borrowings	128,680	–
Dividends paid to non-controlling shareholders of subsidiaries	(3,433)	(39,460)
Borrowing from controlling shareholder	25,004	–
Other financing cash flows (net)	–	2,840
Net cash generated from/(used in) financing activities	144,765	(10,598)
Net increase in cash and cash equivalents	132,125	44,763
Cash and cash equivalents at beginning of period	53,702	47,676
Effect of changes in foreign exchange rate	(1,573)	1,544
Cash and cash equivalents at end of period	184,254	93,983
Analysis of cash and cash equivalents		
Bank and cash balances	184,254	105,951
Bank overdrafts	–	(11,968)
	184,254	93,983

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

Tesson Holdings Limited (Formerly known as Kith Holdings Limited) (the “Company”) was incorporated in the 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”). 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 respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and trading in the shares of the Company had been suspended since 18 December 2013 and has been resumed on 27 March 2015.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively “the Group”) were principally engaged in printing and manufacturing of packaging products (the “Packaging Printing Business”).

As approved by shareholders of the Company at extraordinary general meeting held on 25 June 2015 and by the Registrar of Companies in Bermuda on 30 June 2015, the name of the Company has been changed to “Tesson Holdings Limited” from “Kith Holdings Limited” and the dual foreign name of the Company has been changed to “天臣控股有限公司” from “僑威集團有限公司”. The English stock name of the Company for trading in its shares on the Stock Exchange has been changed to “TESSON HOLDINGS” from “KITH HOLDINGS” with its Chinese stock shares name has been changed to “天臣控股” from “僑威集團” with effect from 30 July 2015.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“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 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

2. BASIS OF PREPARATION (CONTINUED)

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Going concern

The Interim Financial Statements have been prepared on a going concern basis. In the opinion of the Directors, the Group should be able to continue as a going concern upon the successful implementation of the schemes of arrangement (collectively "the Schemes") i) between the Company and its creditors and ii) between Ever Honest Industries Limited (the "Ever Honest") and its creditors. Upon the Schemes being effective on 18 March 2015, all the claims against, and liabilities of, the Company and the Ever Honest (collectively "the Restructured Debts") have been transferred and payable to Cloud Apex Global Limited (the "Scheme Company") which is initially owned by the administrator of the Schemes (the "Schemes Administrator") for the purpose of the Schemes administration.

Subsequent to the end of the reporting period, on 17 July 2015, the Schemes Administrator has transferred its entire issued share capital in the Scheme Company to the Controlling Shareholder (the "Transfer") upon execution of the principal terms of the Schemes. The Restructured Debts payable to the Scheme Company will not be repayable within one year after the date of the Transfer and the Controlling Shareholder has expressed its willingness to sustain the Group's ability to continue as a going concern in the foreseeable future.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to the Group to meet its liabilities as they fall due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. 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 period and prior periods.

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 HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION

Information about reportable segment profit or loss, assets and liabilities:

	<u>Continuing operation</u>	<u>Discontinued operations</u>	
	Printing and manufacturing of packaging products	Distribution of other electronic and related products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Period ended 30 June 2015 (Unaudited):			
Revenue from external customers	344,833	–	344,833
Segment profit	47,720	–	47,720
Depreciation	29,536	–	29,536
Amortisation	363	–	363
Other material non-cash items:			
Impairment of trade receivables	1,724	–	1,724
Additions to segment non-current assets	57,343	–	57,343
At 30 June 2015 (Unaudited):			
Segment assets	1,188,194	–	1,188,194
Segment liabilities	<u>135,039</u>	<u>–</u>	<u>135,039</u>
Period ended 30 June 2014 (Unaudited):			
Revenue from external customers	326,129	–	326,129
Segment profit/(loss)	63,868	(314)	63,554
Depreciation	19,543	–	19,543
Amortisation	506	–	506
Addition to segment non-current assets	6,113	–	6,113
At 31 December 2014 (Audited):			
Segment assets	1,090,934	–	1,090,934
Segment liabilities	<u>146,602</u>	<u>–</u>	<u>146,602</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment profit and loss:

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total profit of reportable segments	47,720	63,868
Restructuring costs	(23,575)	–
Gain on execution of the schemes of arrangement	29,439	–
Corporate and unallocated loss	(6,111)	(5,387)
Impairment loss on available-for-sale investments	–	(7,364)
Finance costs	(4,892)	(8,063)
	<u>42,581</u>	<u>43,054</u>
Consolidated profit before tax	<u>42,581</u>	<u>43,054</u>

5. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

The Group's gain of approximately HK\$29,439,000 on the execution of the Schemes 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. INCOME TAX

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax		
– Provision for the period	9,174	8,433
Deferred tax	41	1,945
	<u>9,215</u>	<u>10,378</u>

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period.

According to the Law of the People's Republic of China 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 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 tax authorities in 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories sold	223,787	218,631
Depreciation	29,536	20,603
Amortisation of prepaid lease payments	363	506
Directors' emoluments	1,941	1,032
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	57,813	55,313
Retirement benefits scheme contributions	6,572	6,288
	<u>64,385</u>	<u>61,601</u>
Impairment loss on available-for-sale investments	–	7,364
Interest income	(440)	(355)
	<u><u>(440)</u></u>	<u><u>(355)</u></u>

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period of approximately HK\$10,219,000 (six months ended 30 June 2014: profit of approximately HK\$15,656,000) attributable to owners of the Company and the weighted average number of 342,822,212 (six months ended 30 June 2014: 262,704,574 as adjusted to reflect the impact of open offer on 10 March 2015) ordinary shares in issue during the period.

Diluted earnings per share

No diluted earning per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

(b) From continuing operation

Basic earnings per share

The calculation of basic earnings per share from continuing operation attributable to owners of the Company is based on the profit for the period of approximately HK\$10,219,000 (six months ended 30 June 2014: profit of approximately HK\$15,970,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earning per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

(c) From discontinued operation

Basic loss per share

The calculation of basic loss per share from discontinued operations attributable to owners of the Company is based on the loss for the period of approximately HK\$nil (six months ended 30 June 2014: loss of approximately HK\$314,000) attributable to owners of the Company and the denominator used is the same as that detailed above for basic earnings per share.

Diluted loss per share

No diluted loss per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group has acquired property, plant and equipment of approximately HK\$57,343,000.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	253,151	254,973
Less: impairment losses	<u>(12,707)</u>	<u>(10,983)</u>
	240,444	243,990
Bills receivable on hand	5,593	5,832
Prepayment, deposits and other receivables	<u>31,792</u>	<u>15,673</u>
	<u>277,829</u>	<u>265,495</u>

Trade receivables

The Group allows an average credit period of 30 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 60 days	231,535	234,950
61 to 90 days	8,187	8,307
Over 90 days	<u>722</u>	<u>733</u>
	<u>240,444</u>	<u>243,990</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

Bills receivables

The following is an aged analysis of bills receivables:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 60 days	<u>5,593</u>	<u>5,832</u>

12. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables	87,112	135,074
Accruals and other payables	<u>35,641</u>	<u>58,161</u>
	<u>122,753</u>	<u>193,235</u>

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 60 days	53,121	82,368
61 to 90 days	2,090	3,241
Over 90 days	<u>31,901</u>	<u>49,465</u>
	<u>87,112</u>	<u>135,074</u>

During the period, upon the Schemes being effective on 18 March 2015, trade and other payables of approximately HK\$71,960,000 in relation to the Restructured Debts has been transferred and payable to the Scheme Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. BORROWINGS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Bank overdrafts	–	12,227
Bank loans	89,846	89,220
Trust receipt loans	–	310,795
Other loans	–	77,464
	<u>89,846</u>	<u>489,706</u>
Analysed as:		
Secured	–	30,000
Unsecured	89,846	459,706
	<u>89,846</u>	<u>489,706</u>

During the period, upon the Schemes being effective on 18 March 2015, borrowings of approximately HK\$433,161,000 in relation to the Restructured Debts has been transferred and payable to the Scheme Company.

14. PAYABLE TO A SCHEME COMPANY/DUE TO THE CONTROLLING SHAREHOLDER

Upon the Schemes 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 and payable to the Scheme Company. Subsequent to the end of the reporting period, on 17 July 2015, the Schemes Administrator has transferred its entire issued share capital in the Scheme Company to the Controlling Shareholder (the “Transfer”) upon execution of the principal terms of the Schemes. The Restructured Debts payable to the Scheme Company will not be repayable within one year after the date of the Transfer.

The amounts due to the Controlling Shareholder are unsecured, non-interest bearing and have no fixed repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. SHARE CAPITAL

A summary of the share capital of the Company is as follows:

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31 December 2014 and 30 June 2015	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 December 2014 and 1 January 2015	261,453,600	26,145
Open offer (<i>Note 1</i>)	<u>130,726,800</u>	<u>13,073</u>
At 30 June 2015	<u>392,180,400</u>	<u>39,218</u>

Note 1: Completion of the open offer took place on 10 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.

16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. CAPITAL COMMITMENTS

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Property, plant and equipment Contracted but not provided for	<u>62,967</u>	<u>3,962</u>

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Rental expenses paid to a related company	<u>-</u>	<u>259</u>

- (b) 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 7.

19. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 26 August 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATION RESULTS

The turnover of the Group from continuing operations for the six months ended 30 June 2015 was approximately HK\$344,833,000, representing an increase of about 6% as compared to the same period of last year (For the six months ended 30 June 2014: approximately HK\$326,129,000). The increase in the turnover of the Group was mainly attributable to the increase in the revenue arising from printing and manufacturing of tobacco packaging.

Gross profit margin remained stable from approximately 33% for the six months ended 30 June 2014 to approximately 35% in the corresponding period in 2015.

The Group's administrative expenses increased by about 55% to HK\$83,049,000. The increase was partly contributed by the increase in staff costs, especially with the required directors and senior management in place, and other related office costs following the full operation of the Group's corporate office in Hong Kong during the six months ended 30 June 2015. The remaining increase in the administrative expenses was substantially attributable to the combined effects of (i) additional depreciation charges arising from the completion of certain construction work in progress and new acquisition of plant, machinery and motor vehicles during the period, (ii) the other additional administrative costs in relation to the extra effort placed by the Group in continuous products research and design enhancement exercises, (iii) as well as the expense for current period's planning and preparation works of the Group's development of a new factory for the Group's operation in Yunan.

Finance costs for the six months ended 30 June 2015 decreased by about 39% to approximately HK\$4,892,000 (For the six months ended 30 June 2014: approximately HK\$8,063,000). The reduction mainly was due to the exclusion of certain interest-bearing debts upon effective of the Group's schemes of arrangement.

The restructuring costs of approximately HK\$23,575,000 were involved relating to the Schemes effective on 18 March 2015 and the exercise for the application on the resumption of the shares of the Company in March 2015. The restructuring costs mainly represented professional fees to provisional liquidators, scheme administrator, the related professional advisors and lawyers, other consultancy fees, as well as professional fees in connection with the Company's open offer completed on 10 March 2015 and the overall exercise on the application of the resumption of the shares of the Company in March 2015.

The Group's gain of approximately HK\$29,439,000 on the execution of the Schemes 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Package printing business

Tobacco package printing was still the core product line of the package printing business, which accounted for approximately 86% of the total turnover. The success of the Group's profitable package printing business in the past has proved that the Group's business model will remain profitable for the foreseeable future. The Board believes that, with the Group's long-term working relationship and partnerships with tobacco enterprises in the PRC, experienced management, strong research and development capability and continued investment in leading technologies and equipment, the Group will continue to reap rewards from the domestic consumption market in the PRC.

Relocation of Production Facilities

On 10 July 2012, Ever Honest Industries Limited, a wholly-owned subsidiary of the Company and a 60% owner of Yunnan Qiaotong, entered into a letter of intent ("Letter of Intent") with 昭通市人民政府 (Zhaotong People's Government) in respect of the proposed relocation of the package printing plant of Yunnan Qiaotong to Zhaoyang Industrial Park by 2015, the proposed redevelopment of the original site of the plant and the proposed upgrade of the printing facilities of Zhaotong Xinqiao Printing Co., Ltd., a wholly-owned subsidiary of Yunnan Qiaotong ("Zhaotong Xinqiao").

The proposed relocation was estimated to involve capital investment of approximately RMB530,000,000, of which approximately RMB200,000,000 would be for land acquisition and construction of the new plant, and approximately RMB330,000,000 would be for the acquisition of new equipment in stages.

The Letter of Intent also contemplated a possible investment by Yunnan Qiaotong of approximately RMB40,000,000 to upgrade the printing facilities of Zhaotong Xinqiao.

On 15 October 2013, the Company announced that Yunnan Qiaotong entered into 7 Land Use Right Transfer Contracts with Zhaotong Land Resources Bureau in relation to the Acquisition at the aggregate consideration of RMB23,674,966.4 (equivalent to approximately HK\$29,830,458).

On 29 May 2015, the Company announced that Yunnan Qiaotong further entered into (i) the Buildings Construction Contract with Zhaotong Construction Company; (ii) the Steel Structure Contract with the Changzhou Construction Company; and (iii) the Air-Conditioning Contract with Yunnan Huate for the purpose of construction of the production facilities on the Land Parcels.

Human Resources Development

As at 30 June 2015, the Group employed a total of approximately 1,000 employees. There was no substantial change in the number of employees during the period and most of them were hired by the Group's production plants in the PRC during the period. The Group has provided training to employees to update their expertise and enhance their development. Competitive remuneration packages and fringe benefits, including provident fund and medical insurance, are provided to attract, retain and motivate employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The management is confident that the package printing business will maintain its steady growth trend, given the past history of the business's success, the Group's superior technological expertise and its good relationships with the PRC tobacco companies.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015. (For the six months ended 30 June 2014: Nil)

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital as at 30 June 2015 with net current assets of approximately HK\$373,970,000 (31 December 2014: net current liabilities of approximately HK\$226,505,000) and bank balances and cash of approximately HK\$184,254,000 (31 December 2014: approximately HK\$53,702,000). The gearing ratio (Total liabilities over total assets) was about 62% as at 30 June 2015 (31 December 2014: approximately 67%).

PLEDGE OF ASSETS

Details of pledged assets as at 30 June 2015 are set out in Note 13.

CAPITAL STRUCTURE

As at 30 June 2015, the Company's issued share capital is HK\$39,218,040 and the number of its issued ordinary shares is 392,180,400 shares of HK\$0.10 each in issue.

Details of the movements in share capital of the Company are set out in Note 15.

EXCHANGE EXPOSURE

All sales and purchases for the package printing business are denominated in Renminbi (RMB). Through the currency match for sales and purchases, the exposure to exchange risks is minimised.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As at 30 June 2015, 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 Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("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 Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Interests in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest in controlled corporation	235,245,306 (Note)	59.98%

Note: These shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% shareholding interest.

Apart from the foregoing, as at 30 June 2015, 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.

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

As at 30 June 2015, 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 are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interests in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Cheng Hung Mui	Interest of controlled corporation	235,245,306 (Note)	59.98%
Double Key International Limited	Beneficial owner	235,245,306 (Note)	59.98%

Note: The shares are held by Double Key International Limited in which Cheng Hung Mui owns 100% shareholding interest.

The Company received a disclosure of interest form from a substantial shareholder on 31 March 2015, of which Ms. Hui Ngai Hing Abbie reduced the number of ordinary shares held from 30,000,000 ordinary shares to 19,600,000 ordinary shares through her interest in Basab Inc. and Accufit Investments Inc., amounting to 4.998% of the issued share capital of the Company. According to the Company's record, Mr. Hui King Chun benefit in 30,000,000 ordinary shares through Basab Inc. and Accufit Investments Inc. and Ms. Chen Lihua benefit in 30,000,000 ordinary shares through Superb Glory Holdings Limited which are registered in the name of Accufit Investment Inc. and are subject to a security interest in shares in favour of Superb Glory Holdings Limited. As at 30 June 2015, the Company did not receive any disclosure of interest form by substantial shareholder from Mr. Hui King Chun, Ms. Chen Lihua, Superb Glory Holdings Limited and Accufit Investments Inc. about the reduction of number of ordinary shares benefit to them.

Save as disclosed above, as at 30 June 2015, 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 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 previous share option scheme expired on 14 May 2012.

The Company's current share option scheme (the "Scheme") was adopted pursuant to the extraordinary 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 employee of the Group, and any eligible participant from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe shares in the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the annual general meeting duly held and convened on 25 June 2015, the Scheme mandate limit was refreshed. The Company is entitled to grant future options under the Scheme and other share option schemes of the Company carrying rights to subscribe for up to 39,218,040 shares.

No share options were granted during the period.

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

During the six months period ended 30 June 2015 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Listing Rules (the "CG Code") during the six months ended 30 June 2015 except the deviations as disclosed below:

CHAIRMAN AND CHIEF EXECUTIVE

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 six months ended 30 June 2015, Mr. Zhang Xiaofeng was appointed as the chief executive officer of the Company on 30 April 2015, but the office of the chairman of the Company was vacant. On 26 August 2015, Mr. Tin Kong was appointed as executive Director and chairman of the Board with effect from 27 August 2015.

BOARD COMPOSITION

According to the Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors; and according to the Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board.

The Board only included one independent non-executive Director until Mr. Lee Kwong Yiu, Mr. Wang Jinlin, Mr. Zhang Jianxing and Mr. Liang Zhong were appointed as independent non-executive Directors on 24 March 2015. As at 30 June 2015, the Board included five independent non-executive Directors, representing over one-third of the Board.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Company has re-established a nomination committee (the “Nomination Committee”) with revised written terms of reference after the appointment of independent non-executive Directors on 24 March 2015. As at 30 June 2015, the Nomination Committee comprised two independent non-executive Directors and one executive Director, and was chaired by independent non-executive Director.

REMUNERATION COMMITTEE

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 re-established a remuneration committee (the “Remuneration Committee”) with revised written terms of reference after the appointment of independent non-executive Directors on 24 March 2015. As at 30 June 2015, the Remuneration Committee comprised two independent non-executive Directors and one executive Director, and was chaired by independent non-executive Director.

AUDIT COMMITTEE

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 must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The Company has re-established an audit committee (the “Audit Committee”) with revised written terms of reference after the appointment of independent non-executive Directors on 24 March 2015. As at 30 June 2015, the Audit Committee comprised three independent non-executive Directors. The chairman of the Audit Committee, Mr. Ho Chun Chung, Patrick, has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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 Exchange, capable of discharging the functions of company secretary.

The former company secretary, Mr. Chan Tak On, had left the position of company secretary since 21 March 2014. The Company has no company secretary until Mr. Au Yeung Chi Hang, Jimmy was appointed on 16 March 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF INTERIM REPORT

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 also provided with other resources enabling it to discharge its duties fully.

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 financial results for the six months ended 30 June 2015.

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 six months ended 30 June 2015.

On behalf of the Board

Tesson Holdings Limited

Zhang Xiaofeng

Director

Hong Kong, 26 August 2015



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