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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tesson Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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### TESSON HOLDINGS LIMITED


天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

- (I) PROPOSED OPEN OFFER ON THE BASIS OF  
THREE (3) OFFER SHARES FOR  
EVERY FOUR (4) SHARES HELD ON THE RECORD DATE;  
(II) APPLICATION FOR WHITEWASH WAIVER;  
(III) MAJOR TRANSACTION;  
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
AND  
(V) NOTICE OF SPECIAL GENERAL MEETING**

**Underwriter to the Open Offer  
Double Key International Limited**

**Financial adviser to the Company**  
 建泉融資有限公司  
VBG Capital Limited

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

 凱基金融亞洲  
KGI CAPITAL ASIA 中華開發金控

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 9 to 43 of this circular. A letter from the Independent Board Committee is set out on pages 44 to 45 of this circular. A letter from KGI Capital Asia Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 70 of this circular.

A notice convening the special general meeting of the Company to be held at Academy Room III, 1/F., InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 11:00 a.m. on Friday, 5 August 2016 is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the Shareholders at the special general meeting is enclosed herein. Whether or not you intend to attend and vote at the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

**The Open Offer is conditional upon fulfilment or waiver of all conditions set out under the sub-section headed "Conditions precedent" under the section headed "The Underwriting Agreement" herein. In particular, it is subject to the Underwriter not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" herein) on or before the Latest Time for Termination. Accordingly, the Open Offer may or may not become unconditional and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

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## CONTENT

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	<i>Page</i>
Termination of the Underwriting Agreement .....	ii
Definitions .....	1
Expected Timetable .....	7
Letter from the Board .....	9
Letter from the Independent Board Committee .....	44
Letter from the Independent Financial Adviser .....	46
Appendix I – Financial Information of the Group .....	I-1
Appendix II – Unaudited Pro Forma Financial Information of the Group .....	II-1
Appendix III – Valuation Report of the Group .....	III-1
Appendix IV – General Information .....	IV-1
Notice of Special General Meeting .....	SGM-1

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter may terminate the Underwriting Agreement at any time prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement in relation to the Open Offer, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading in the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event (as defined under the Underwriting Agreement) comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter to the Company prior to the Latest Time for Termination.

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## DEFINITIONS

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*In this circular, the following terms have the meanings set out below unless the context requires otherwise:*

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 17 June 2016 in relation to the Open Offer, the Underwriting Agreement, the Whitewash Waiver, the major transaction and the proposed increase in authorised share capital of the Company
“Application Form(s)”	the application form(s) to be used by the Qualifying Shareholders to apply for the Offer Shares in the agreed form
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, or Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business or on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Tesson Holdings Limited (stock code: 1201), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Double Key” or “Underwriter”	Double Key International Limited, a company incorporated in British Virgin Islands with limited liability and the entire issued share capital of which is owned by Ms. Cheng Hung Mui, an executive Director, and the Underwriter to the Open Offer

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Wang Jinlin, Chen Weixi and Ng Ka Wing, established to give recommendations to the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than Double Key and Ms. Cheng Hung Mui, any of their respective associates or concert parties, Mr. Sheng Siguang, Ms. Wang Jin, Ms. Wu Siqing, Mr. Tin Kong, Burgeon Max Holdings Limited and its concert parties, and persons who are involved or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Third Party(ies)”	any person or company and their respective shareholders, ultimate beneficial owners (if applicable) and associates which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“KGI” or “Independent Financial Adviser”	KGI Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Last Trading Day”	14 June 2016, being the last trading day of the Shares immediately prior to the publication of the Announcement
“Latest Practicable Date”	19 July 2016, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 1 September 2016 or such other time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, together with payment for, the Offer Shares

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## DEFINITIONS

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“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement (provided that if the Latest Time for Termination falls on a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	those Overseas Shareholders whom the Directors, after making relevant enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules, consider it necessary or expedient to exclude from the Open Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of any relevant regulatory body or stock exchange in that place
“Offer Shares”	444,135,300 new Shares to be allotted and issued pursuant to the Open Offer
“Open Offer”	the proposed offer for subscription by way of open offer on an assured allotment basis at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of three (3) Offer Shares for every four (4) Shares held on the Record Date upon the terms and conditions of the Underwriting Agreement
“Overseas Shareholder(s)”	those persons whose address as shown on the register of members of the Company on the Record Date are outside Hong Kong
“Placing Agreement”	the placing agreement dated 5 July 2016 entered into between Double Key and VBG Capital Limited (as placing agent)
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders in connection with the Open Offer
“Prospectus Documents”	together, the Prospectus and the Application Form(s)

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## DEFINITIONS

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“Prospectus Posting Date”	Thursday, 18 August 2016, or such later date as may be agreed between the Underwriter and the Company in writing for the despatch of the Prospectus Documents
“Purchase Agreement B II”	the purchase agreement entered into between Purchaser I and Vendor B in relation to the purchase of Machineries B II
“Purchase Agreement B III”	the purchase agreement entered into between Purchaser II and Vendor B in relation to the purchase of Machineries B III
“Purchase Agreement C I”	the purchase agreement entered into between Purchaser I and Vendor C in relation to the purchase of Machineries C I
“Purchase Agreement C II”	the purchase agreement entered into between Purchaser II and Vendor C in relation to the purchase of Machineries C II
“Purchase Agreement D”	the purchase agreement entered into between Purchaser III and Vendor D in relation to the purchase of Machineries D
“Purchase Agreement E”	the purchase agreement entered into between Purchaser III and Vendor E in relation to the purchase of Machineries E
“Purchase Agreement F”	the purchase agreement entered into between Purchaser IV and Vendor F in relation to the purchase of the Renovation and Construction Services
“Purchase Agreement G”	the purchase agreement entered into between the Purchaser IV and Vendor G in relation to the purchase of Machineries G
“Purchase Agreements”	Purchase Agreement B II, Purchase Agreement B III, Purchase Agreement C II, Purchase Agreement D, Purchase Agreement E, Purchase Agreement F and Purchase Agreement G
“Purchaser I” or “Tesson New Energy (Shenzhen)”	天臣新能源(深圳)有限公司 (Tesson New Energy (Shenzhen) Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchaser II” or “Shaanxi Company”	陝西力度電池有限公司 (Shaanxi Leaders Battery Co. Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchaser III”	天臣新能源研究南京有限公司 (Tesson New Energy Research (Nanjing) Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company



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## DEFINITIONS

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“Purchaser IV”	天臣新能源(渭南)有限公司 (Tesson New Energy (Weinan) Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qualifying Shareholder(s)”	the persons whose name(s) appears on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Wednesday, 17 August 2016, or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Open Offer
“Registrar”	Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve, the Open Offer, the Underwriting Agreement, the Whitewash Waiver, the Purchase Agreements and the proposed increase in authorised share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.80 per Offer Share
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Undertaking Letter”	the undertaking letter in relation to the irrevocable undertaking given by Double Key to the Company dated 14 June 2016

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## DEFINITIONS

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“Underwriting Agreement”	the underwriting agreement dated 14 June 2016 entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	267,701,320 Offer Shares, being the total number of Offer Shares (being 444,135,300 Offer Shares) less such number of Offer Shares agreed to be taken up by Double Key (in its capacity as a Shareholder) pursuant to the Undertaking Letter (being 176,433,980 Offer Shares)
“Vendor B”	北京七星華創電子股份有限公司 (Beijing Sevenstar Electronics Co., Ltd.*), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002371)
“Vendor C”	珠海華冠電子科技有限公司 (Zhuhai Huaguan Electronics Technology Company Limited*), a company incorporated in the PRC with limited liability and a subsidiary of 力合股份有限公司 (Lihe Co., Ltd.*) whose shares are listed on the Shenzhen Stock Exchange (stock code: SZ000532)
“Vendor D”	深圳市贏合科技股份有限公司 (Shenzhen Yinghe Technology Company Limited*), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ300457)
“Vendor E”	北京商馳科技發展有限公司 (Beijing Shangchi Technology Development Company Limited*), a company incorporated in the PRC with limited liability
“Vendor F”	蘇州淨化工程安裝有限公司 (Suzhou Purification Equipment Company Limited*), a company incorporated in the PRC with limited liability and a subsidiary of Vendor G
“Vendor G”	江蘇蘇淨集團有限公司 (Jiangsu Sujing Group Limited*), a company incorporated in the PRC with limited liability and the holding company of Vendor F
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the dispensation from Rule 26 of the Takeovers Code in respect of the obligations of Double Key to make a mandatory general offer for all relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which would be triggered as a result of its underwriting obligation under the Underwriting Agreement
“%”	per cent.

\* for identification purpose only

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## EXPECTED TIMETABLE

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*The expected timetable of the Open Offer and the proposed increase in authorised share capital of the Company is set out as follows:*

<b>Events</b>	<b>Time/Date</b>
Despatch of this circular with notice and proxy form of the SGM .....	Thursday, 21 July 2016
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the SGM .....	4:30 p.m. on Friday, 29 July 2016
Register of members of the Company closes (both days inclusive) .....	Monday, 1 August 2016 to Friday, 5 August 2016
Latest time for lodging the form of proxy for attending the SGM (not less than 48 hours prior to time of the SGM) .....	11:00 a.m. on Wednesday, 3 August 2016
Record date for attendance and voting at the SGM .....	Friday, 5 August 2016
Date of the SGM .....	11:00 a.m. on Friday, 5 August 2016
Announcement of poll results of the SGM .....	Friday, 5 August 2016
Last day of dealings in Shares on cum-entitlement basis .....	Monday, 8 August 2016
First day of dealings in Shares on ex-entitlement basis .....	Tuesday, 9 August 2016
Effective date of the increase in authorised share capital of the Company .....	Tuesday, 9 August 2016
Latest time for lodging transfers of Shares in order to qualify for the Open Offer .....	4:30 p.m. on Wednesday, 10 August 2016
Register of members of the Company closes (both dates inclusive) .....	Thursday, 11 August 2016 to Wednesday, 17 August 2016
Record Date .....	Wednesday, 17 August 2016
Register of members re-opens .....	Thursday, 18 August 2016
Despatch of the Prospectus Documents .....	Thursday, 18 August 2016

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## EXPECTED TIMETABLE

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Latest Time for Acceptance and payment for Offer Shares . . . . . 4:00 p.m. on  
Thursday, 1 September 2016

Latest Time for Termination of the Underwriting  
Agreement and the Open Offer expected to  
become unconditional . . . . . 4:00 p.m. on  
Friday, 2 September 2016\*

Announcement of results of the Open Offer . . . . . Thursday, 8 September 2016

Despatch of certificates for Offer Shares . . . . . Friday, 9 September 2016  
and refund cheques

Expected first day of dealings in Offer Shares . . . . . 9:00 a.m. on  
Monday, 12 September 2016

\* *if the Latest Time for Termination falls on a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day.*

All times and dates stated above refer to Hong Kong local times and dates. Dates stated in the timetable are indicative only and may be extended or varied. Any change to the expected timetable for the Open Offer will be announced by the Company as appropriate.

### **EFFECT OF BAD WEATHER UPON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 1 September 2016. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 1 September 2016. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Thursday, 1 September 2016, the dates mentioned under the section headed “Expected timetable” above may be affected. In such event, the Company will notify the Shareholders by way of announcement on any change to the expected timetable as soon as practicable.

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## LETTER FROM THE BOARD

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### TESSON HOLDINGS LIMITED

### 天臣控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1201)**

*Executive Directors:*

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

*Independent Non-executive Directors:*

Mr. Wang Jinlin  
Mr. Chen Weixi  
Mr. Ng Ka Wing

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place  
of business:*

Room 1007,  
Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

21 July 2016

*To the Shareholders*

Dear Sir or Madam,

- (I) PROPOSED OPEN OFFER ON THE BASIS OF  
THREE (3) OFFER SHARES FOR  
EVERY FOUR (4) SHARES HELD ON THE RECORD DATE;  
(II) APPLICATION FOR WHITEWASH WAIVER;  
(III) MAJOR TRANSACTION;  
(IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
AND  
(V) NOTICE OF SPECIAL GENERAL MEETING**

#### INTRODUCTION

Reference is made to the Announcement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information regarding, among other things, (i) details of the Open Offer, the Underwriting Agreement, the Whitewash Waiver, Purchase Agreement C I, the Purchase Agreements and the proposed increase in authorised share capital of the Company; (ii) a letter of recommendation from the Independent Board Committee in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) the financial information and other general information of the Group; (v) the valuation report of the Group; and (vi) a notice of the SGM.

### (I) THE OPEN OFFER

#### Issue statistics

Basis of the Open Offer	Three (3) Offer Shares for every four (4) Shares held on the Record Date
Total number of issued Shares as at the Latest Practicable Date	592,180,400 Shares
Number of Offer Shares	444,135,300 Offer Shares
Subscription Price	HK\$0.80 per Offer Share
Number of Offer Shares irrevocably undertaken to be accepted by Double Key (in its capacity as a Shareholder)	176,433,980 Offer Shares
Number of Underwritten Shares (Note)	267,701,320 Offer Shares
Issued share capital upon the close of the Open Offer	1,036,315,700 Offer Shares

*Note:*

Under the Open Offer and pursuant to the Underwriting Agreement, the Underwriter has agreed to take up the Offer Shares on a fully underwritten basis. Accordingly, the total number of Offer Shares to be underwritten by the Underwriter is 267,701,320 Offer Shares. Nevertheless, the Underwriter, subject to the results of the Open Offer, may arrange VBG Capital Limited (as the placing agent) to procure independent subscriber(s) to subscribe for such number of Offer Shares to ensure that the Company is able to maintain the minimum public float requirement at all times. For detailed illustration, please refer to the sections headed "Shareholding structure of the Company" and "Maintenance of public float" below.

The Offer Shares proposed to be issued represent:

- (a) 75.00% of the issued share capital of the Company as at the Latest Practicable Date assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer; and

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## LETTER FROM THE BOARD

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- (b) approximately 42.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer.

The aggregate nominal value of the Offer Shares is HK\$44,413,530.

As at the Latest Practicable Date, the Company had no outstanding option, convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares.

### **Qualifying Shareholders**

The Company will send the Prospectus containing details of the Open Offer to the Qualifying Shareholders and, for information only, to the Non-Qualifying Shareholders. The Application Forms will also be sent to the Qualifying Shareholders only.

To qualify for the Open Offer, Shareholders must at the close of business on the Record Date be registered as a member of the Company. Shareholders having an address in Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer. Shareholders having addresses outside Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Open Offer only if the Board, after making relevant enquiry with lawyers in the relevant jurisdictions, considers that the offer to these Shareholders would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place and such offer will not require any relevant registration.

**In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant transfer of Shares (with the relevant share certificates) with the Registrar by 4:30 p.m. on Wednesday, 10 August 2016.**

### **Closure of register of members**

The Company's register of members will be closed from Thursday, 11 August 2016 to Wednesday, 17 August 2016, both dates inclusive, for the purpose of, among other things, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during this period.

### **Rights of the Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. As at the Latest Practicable Date, based on the available register of members of the Company, there were two Overseas Shareholders whose registered addresses as shown on the register of members of the Company are in the British Virgin Islands ("BVI"). Pursuant to Rule 13.36(2) of the Listing Rules, the Company has made enquiries by engaging the BVI legal advisers to issue a legal opinion as to the feasibility of extending the Open Offer to the Overseas Shareholders under the laws of the BVI and the requirements of the relevant regulatory body or stock exchange in the BVI.

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## LETTER FROM THE BOARD

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Based on the initial advice of the BVI legal advisers and subject to any changes thereon, the Directors are of the preliminary view that it is expedient to extend the Open Offer to the Overseas Shareholders in the BVI as there are no legal restrictions prohibiting the making of the Open Offer in such jurisdiction and no local legal or regulatory compliance is required to be made nor approval, permit or consent from relevant governmental authorities is required to be obtained in such jurisdiction. Accordingly, the Directors expect that there will be no Non-Qualifying Shareholders.

It is the responsibility of the Shareholders, including the Overseas Shareholders, to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Offer Shares and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Offer Shares.

### **Fractional entitlements**

The Company shall not allot any fractions of Offer Shares to the Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Offer Shares. Such fractional entitlements shall be aggregated and will be dealt with as Offer Shares not accepted.

### **Subscription Price**

The Subscription Price of HK\$0.80 per Offer Share is payable in full when a Qualifying Shareholder accepts the Open Offer.

The Subscription Price represents:

- (i) a discount of approximately 1.23% to the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 1.27% over the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 0.62% to the average closing price of approximately HK\$0.805 per Share for the ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately 81.82% over the consolidated net asset value per Share of approximately HK\$0.44 (calculated by dividing the audited equity attributable to owners of the Company as at 31 December 2015 as shown in the annual report of the Company for the year ended 31 December 2015 of approximately HK\$261,848,000 by 592,180,400 Shares in issue as at the Latest Practicable Date); and
- (v) a premium of approximately 0.76% over the theoretical ex-entitlement price (calculated by dividing the aggregate of (i) the market value of the Shares at the closing price as quoted on the Stock Exchange on the Last Trading Day; and (ii) the gross proceeds from the Open Offer, by the number of Shares then in issue immediately after the close of the Open Offer) of approximately HK\$0.794 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day.



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## LETTER FROM THE BOARD

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The Subscription Price was agreed based on arm's length negotiations between the Company and the Underwriter after having taken into account primarily the prevailing market price of the Shares. The Directors (excluding the independent non-executive Directors whose view will be disclosed in the circular after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net Subscription Price per Offer Share (after deducting professional fees and other relevant expenses) is approximately HK\$0.794.

### **Basis of the assured allotment of the Offer Shares**

Three (3) Offer Shares will be issued for every four (4) Shares held by a Qualifying Shareholder on the Record Date. Acceptance of all or any part of a Qualifying Shareholder's assured allotment should be made by completing the Application Form.

### **Status of the Offer Shares**

When issued and fully paid, the Offer Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the Offer Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares in their fully-paid form.

### **Share certificates and refund cheques**

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on Friday, 9 September 2016. If the Open Offer is terminated, refund cheques are expected to be posted to the respective Qualifying Shareholders by ordinary post at their own risk on Friday, 9 September 2016.

### **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders and (if any) the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro-rata shareholding in the Company and to participate in the future growth and development of the Group. It is estimated that an additional cost of approximately HK\$150,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

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## LETTER FROM THE BOARD

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### Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares shall have the same board lot size as the Shares, i.e. 3,000 Shares.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the grant of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### Stamp duty

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

### THE UNDERTAKING

On 14 June 2016 (after trading hours), the Company received the Undertaking Letter from Double Key, pursuant to which Double Key has irrevocably undertaken to the Company:

- (i) to accept the Offer Shares to be allotted to it on assured allotment basis (in its capacity as a Shareholder) pursuant to the Open Offer; and
- (ii) not to dispose of the 235,245,306 Shares held by it prior to the close of the Open Offer and that such Shares remain to be registered under its name and/or under the name of its nominee on the Record Date and until the close of the Open Offer.

As at the Latest Practicable Date, Double Key was a controlling shareholder of the Company beneficially interested in 235,245,306 Shares, representing approximately 39.73% of the issued share capital of the Company; and the entire issued share capital of Double Key was wholly and beneficially owned by Ms. Cheng Hung Mui, who is an executive Director.

Assuming that the total issued Shares and the shareholding of Double Key remain unchanged before the Open Offer, Double Key is committed to accept 176,433,980 Offer Shares.

**The Open Offer is conditional upon fulfilment or waiver of all conditions set out under the sub-section headed “Conditions precedent” below. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors’ attention is drawn to the section headed “Warning of the risks of dealings in the Shares” below.**

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

#### Principal terms of Underwriting Agreement

Date	14 June 2016
Underwriter	Double Key
Total number of Offer Shares to be underwritten ( <i>Note</i> )	267,701,320 Offer Shares
Commission	No underwriting commission will be payable by the Company to Double Key

*Note:*

Under the Open Offer and pursuant to the Underwriting Agreement, the Underwriter has agreed to take up the Offer Shares on a fully underwritten basis. Accordingly, the total number of Offer Shares to be underwritten by the Underwriter is 267,701,320 Offer Shares. Nevertheless, the Underwriter, subject to the results of the Open Offer, may arrange VBG Capital Limited (as the placing agent) to procure independent subscriber(s) to subscribe for such number of Offer Shares to ensure that the Company is able to maintain the minimum public float requirement at all times. For detailed illustration, please refer to the sections headed "Shareholding structure of the Company" and "Maintenance of public float" below.

#### Termination of the Underwriting Agreement

The Open Offer is conditional upon the Underwriting Agreement becoming unconditional and not being terminated by the Underwriter in accordance with its terms.

The Underwriter may terminate the Underwriting Agreement at any time prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

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## LETTER FROM THE BOARD

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- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the announcement in relation to the Open Offer, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading in the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (2) any specified event (as defined under the Underwriting Agreement) comes to the knowledge of the Underwriter.

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## LETTER FROM THE BOARD

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Any such notice shall be served by the Underwriter to the Company prior to the Latest Time for Termination.

Upon the giving of notice in accordance with the above, the Underwriting Agreement shall terminate and the obligations of the parties thereto shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards the other party arising out of or in connection with the Underwriting Agreement.

**If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed.**

### **Conditions precedent**

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following conditions being fulfilled:

- (a) the Company having despatched the Circular Documents (as defined under the Underwriting Agreement) to Shareholders containing, among other matters, details of the Open Offer and the Whitewash Waiver;
- (b) the passing by the Independent Shareholders at the SGM by way of poll of the necessary resolution(s) approving, amongst others, the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Offer Shares and the Whitewash Waiver, and the proposed increase in authorised share capital of the Company;
- (c) the Executive granting the Whitewash Waiver waiving any obligation on the part of Double Key and parties acting in concert with it, if any, to make a general offer for all the securities of the Company not already owned by it or agreed to be acquired by it upon completion of the Underwriting Agreement and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and, if required by or in compliance with the Listing Rules and/or the Companies (WUMP) Ordinance, the posting of the Overseas Letter (as defined under the Underwriting Agreement) together with a copy of the Prospectus marked "For information only" to the Non-Qualifying Shareholders (if any), in each case, on the Prospectus Posting Date;

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## LETTER FROM THE BOARD

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- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in all the Offer Shares either unconditionally or subject to such conditions as the Company may accept by no later than the first day of their dealings on the Stock Exchange as stated in the Prospectus;
- (g) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
- (h) compliance with and performance of all undertakings and obligations of the Underwriter, respectively, pursuant to the terms and conditions of the Underwriting Agreement;
- (i) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof;
- (j) there being no specified event (as defined in the Underwriting Agreement) occurring prior to the Latest Time for Termination; and
- (k) compliance by Double Key with its undertakings and obligations under its irrevocable undertaking given to the Company.

Save for condition (g) above which can only be waived by the Underwriter, none of the conditions precedent can be waived. In the event that the above conditions have not been satisfied or waived on or before the dates specified therein or if no such time is specified, the Latest Time for Termination (or such other time and date as the Company and the Underwriter may agree in writing), all obligations and liabilities of the parties under the Underwriting Agreement shall cease and terminate and none of the parties shall have any claim against the other. In such case, the Open Offer will not proceed.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived.

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES**

**The Open Offer is conditional upon fulfilment or waiver of the conditions set out under the sub-section headed “Conditions precedent” above. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.**

**Any dealings in the Shares from the date of the Announcement up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons should exercise caution when contemplating any dealings in the Shares and are recommended to consult their own professional advisers.**

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company immediately before and after the close of the Open Offer, assuming that no Shares will be issued or bought back by the Company after the Latest Practicable Date and upon the close of the Open Offer:

	As at the Latest Practicable Date		Immediately after the close of the Open Offer (assuming that all Qualifying Shareholders have taken up their respective entitlements under the Open Offer)		Immediately after the close of the Open Offer (assuming that none of the Qualifying Shareholders (other than Double Key in the capacity of a Shareholder) have taken up their respective entitlements under the Open Offer) (Note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Double Key and its concert parties (Note 1)	235,245,306	39.73	411,679,286	39.73	679,380,606	65.56
Burgeon Max Holdings Limited and its concert parties (Note 2)	100,000,000	16.89	175,000,000	16.89	100,000,000	9.65
Lankai Limited and its concert parties (Note 3)	100,000,000	16.89	175,000,000	16.89	100,000,000	9.65
Other public Shareholders	156,935,094	26.50	274,636,414	26.50	156,935,094	15.14
<b>Total</b>	<b>592,180,400</b>	<b>100.00</b>	<b>1,036,315,700</b>	<b>100.00</b>	<b>1,036,315,700</b>	<b>100</b>

*Notes:*

- (1) Double Key is wholly and beneficially owned by Ms. Cheng Hung Mui, an executive Director.
- (2) Burgeon Max Holdings Limited is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing, an Independent Third Party. Ms. Wang Jin is the spouse of Mr. Sheng Siguang, an executive Director.
- (3) Lankai Limited is wholly owned by Mr. Li Yujun, an Independent Third Party.
- (4) In the event that none of the Qualifying Shareholders (other than Double Key in the capacity of a Shareholder) have taken up their respective entitlements under the Open Offer, the total number of Offer Shares to be underwritten by Double Key is 267,701,320 Offer Shares. Nevertheless, under such scenario, as the total issued Shares to be held by the public Shareholders (including Lankai Limited which will then become a public Shareholder) would represent approximately 24.79% of the enlarged issued share capital of the Company only, the Underwriter, pursuant to the Placing Agreement, will arrange VBG Capital Limited, as the placing agent, to procure independent subscriber(s) to subscribe for 2,143,831 Offer Shares, representing approximately 0.21% of the enlarged issued share capital of the Company.

Accordingly, Double Key and its concert parties will hold 677,236,775 Shares, representing approximately 65.35% of the enlarged issued share capital of the Company.

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## LETTER FROM THE BOARD

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Each of Double Key, Burgeon Max Holdings Limited and Lankai Limited is investment holding company, and each of them and their respective concert parties are not parties acting in concert with each other.

### MAINTENANCE OF PUBLIC FLOAT

Pursuant to the public float requirement under Rule 8.08(1)(a) of the Listing Rules, the public Shareholders, at all times, must hold 25% of the total number of issued Shares. Under Rule 8.24 of the Listing Rules, Double Key and Burgeon Max Holdings Limited are non-public Shareholders. In the event that the Shares held by Lankai Limited equal to or are above 10% of the total number of issued Shares, Lankai Limited will be a substantial shareholder of the Company and hence also a non-public Shareholder (vice versa). If not all Qualifying Shareholders taking up their respective entitlements under the Open Offer, upon the close of the Open Offer, the Company may not be able to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the Underwriter has arranged with VBG Capital Limited to act as the placing agent to procure independent subscriber(s) to subscribe for a maximum of 102,143,831 Offer Shares (representing approximately 9.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares), which otherwise the Underwriter would be called upon to take up, to ensure that not less than 25% of the total number of issued Shares is held by the public Shareholders and the Company meets the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules at all times. Such maximum number of Offer Shares to be subscribed for by the independent subscriber(s) as procured by VBG Capital Limited is calculated based on the scenario that none of the Qualifying Shareholders (other than (i) Double Key in the capacity of a Shareholder and (ii) Lankai Limited taking up its partial entitlements under the Open Offer up to the extent that it will hold 10% of the enlarged issued Shares) have taken up their respective entitlements under the Open Offer.

The relevant Placing Agreement was entered into by the Underwriter and VBG Capital Limited on 5 July 2016. After the Latest Time for Acceptance when the results of the Open Offer are known, having taken into account of the minimum public float requirement, the Underwriter will notify VBG Capital Limited such number of Offer Shares it should procure the independent subscriber(s) to subscribe for and direct the Company to issue such Offer Shares directly to the relevant subscriber(s). It is expected that the Company will be able to maintain the minimum public float of 25% of the issued Shares at all times.



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## LETTER FROM THE BOARD

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### EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY BEFORE THE LATEST PRACTICABLE DATE

The following is the fund raising activity of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
26 October 2015	(i) Proposed issue of new shares under specific mandates; and (ii) Connected transaction involving subscription of new shares by connected person	Approximately HK\$159 million	(i) Acquisition of lithium ion battery production facility(ies) and/or equipment (for self-development of the potential new business or expansion of the production facility(ies) to be acquired; and (ii) General working capital for the Group	The proceeds were used in the lithium ion motive battery business. Approximately (i) HK\$28.2 million for purchase of raw materials; (ii) HK\$54.2 million for purchase of manufacturing machineries; (iii) HK\$18.6 million for acquisition of the entire equity interest in the Shanxi Company; (iv) HK\$52.9 million for settlement of the liabilities of the Shanxi Company; and (v) HK\$5.1 million as general working capital

### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in printing and manufacturing of packaging products.

The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) will amount to HK\$352,808,240. It is intended that all of the net proceeds from the Open Offer will be applied in the development of the lithium ion motive battery business of the Group specifically for payment of the considerations under the Purchase Agreements.

For details regarding the development plan of the lithium ion motive battery business, please refer to the section headed “Reasons for entering into of Purchase Agreement C I and the Purchase Agreements” below.

The Board considers that the Open Offer will enable the Group to strengthen its capital base and provide sufficient capital to support the development of the Group’s lithium ion motive battery business. The Board further considers that it is prudent to finance the Group’s long-term business development by long-term financing, preferably in the form of equity which will not increase the Group’s finance costs.

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## LETTER FROM THE BOARD

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The Board considers that the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company. The Directors are of the view that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

### LISTING RULES IMPLICATIONS

As the Open Offer will increase the number of the issued Shares by more than 50%, in compliance with Rule 7.24(5)(a) of the Listing Rules, the Open Offer must be made conditional on approval of the Independent Shareholders by way of poll at the SGM and any controlling shareholders of the Company and their associates or where there is no controlling shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Open Offer.

In addition, pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available and the Open Offer is fully underwritten by Double Key, a controlling shareholder of the Company, specific approval must be obtained from the Independent Shareholders in respect of the absence of excess application arrangement. Shareholders who have a material interest in the arrangement and their respective associates shall abstain from voting at the SGM.

The entering into of the Underwriting Agreement between the Company and Double Key is a connected transaction under the Listing Rules for Double Key being a controlling shareholder hence a connected person of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, provided that Rule 7.26A(2) of the Listing Rules has been complied with, the Underwriting Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements.

### (II) THE WHITEWASH WAIVER

Assuming that (i) no further Shares will be issued or bought back by the Company prior to the close of the Open Offer; and (ii) none of the Qualifying Shareholders other than Double Key have taken up their respective entitlements under the Open Offer, the interests in the Company held by Double Key and parties acting in concert with it upon the close of the Open Offer will increase from approximately 39.73% to approximately 65.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Double Key and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. An application has been made by Double Key to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

Completion of the Open Offer is conditional upon, among other matters, the granting of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders of the Whitewash Waiver at the SGM. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved at the SGM, the Open Offer will not proceed.

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## LETTER FROM THE BOARD

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If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of Double Key and parties acting in concert with it will exceed 50% of the then issued share capital of the Company as enlarged by the Offer Shares. Double Key may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

### **DEALINGS AND INTEREST OF DOUBLE KEY AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, neither Double Key nor any parties acting in concert with it:

- (a) save for the Shares held by Double Key as set out under the section headed “Shareholding structure of the Company” above, owned, controlled or had direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) had received an irrevocable commitment to vote for the Open Offer, the Underwriting Agreement and the Whitewash Waiver;
- (c) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Undertaking Letter, the Underwriting Agreement and the Placing Agreement, had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Open Offer, the Underwriting Agreement and the Whitewash Waiver, with any other persons;
- (e) save for the Underwriting Agreement, had any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; or
- (f) had dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the Underwriting Agreement.

### **(III) THE PURCHASE AGREEMENTS AND PURCHASE AGREEMENT C I**

Details of each of the Purchase Agreements and Purchase Agreement C I are as follows:

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## LETTER FROM THE BOARD

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### PURCHASE AGREEMENT B II

Principal terms of Purchase Agreement B II are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser I, an indirect wholly-owned subsidiary of the Company; and  
Vendor B

Vendor B is principally engaged in research and development, production, sales and provide technical services in the basic electronic products industry.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor B and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

#### **Subject matter**

Pursuant to Purchase Agreement B II, Purchaser I agreed to purchase and Vendor B agreed to sell pulp beating machine and roll pressing machine ("**Machineries B II**") at a total consideration of RMB31,400,000 ("**Consideration B II**").

Consideration B II shall be payable by Purchaser I in cash to Vendor B in the following manner:

- (a) 20% of Consideration B II (i.e. RMB6,280,000) shall be payable within five business days upon signing of Purchase Agreement B II;
- (b) upon completion of production of all Machineries B II, Vendor B will notify Purchaser I to conduct pre-examination at the factory of Vendor B. 30% of Consideration B II (i.e. RMB9,420,000) shall be payable within five business days upon passing of the pre-examination. Vendor B will deliver Machineries B II to Purchaser I's production site thereafter. If Purchaser I does not conduct the pre-examination within one month from receiving Vendor B's notification, the pre-examination will be deemed to be passed and the relative cost shall be payable within five business days thereafter;
- (c) 10% of Consideration B II (i.e. RMB3,140,000) shall be payable upon passing of the quantity and outlook condition examination of Machineries B II. 30% of Consideration B II (i.e. RMB9,420,000) shall be payable within five business days upon passing of the final examination of Machineries B II. If the final examination cannot be conducted due to factors caused by Purchaser I or Purchaser I does not inform Vendor B in writing regarding any default within 120 days from the completion of installation and testing of Machineries B II, the final examination will deem to be passed after 120 days from the completion of installation and testing of Machineries B II; and

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## LETTER FROM THE BOARD

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- (d) 10% of Consideration B II (i.e. RMB3,140,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days from the anniversary of passing of the final examination of Machineries B II.

Consideration B II was arrived at through a tender process. Pursuant to the tender policy of the Group, Purchaser I was required to invite not less than three tenderers from the qualified vendor database maintained by the Group. The qualification of the potential tenderers was first reviewed by the relevant engineering department prior to the commencement of tender process. Upon completion of review of the qualification of the potential tenderers, the tender document would be delivered to them and the respective tenderers would be required to submit their tenders by a specified time as set out in the tender document.

The tender committee in charge of selecting and nominating tenderer comprises the technical sub-committee and the business sub-committee. The technical sub-committee was responsible to consider various factors such as technical expertise, relevant experience, safety track records, environmental rating and such other factors of the vendors as set out in the tender document while the business sub-committee was responsible to consider the price only. The tender committee would compile a report and set out the priority of the tenderers according to the scores after taking into consideration various technical factors and the quotation of the vendors. The tender committee gave Vendor B the highest scores among other tenderers and Vendor B was selected as the vendor for Machineries B II accordingly.

(all of the above, the “**Tender Policy and Procedures**”)

There are no provisions in the tender policy governing the conduct of Purchaser I in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement B II.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of Machineries B II shall be 24 months from the day of passing the final examination of Machineries B II. During the warranty period, Vendor B shall be responsible for the maintenance (including the cost of parts) of Machineries B II. Should Vendor B fail to complete the maintenance work within a reasonable time upon notification by Purchaser I, Purchaser I shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor B can charge Purchaser I for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

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## LETTER FROM THE BOARD

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### PURCHASE AGREEMENT B III

Principal terms of Purchase Agreement B III are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser II, an indirect wholly-owned subsidiary of the Company; and  
Vendor B

#### **Subject matter**

Pursuant to Purchase Agreement B III, Purchaser II agreed to purchase and Vendor B agreed to sell pulp beater, roll press machine and slitting machine (“**Machineries B III**”) at a total consideration of RMB7,151,000 (“**Consideration B III**”).

Consideration B III shall be payable by Purchaser II in cash to Vendor B in the following manner:

- (a) 20% of Consideration B III (i.e. RMB1,430,200) shall be payable within five business days upon signing of Purchase Agreement B III;
- (b) upon completion of production of all Machineries B III, Vendor B will notify Purchaser II to conduct pre-examination at the factory of Vendor B. 30% of Consideration B III (i.e. RMB2,145,300) shall be payable within five business days upon passing of the pre-examination. Vendor B will deliver Machineries B III to Purchaser II’s production site thereafter. If Purchaser II does not conduct the pre-examination within one month from receiving Vendor B’s notification, the pre-examination will be deemed to be passed;
- (c) 40% of Consideration B III (i.e. RMB2,860,400) shall be payable within five business days upon passing of the final examination of Machineries B III. If the final examination cannot be conducted due to factors caused by Purchaser II or Purchaser II does not inform Vendor B in writing regarding any default within 60 days from the completion of installation and testing of Machineries B III, the final examination will deem to be passed after 60 days from the completion of installation and testing of Machineries B III and the relative cost shall be payable within five business days thereafter; and
- (d) 10% of Consideration B III (i.e. RMB715,100) (which shall be retained as maintenance guarantee) shall be payable within seven business days 24 months after the day of passing of the final examination of Machineries B III.

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## LETTER FROM THE BOARD

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Consideration B III was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor B the highest scores among other tenderers and Vendor B was selected as the vendor for Machineries B III accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser II in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement B III.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of Machineries B III shall be 24 months from the day of passing the final examination of Machineries B III. During the warranty period, Vendor B shall be responsible for the maintenance (including the cost of parts) of Machineries B III. Should Vendor B fail to complete the maintenance work within a reasonable time upon notification by Purchaser II, Purchaser II shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor B can charge Purchaser II for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **PURCHASE AGREEMENT C I**

Principal terms of Purchase Agreement C I are set out below:

#### **Date**

15 January 2016

#### **Parties involved**

Purchaser I and Vendor C

Vendor C is principally engaged research and development and design of precise optomechanics machinery equipment. It is also engaged in research and development, production and sales of production equipment of add-in aluminium electrolytic capacitors and chip-type electrolytic capacitors, as well as production equipment of lithium ion batteries, and provision of technology service business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor C and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Subject matter

Pursuant to Purchase Agreement C I, Purchaser I agreed to purchase and Vendor C agreed to sell foil producing and winding machine (“**Machineries C I**”) at a total consideration of RMB18,000,000 (“**Consideration C I**”).

Consideration C I shall be payable by Purchaser I in cash to Vendor C in the following manner:

- (a) 20% of Consideration C I (i.e. RMB3,600,000) shall be payable within five business days upon signing of Purchase Agreement C I;
- (b) upon completion of production of all Machineries C I, Vendor C will notify Purchaser I to conduct pre-examination at the factory of Vendor C. 30% of Consideration C I (i.e. RMB5,400,000) shall be payable within five business days upon passing of the pre-examination. Vendor C will deliver Machineries C I to Purchaser I’s production site thereafter. If Purchaser I does not conduct the pre-examination within one month from receiving Vendor C’s notification, the pre-examination will be deemed to be passed;
- (c) 40% of Consideration C I (i.e. RMB7,200,000) shall be payable within five business days upon passing of the final examination of Machineries C I. If the final examination cannot be conducted due to factors caused by Purchaser I or Purchaser I does not inform Vendor C in writing regarding any default within 60 days from the completion of installation and testing of Machineries C I, the final examination will deem to be passed after 60 days from the completion of installation and testing of Machineries C I; and
- (d) 10% of Consideration C I (i.e. RMB1,800,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days from the anniversary of passing of the final examination of Machineries C I.

Consideration C I was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor C the highest scores among other tenderers and Vendor C was selected as the vendor for Machineries C I accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser I in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement C I.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.



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## LETTER FROM THE BOARD

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### **Maintenance and warranty**

The warranty period of Machineries C I shall be 12 months from the day of passing the final examination of Machineries C I. During the warranty period, Vendor C shall be responsible for the maintenance (including the cost of parts) of Machineries C I. Should Vendor C fail to complete the maintenance work within a reasonable time upon notification by Purchaser I, Purchaser I shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor C can charge Purchaser I for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **PURCHASE AGREEMENT C II**

Principal terms of Purchase Agreement C II are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser II and Vendor C

### **Subject matter**

Pursuant to Purchase Agreement C II, Purchaser II agreed to purchase and Vendor C agreed to sell foil producing and winding machine (“**Machineries C II**”) at a total consideration of RMB8,880,000 (“**Consideration C II**”).

Consideration C II shall be payable by Purchaser II in cash to Vendor C in the following manner:

- (a) 20% of Consideration C II (i.e. RMB1,776,000) shall be payable within five business days upon signing of Purchase Agreement C II;
- (b) upon completion of production of all Machineries C II, Vendor C will notify Purchaser II to conduct pre-examination at the factory of Vendor C. 30% of Consideration C II (i.e. RMB2,664,000) shall be payable upon passing of the pre-examination. Vendor C will deliver Machineries C II to Purchaser II’s production site thereafter. If Purchaser II does not conduct the pre-examination within one month from receiving Vendor C’s notification, the pre-examination will be deemed to be passed;

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## LETTER FROM THE BOARD

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- (c) 40% of Consideration C II (i.e. RMB3,552,000) shall be payable within five business days upon passing of the final examination of Machineries C II. If the final examination cannot be conducted due to factors caused by Purchaser II or Purchaser II does not inform Vendor C in writing regarding any default within 60 days from the completion of installation and testing of Machineries C II, the final examination will deem to be passed after 60 days from the completion of installation and testing of Machineries C II; and
- (d) 10% of Consideration C II (i.e. RMB888,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days 24 months after the day of passing of the final examination of Machineries C II.

Consideration C II was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor C the highest scores among other tenderers and Vendor C was selected as the vendor for Machineries C II accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser II in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement C II.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of Machineries C II shall be 24 months from the day of passing the final examination of Machineries C II. During the warranty period, Vendor C shall be responsible for the maintenance (including the cost of parts) of Machineries C II. Should Vendor C fail to complete the maintenance work within a reasonable time upon notification by Purchaser II, Purchaser II shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor C can charge Purchaser II for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **PURCHASE AGREEMENT D**

Principal terms of Purchase Agreement D are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser III, an indirect wholly-owned subsidiary of the Company; and  
Vendor D

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## LETTER FROM THE BOARD

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Vendor D is principally engaged in the research and development, design, production, sales and servicing of lithium ion batteries automated manufacturing equipment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor D and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

### **Subject matter**

Pursuant to Purchase Agreement D, Purchaser III agreed to purchase and Vendor D agreed to sell intellectual forming and sorting system ("**Machineries D**") at a total consideration of RMB100,000,000 ("**Consideration D**").

Consideration D shall be payable by Purchaser III in cash to Vendor D in the following manner:

- (a) 20% of Consideration D (i.e. RMB20,000,000) shall be payable within five business days upon signing of Purchase Agreement D;
- (b) upon completion of production of all Machineries D, Vendor D will notify Purchaser III to conduct pre-examination at the factory of Vendor D. 30% of Consideration D (i.e. RMB30,000,000) shall be payable within five business days upon passing of the pre-examination. Vendor D will deliver Machineries D to Purchaser III's production site thereafter. If Purchaser III does not conduct the pre-examination within one month from receiving Vendor D's notification, the pre-examination will be deemed to be passed;
- (c) amounts payable upon examination shall be 40% of the total consideration of the machineries (i.e. RMB40,000,000), which comprises preliminary examination amounts and final examination amounts. (1) Preliminary examination amounts shall be payable as follows: 35% of the respective examination amounts shall be payable by Purchaser III within five business days after completion of the preliminary examination of the machineries; and (2) final examination amounts shall be payable as follows: the remaining 5% of the examination amounts shall be payable by Purchaser III to Vendor D within five business days after the delivery of all machineries under this contract to the specified place and the examination thereof is completed. In the event that no preliminary examination amounts have been paid, the preliminary examination amounts shall be paid together with the final examination amounts so as to ensure that Vendor D has received in aggregate 90% of the total consideration of all machineries. If the final examination cannot be conducted due to factors caused by Purchaser III or Purchaser III does not inform Vendor D in writing regarding any default within 60 days from the completion of installation and testing of Machineries D, the final examination will deem to be passed after 60 days from the completion of installation and testing of Machineries D; and
- (d) 10% of Consideration D (i.e. RMB10,000,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days from the anniversary of passing of the final examination of Machineries D.

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## LETTER FROM THE BOARD

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Consideration D was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor D the highest scores among other tenderers and Vendor D was selected as the vendor for Machineries D accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser III in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement D.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of Machineries D shall be 12 months from the day of passing the final examination of Machineries D. During the warranty period, Vendor D shall be responsible for the maintenance (including the cost of parts) of Machineries D. Should Vendor D fail to complete the maintenance work within a reasonable time upon notification by Purchaser III, Purchaser III shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor D can charge Purchaser III for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **PURCHASE AGREEMENT E**

Principal terms of Purchase Agreement E are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser III and Vendor E

Vendor E is principally engaged in the technology development of machinery and electrical equipment; technology consultancy, technology services, transfer of technology; sales of developed products, hardware and electrical equipment, office equipment, construction materials, decoration materials, metal materials, machinery electrical equipment and accessories, electronic components, computer software and hardware and imported equipment; import and export of technologies; import and export of goods; and import and export agency.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor E and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Subject matter

Pursuant to Purchase Agreement E, Purchaser III agreed to purchase and Vendor E agreed to sell automated assembling line (“**Machineries E**”) at a total consideration of RMB90,000,000 (“**Consideration E**”).

Consideration E shall be payable by Purchaser III in cash to Vendor E in the following manner:

- (a) 20% of Consideration E (i.e. RMB18,000,000) shall be payable within five business days upon signing of Purchase Agreement E;
- (b) upon completion of production of all Machineries E, Vendor E will notify Purchaser III to conduct pre-examination at the factory of Vendor E. 30% of Consideration E (i.e. RMB27,000,000) shall be payable within five business days upon passing of the pre-examination. Vendor E will deliver Machineries E to Purchaser III’s production site thereafter. If Purchaser III does not conduct the pre-examination within one month from receiving Vendor E’s notification, the pre-examination will be deemed to be passed;
- (c) 40% of Consideration E (i.e. RMB36,000,000) shall be payable within five business days upon passing of the final examination of Machineries E. If the final examination cannot be conducted due to factors caused by Purchaser III or Purchaser III does not inform Vendor E in writing regarding any default within 60 days from the completion of installation and testing of Machineries E, the final examination will deem to be passed after 60 days from the completion of installation and testing of Machineries E; and
- (d) 10% of Consideration E (i.e. RMB9,000,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days from the anniversary of passing of the final examination of Machineries E.

Consideration E was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor E the highest scores among other tenderers and Vendor E was selected as the vendor for Machineries E accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser III in the case where less than three tenders are received. As only very limited numbers of vendors engaged in the trading of Machineries E, Purchaser III was only able to invite two tenderers.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

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## LETTER FROM THE BOARD

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### **Maintenance and warranty**

The warranty period of Machineries E shall be 24 months from the day of passing the final examination of Machineries E. During the warranty period, Vendor E shall be responsible for the maintenance (including the cost of parts) of Machineries E. Should Vendor E fail to complete the maintenance work within a reasonable time upon notification by Purchaser III, Purchaser III shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor E can charge Purchaser III for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **PURCHASE AGREEMENT F**

Principal terms of Purchase Agreement F are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser IV, an indirect wholly-owned subsidiary of the Company; and  
Vendor F

Vendor F is principally engaged in undertaking mechanical installation works, mechanical equipment installation works, purifying air-conditioning equipment works; design, implementation, installation and testing of construction decoration works, building intelligentisation works and fireproof works; design and installation of operating rooms and various wards in hospitals; and import and export of goods under self-owned brands and licensed brands and is a wholly-owned subsidiary of Vendor G.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor F and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

#### **Subject matter**

Pursuant to Purchase Agreement F, Vendor F agreed to provide production plant renovation and ancillary facilities construction services (the "**Renovation and Construction Services**") at a total consideration of RMB36,000,000 ("**Consideration F**").

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## LETTER FROM THE BOARD

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Consideration F shall be payable by Purchaser IV in cash to Vendor F in the following manner:

- (a) based on the progress of the Renovation and Construction Services: (1) 30% of Consideration F (i.e. RMB10,800,000) shall be payable within three days upon 50% completion of the Renovation and Construction Services; (2) 20% of Consideration F (i.e. RMB7,200,000) shall be payable within three days upon 80% completion of the Renovation and Construction Services; (3) 40% of Consideration F (i.e. RMB14,400,000) shall be payable within three days upon completion of the Renovation and Construction Services and passing the completion inspection;
- (b) 5% of Consideration F (i.e. RMB1,800,000) (which shall be retained as part I of the maintenance guarantee) shall be payable within ten days from the anniversary of passing of completion inspection of the Renovation and Construction Services.
- (c) 5% of Consideration F (i.e. RMB1,800,000) (which shall be retained as part II of the maintenance guarantee) shall be payable within ten days from the second anniversary of passing of completion inspection of the Renovation and Construction Services.

Consideration F was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor F the highest scores among other tenderers and Vendor F was selected as the vendor for Machineries F accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser IV in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement F.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of the Renovation and Construction Services shall be 24 months from the day of passing the final examination of such services. During the warranty period, Vendor F shall be responsible for the maintenance work under the Renovation and Construction Services. The cost incurred in respect of the maintenance work to be performed shall be processed as follows:

- (1) during the warranty period, Vendor F shall be responsible for the costs in respect of the maintenance work, personal injuries and property damages caused by the defects and damages of the Renovation and Construction Services;
- (2) during the warranty period, Purchaser IV shall engage Vendor F for the maintenance work in respect of the defects and damages of the work under the Renovation and Construction Services caused by Purchaser IV, and Purchaser IV shall bear the costs incurred thereof and the reasonable costs of Vendor F; and

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## LETTER FROM THE BOARD

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- (3) for the defects and damages of the work under the Renovation and Construction Services caused by other reasons, Purchaser IV shall engage Vendor F for the maintenance work, and Purchaser IV shall bear the costs incurred thereof and the reasonable costs of Vendor F. The costs incurred in respect of personal injuries and property damages under the Renovation and Construction Services shall be borne by the responsible party.

### **PURCHASE AGREEMENT G**

Principal terms of Purchase Agreement G are set out below:

#### **Date**

16 June 2016

#### **Parties involved**

Purchaser IV and Vendor G

Vendor G is principally engaged in air-conditioned sanitisation plant system works, air sanitisation equipment and air purifiers, gas separation and purifying equipment, environmental protection equipment and water treatment works, modular air conditioners and fan coils, sanitisation and environmental protection inspection equipment and is the holding company of Vendor F.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor G and its associates were Independent Third Parties and did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

#### **Subject matter**

Pursuant to Purchase Agreement G, Purchaser IV agreed to purchase and Vendor G agreed to sell drying machineries ("**Machineries G**") at a total consideration of RMB6,500,000 ("**Consideration G**").

Consideration G shall be payable by Purchaser IV in cash to Vendor G in the following manner:

- (a) 10% of Consideration G (i.e. RMB650,000) shall be payable within five business days upon signing of Purchase Agreement G;
- (b) 30% of Consideration G (i.e. RMB1,950,000) shall be payable upon passing of the pre-examination and delivery of Machineries G to Purchaser IV's production site together with Machineries G's value-added tax invoices of the total consideration;
- (c) 20% of Consideration G (i.e. RMB1,300,000) shall be payable within one week upon passing of the onsite examination of Machineries G. If the onsite examination cannot be conducted due to factors caused by Purchaser IV or Purchaser IV does not inform Vendor G in writing regarding any default within 60 days from the completion of installation and testing of Machineries G, the onsite examination will deem to be passed after 60 days from the completion of installation and testing of Machineries G;



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## LETTER FROM THE BOARD

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- (d) 35% of Consideration G (i.e. RMB2,275,000) shall be payable within a week of Machineries G being able to meet the technical standards as at the examination upon delivery after operation for six consecutive months or production of 3 million units of batteries; and
- (e) 5% of Consideration G (i.e. RMB325,000) (which shall be retained as maintenance guarantee) shall be payable within seven business days from the second anniversary of passing of the final examination of Machineries G.

Consideration G was arrived at through a tender process under the Tender Policy and Procedures. The tender committee gave Vendor G the highest scores among other tenderers and Vendor G was selected as the vendor for Machineries G accordingly.

There are no provisions in the tender policy governing the conduct of Purchaser IV in the case where less than three tenders are received. The Directors note that not less than three tenders were received for the tender process of Purchase Agreement G.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenderers and their associates were not connected persons of the Company. The Directors further confirm that connected persons would not be invited to submit tender.

### **Maintenance and warranty**

The warranty period of Machineries G shall be 24 months from the day of passing the final examination of Machineries G. During the warranty period, Vendor G shall be responsible for the maintenance (including the cost of parts) of Machineries G. Should Vendor G fail to complete the maintenance work within a reasonable time upon notification by Purchaser IV, Purchaser IV shall have the right to engage third party for maintenance and the cost incurred therefrom shall be deducted from the maintenance guarantee.

After the warranty period, Vendor G can charge Purchaser IV for the labour and transportation cost and cost of parts in respect of the maintenance work to be performed.

### **REASONS FOR ENTERING INTO OF PURCHASE AGREEMENT C I AND THE PURCHASE AGREEMENTS**

According to the announcement of the Company dated 20 October 2015, the Company has established a wholly-owned subsidiary, Tesson New Energy (Shenzhen), in Shenzhen, the PRC in around late September 2015. Tesson New Energy (Shenzhen) is intended to engage in the 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.

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## LETTER FROM THE BOARD

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Tesson New Energy (Shenzhen) entered into an agreement on 31 December 2015 for acquisition of the entire equity interest of the Shaanxi Company which, together with its subsidiary, is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials. The Shaanxi Company's factories, offices and ancillary facilities are located at Weinan City, Shaanxi Province, the PRC (the "**Shaanxi Company Manufacturing Site**"). Small scale production at the Shaanxi Company Manufacturing Site is on-going. To upgrade the technology and to raise the production capacity of the Shaanxi Company Manufacturing Site, the Shaanxi Company has entered into purchase agreements for the purchase of machineries including but not limited to Machineries B III and Machineries C II. For avoidance of doubt, the purchase of those other machineries does not constitute a notifiable transaction for the Company due to their size.

To establish another production line of lithium-ion batteries, battery packs, chargers and battery materials, Tesson New Energy (Shenzhen) (i) has, through its wholly-owned subsidiary, rented a production site in Weinan City, Shaanxi Province, the PRC (the "**Rented Manufacturing Site**"); and (ii) has entered into purchase agreements for the purchase of machineries and services including but not limited (1) Machineries A and Machineries B as referred to in the Disclosable Transactions Announcement and (2) Machineries B II, Machineries C I, Machineries D, Machineries E, the Renovation and Construction Services and Machineries G as set out above. For avoidance of doubt, the purchase of those other machineries does not constitute a notifiable transaction for the Company due to their size.

Machineries A, Machineries B, Machineries B III, Machineries C I, Machineries D and Machineries E, the Renovation and Construction Services, Machineries G and those other machineries will be delivered to the Rented Manufacturing Site and form its production line.

It is expected that the development of the lithium ion motive battery business will comprise establishing a full production line at the Rented Manufacturing Site and the upgrade of technology and raise of the production capacity of the Shaanxi Company Manufacturing Site. Detailed development plan of both manufacturing sites are set out below:

The establishment of the full production line at the Rented Manufacturing Site will be conducted in four phases:

- (i) Assessment phase (including the feasibility, environmental, capacity and safety assessment) has taken place in the first to second quarter of 2016.
- (ii) Machineries purchasing, installation and testing phase and production site refurbishment which is scheduled to take place in the second to fourth quarter of 2016. The purchase of all of the aforementioned machineries and services is for the purpose of this phase.
- (iii) Production trial run phase during which trial production of lithium ion motive batteries is conducted.
- (iv) Production work flow fine tune phase to increase the production capacity to at least 90% of full capacity (500,000 units of batteries per day) by the third quarter of 2017.

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## LETTER FROM THE BOARD

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The upgrade of the technology and raise of the production capacity of the Shaanxi Company Manufacturing Site will be conducted in three phases:

- (i) Machineries purchasing, installation and testing phase and production site refurbishment which is scheduled to take place in the second to third quarter of 2016. The purchase of all of the aforementioned machineries is for the purpose of this phase.
- (ii) Production trial run phase during which trial production of lithium ion motive batteries is conducted and is scheduled to take place in the fourth quarter of 2016.
- (iii) Production work flow fine tune phase to increase the production capacity to at least 90% of full capacity (230,000 units of batteries per day) by the first quarter of 2017.

The total investment cost of the lithium ion motive battery business is estimated to be approximately RMB482.5 million, including:

- (i) acquisition of the entire equity interest in the Shanxi Company of approximately RMB19.5 million as disclosed in the discloseable transaction announcement published by the Company on 3 January 2016;
- (ii) refurbishment of the two production sites, namely the Shaanxi Company Manufacturing Site and the Rented Manufacturing Site, by the purchase of various machineries and services as aforementioned of approximately RMB413 million; and
- (iii) approximately RMB50 million for general working capital and other miscellaneous expenses.

It is expected that the Company will finance the development of the lithium ion motive battery business of the Group using the net proceeds from the Open Offer, debt financing and net proceeds from the equity fund raising activity as set out under the section headed “Equity fund raising activity of the Company in the past twelve-month period immediately before the Latest Practicable Date” above. The Company may further expand the current development plan should the financial performance of the lithium ion motive battery business be satisfactory in the future.

Leveraging on the positive outlook of the PRC lithium ion motive battery business as highlighted below, the Board is optimistic about the development of the Group’s lithium ion motive battery business in the future. The Board is also of the view that the terms of Purchase Agreement C I and the Purchase Agreements are fair and reasonable and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### OVERVIEW OF THE PRC LITHIUM ION MOTIVE BATTERY BUSINESS

Lithium ion motive batteries or lithium ion battery modules can be used in electric vehicle, or serve as electricity storage units in wind and solar power plants and power grids, power back up in communication base station and various kinds of mobile devices.

As one of the largest lithium battery producing countries, lithium battery in the PRC has seen notable growth in both production and domestic demand. According to an article dated 15 June 2015 published on the “Invest in China” website (“中國投資指南”), the total output of lithium battery in the PRC increased by about 10.95% year-on-year to about 5.29 billion units in 2013.

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## LETTER FROM THE BOARD

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A key usage of lithium battery is on the power supply unit of electric vehicles. According to the US Department of Energy, energy storage systems of electric vehicles include lithium-ion batteries, nickel-metal hydride batteries, lead-acid batteries and ultracapacitors, of which lithium-ion batteries are the most widely used in today's plug-in hybrid electric vehicles and all-electric vehicles, mainly due to their characteristics of high power-to-weight ratio, high energy efficiency, good high-temperature performance and low self-discharge, with most components can be recycled. Worldwide efforts on research and development on lithium batteries are focused on cost reduction and extension of useful life cycle. As such, lithium battery plays a vital role as a widely recognised choice of power supply unit in electric vehicles, the demand of which has a determining effect on the outlook of lithium battery sector.

According to the statistics published by the Ministry of Industry and Information Technology of the PRC, China sold 330,000 units of new energy vehicles in 2015, which was 3.4 times that of the previous year and outperformed the United States to become the world's largest new energy vehicles market. It is expected that, by 2020, the ownership of new energy vehicles and mini electric cars in China will both surpass 5 million units, which will lead to the continuous and strong growth of lithium motive batteries.

It is noted that the robust growth in the sale of electric vehicles in the PRC is to a large extent attributable to the favourable government policies promoting the use of electric vehicles with an aim to combat domestic pollution issues. In June 2012, 中華人民共和國發展和改革委員會 (National Development and Reform Commission of the PRC\*) issued “節能與新能源汽車產業規劃” (2012–2020) (Plan of Energy Conservation and New Energy Vehicle Industry\*) (the “**New Energy Vehicle Plan**”) to advise on the development of energy conservation and new energy for the vehicle industry. Under the New Energy Vehicle Plan, the PRC government aims to expand the new energy vehicle industry by various means including the set-up of national research center for the advancement of automotive battery technology so as to improve the quality and efficiency while to lower the manufacturing cost of vehicle battery, thereby increasing the competitiveness of new energy vehicle. Furthermore, it is also estimated that the new energy vehicle in the PRC domestic market would reach up to 5.0 million units in 2020, which will lead to the continuous and strong growth of lithium motive batteries.

The New Energy Vehicle Plan is backed up by a series of favourable policies announced by the PRC government in 2014. In the State Council meeting held on 9 July 2014, Premier Li Keqiang announced that purchase of electric vehicles and other types of new energy vehicles will be exempt from purchase tax starting from September 2014 to the end of 2017. On 13 July 2014, the Ministry of Finance together with four other ministries and bureaus in the PRC announced the policy to promote the proportion of new energy vehicles in annual purchase of government vehicles to not lower than 30% from 2014 to 2016. This policy is to be applied to the central government units as well as the government organisations of designated cities.

Taking into account the above favourable policies in relation to new energy vehicles, it is expected that the new energy vehicle industry in the PRC would flourish and the demand for the lithium battery, being one of the most popular types of rechargeable battery for electric vehicles as discussed above, is expected to grow in the coming future.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE TRANSACTIONS CONTEMPLATED UNDER THE PURCHASE AGREEMENTS

Based on the pro forma financial information of the Group as set out in Appendix II to this circular and bases and assumptions taken into account in preparing such pro forma financial information, the Group's total assets and total liabilities would not be affected by the transactions contemplated under the Purchase Agreements, given that the increase in "property, plant and equipment" will be offset by the decrease of same amount in "cash and cash equivalent" due to the payment of the considerations as set out in the Purchase Agreements. Details of the financial effect of the transactions contemplated under the Purchase Agreements on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix II to this circular. Moreover, the Company considers that the transactions contemplated under the Purchase Agreements would likely to bring positive contribution to the earnings of the Group in the future.

### LISTING RULES IMPLICATIONS

As the acquisition activities as set out in the Announcement and the Discloseable Transaction Announcement together would lead to substantial involvement by the Company in a business activity, being the lithium ion motive battery business, which did not previously form part of the Group's principal business activities, pursuant to Rule 14.23 (4) of the Listing Rules, the acquisition transactions relating to such business have to be aggregated.

As the applicable percentage ratios (as defined under the Listing Rules) of Purchase Agreement C I were below 5%, Purchase Agreement C I did not constitute a notifiable transaction for the Company at the time it was entered into.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Purchase Agreements when aggregated with Purchaser Agreement C I as well as the previous two acquisition of machineries transactions as disclosed in the Company's announcement dated 15 January 2016 are more than 25% but less than 100%, the entering into of the Purchase Agreements constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

For the avoidance of doubt, the Purchase Agreements and Purchase Agreement C I have no Takeovers Code's implication. To the best of the Directors' knowledge, except for the intended use of proceeds from the Open Offer, the Purchase Agreements and Purchase Agreement C I do not have any relationship with the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

### (IV) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each, of which 592,180,400 Shares had been issued and allotted as fully paid or credited as fully paid. In order to allow the Company to have the flexibility to issue new Shares for the proposed Open Offer and future development, the Company proposes to increase the authorised share capital of the Company from HK\$100,000,000 (divided into 1,000,000,000 Shares) to HK\$200,000,000 (divided into 2,000,000,000 Shares) by the creation of an additional 1,000,000,000 Shares which will rank pari passu with all existing Shares.

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## LETTER FROM THE BOARD

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The proposed increase in authorised share capital of the Company is subject to the approval of the Shareholders at the SGM.

### (V) SGM

Set out in this circular is a notice convening the SGM which will be held at at 11:00 a.m. on Friday, 5 August 2016 at Academy Room III, 1/F., InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at which resolutions will be proposed to approve, among other things, (i) the Open Offer (including the increase in issued share capital of the Company by more than 50% upon the close of the Open Offer and the absence of excess application for Offer Shares by the Qualifying Shareholders); (ii) the Underwriting Agreement; (iii) the Whitewash Waiver; (iv) the Purchase Agreements; and (v) the proposed increase in authorised share capital of the Company.

The form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

Double Key, Ms. Cheng Hung Mui, any of their respective associates or concert parties, Mr. Sheng Siguang, Ms. Wang Jin, Ms. Wu Siqing, Mr. Tin Kong, Burgeon Max Holdings Limited and its concert parties, and persons who are involved or interested in the Open Offer, the Underwriting Agreement and the Whitewash Waiver shall abstain from voting at the SGM for the resolutions to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver. As no Shareholder is interested in the Purchase Agreements and the proposed increase in authorised share capital of the Company, no Shareholder will abstain from voting at the SGM for the resolutions to approve each of the Purchase Agreements as well as the proposed increase in authorised share capital of the Company.

As at the Latest Practicable Date, Double Key was interested in 235,245,306 Shares, representing approximately 39.73% of the issued share capital of the Company; and the entire issued share capital of Double Key was wholly and beneficially owned by Ms. Cheng Hung Mui, an executive Director. Burgeon Max Holdings Limited was interested in 100,000,000 Shares, representing approximately 16.89% of the issued share capital of the Company. Burgeon Max Holdings Limited was owned as to 40% by Ms. Wu Siqing (an Independent Third Party) and 60% by Ms. Wang Jin, who is the spouse of Mr. Sheng Siguang, an executive Director. Mr. Tin Kong, the executive Director, did not hold any Shares.

There had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third party either especially or on a case-by-case basis.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. KGI Capital Asia Limited have been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the advice of the Independent Board Committee as set out on pages 44 to 45 of this circular, as well as the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 46 to 70 of this circular.

Having taken into account the advice and recommendation of the Independent Financial Adviser, the independent non-executive Directors consider that the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Further, the independent non-executive Directors consider that the Open Offer, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

The Directors are of the opinion that the Open Offer, the Underwriting Agreement, the Whitewash Waiver, the Purchase Agreements and the proposed increase in authorised share capital of the Company are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions to be proposed in the SGM.

### GENERAL

Your attention is drawn to the information contained in the appendices to this circular.

By Order of the Board  
**Tesson Holdings Limited**  
**Tin Kong**  
*Chairman & Executive Director*





**TESSON HOLDINGS LIMITED**

**天臣控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1201)**

21 July 2016

**(I) PROPOSED OPEN OFFER ON THE BASIS OF  
THREE (3) OFFER SHARES FOR  
EVERY FOUR (4) SHARES HELD ON THE RECORD DATE; AND  
(II) APPLICATION FOR WHITEWASH WAIVER**

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular dated 21 July 2016 (the “**Circular**”) of the Company of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Circular unless the context requires otherwise.

We, being all the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver. We wish to draw your attention to the letter from the Board set out on pages 9 to 43 of this circular which sets out details of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 46 to 70 of this circular which contain its advice in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Your attention is also drawn to the general information set out in the appendix to the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
The Independent Board Committee

**Mr. Wang Jinlin**

**Mr. Chen Weixi**

**Mr. Ng Ka Wing**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of Tesson Holdings Limited, prepared for inclusion in this circular.*



**凱基金融亞洲**  
KGI CAPITAL ASIA

中華開發金控  
CHINA DEVELOPMENT FINANCIAL

41/F, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

Tel: 2878 6888  
Fax: 2970 0080

21 July 2016

*To the Independent Board Committee and the Independent Shareholders of  
Tesson Holdings Limited*

Dear Sirs and Madams,

**(I) PROPOSED OPEN OFFER ON THE BASIS OF  
THREE (3) OFFER SHARES FOR  
EVERY FOUR (4) SHARES HELD ON THE RECORD DATE; AND  
(II) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed Open Offer, the Underwriting Agreement and the Whitewash Waiver. Details of which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular to the Shareholders dated 21 July 2016 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 17 June 2016, the Directors announced that the Company proposed to raise HK\$355,308,240 million before expenses by way of the Open Offer, under which 444,135,300 Offer Shares will be issued at the Subscription Price of HK\$0.80 per Offer Share. The Company will allot three (3) Offer Shares for every four (4) Shares held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Open Offer is only available to the Qualifying Shareholders, and will not extend to the Non-Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the Open Offer will increase the number of the issued Shares by more than 50%, in compliance with Rule 7.24(5)(a) of the Listing Rules, the Open Offer must be made conditional on approval of the Independent Shareholders by way of poll at the SGM and any controlling shareholders of the Company and their associates or where there is no controlling shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Open Offer.

In addition, pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available and the Open Offer is fully underwritten by Double Key, a controlling shareholder of the Company, specific approval must be obtained from the Independent Shareholders in respect of the absence of excess application arrangement. Shareholders who have a material interest in the arrangement and their respective associates shall abstain from voting at the SGM.

As stated in the Board Letter, assuming that (i) no further Shares will be issued or bought back by the Company prior to the close of the Open Offer; and (ii) none of the Qualifying Shareholders other than Double Key have taken up their respective entitlements under the Open Offer, the interests in the Company held by Double Key and parties acting in concert with it upon the close of the Open Offer will increase from approximately 39.73% to approximately 65.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Double Key and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code. An application has been made by Double Key to the Executive for the Whitewash Waiver, pursuant to Note 1 on dispensation from Rule 26 of the Takeover Code. As confirmed by the Company, The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved at the SGM, the Open Offer will not proceed.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Committee of the Board, comprising WANG Jinlin, CHEN Weixi and NG Ka Wing, has been established to give recommendations to the Independent Shareholders as to whether the terms of the transactions contemplated under the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the transactions contemplated under the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinions and intention and representations made to us by the Directors and management of the Company or referred to in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and management of the Company. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be capable of being implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the SGM. Should there be any material changes after the despatch of the Circular, Shareholders would be notified as soon as possible.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the transactions contemplated under the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Relevant information and documents included, among other things, the annual report of the Company for the year ended 31 December 2015 (the “**2015 Annual Report**”), the interim report of the Company for the six months ended 31 June 2015 (the “**2015 Interim Report**”), management account as at 31 May 2016, the Underwriting Agreement, the Placing Agreement, the Purchase Agreements, and “**節能與新能源汽車產業規劃**” (2012–2020) (Plan of Energy Conservation and New Energy Vehicle Industry) (the “**New Energy Vehicle Plan**”) issued by Development and Reform Commission of the PRC. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the transactions contemplated under the Open Offer and the Underwriting Agreement and the Whitewash Waiver. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, or its subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company’s own decision to proceed with the entering into the Underwriting Agreement and to determine the Open Offer. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (I) PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons.

#### 1. Background information

##### *1.1 Principal business of the Company*

The Company is an investment holding company. The Group is principally engaged in (i) printing and manufacturing of packaging products; and (ii) manufacturing and sale of lithium-ion batteries, battery packs, charges and battery materials.

##### *1.2 Recent business development of the Group*

On 16 June 2014, the Company entered into a restructuring deed to implement the restructuring of the indebtedness of the Group which contemplated, among others, (i) the scheme of arrangement of the restructuring (the “**Schemes**”) and (ii) the secured debt purchase (collectively the “**Debt Restructuring**”). The Schemes became effective on 18 March 2015 and a total amount of approximately HK\$485.6 million was subsequently made available by Double Key, a controlling shareholder of the Company, for the implementation of the Debt Restructuring.

On 20 October 2015, the Company announced its intention to engage in the 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 (the “**Lithium Ion Motive Battery Business**”) in the PRC through Tesson New Energy (Shenzhen) Limited, an indirectly wholly-owned subsidiary of the Company.

To implement the development of the abovementioned new business, the Company entered into an acquisition agreement on 31 December 2015 and acquired the entire contributed equity interest in 陝西力度電池有限公司 (Shaanxi Leaders Battery Co. Ltd.), which is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, charges and battery materials, from Shunqian Energy and Jinwen New Energy.

As stated in the Board Letter, the Group had rented a production site in Weinan City and purchased various machineries for the establishment of a new production line of lithium-ion batteries, battery packs, charges and battery materials.

Notwithstanding the recent business development focus on Lithium Ion Motive Battery Business, according to the 2015 Annual Report, the package printing business still remained as the core business of the Group. Since the acquisition of the equity interest in Shaanxi Leaders Battery Co. Ltd. was completed on 28 January 2016, the Group’s revenue was primarily generated from the sale of packaging products for the two years ended 31 December 2015.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.3 Historical financial information of the Group

The following table sets out selected items in the consolidated financial statements of the Group for the two years ended 31 December 2015 as extracted from the 2015 Annual Report.

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
	approximately	approximately
<b>Continuing operations</b>		
Revenue	758,687	795,307
Restructuring costs	-	(23,575)
Gain on execution of the schemes of arrangement	-	30,412
Profit for the year from continuing operations	62,884	75,407
Profit for the year from continuing operations attributable to owners of the Company	22,981	28,248
	<b>As at 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
	approximately	approximately
Bank and cash balances	53,702	204,359
Total assets	1,099,574	1,414,605
Borrowings	489,706	88,907
Amount due to a related company	-	422,397
Total liabilities	731,373	769,553
Gearing ratio (calculated as total liabilities over total assets)	66.5%	54.4%

As shown in the above table, the Group's revenue from continuing operations increased from approximately HK\$758.7 million to approximately HK\$795.3 million, representing a slight increase of approximately 4.8%. According to the 2015 Annual Report, the increase in the revenue from continuing operations was mainly attributable to the increase in the revenue arising from printing and manufacturing of tobacco packaging, which accounted for approximately 87.0% of the Group's total revenue for the year ended 31 December 2015. Such increase was mainly attributable to the increase in the productivity of the Group due to the upgrade of the existing production facilities and better logistics location of the production site.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded profit from continuing operations attributable to owners of the Company of approximately HK\$28.2 million for the year ended 31 December 2015, representing an increase of approximately 22.9% compared to 2014. Such increase was mainly attributable to the combined effect of (i) restructuring costs of approximately HK\$23.6 million in relation to the 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; and (ii) one-off gain of approximately HK\$30.4 million on the execution of the restructuring 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 restructuring schemes.

The Group recorded an amount due to a related company of approximately HK\$422.4 million as at 31 December 2015 (2014: Nil). Such balance represented the transfer of restructured debts of approximately HK\$505.1 million to Double Key upon execution of the Schemes and an amount due to a related company was recorded since then.

We noted that the Group generally finances its working capital and funding requirements through internal resources and bank and other borrowings. According to the 2015 Annual Report, the Directors were of the view that the Group maintained sufficient working capital as at 31 December 2015 with net current assets of approximately HK\$457.2 million (2014: net current liabilities of approximately HK\$226.5 million) and bank and cash balances amounted to approximately HK\$204.4 million (2014: approximately HK\$53.7 million) whilst there were total bank and other borrowings of approximately HK\$88.9 million (2014: approximately HK\$489.7 million). The Group also recorded dividend income from investments in available-for-sale in the sum of approximately HK\$0.9 million and HK\$3.3 million for the year ended 31 December 2014 and 2015, respectively. Gearing ratio of the Group was maintained at a relatively high level, although there was an improvement from approximately 66.5% as at 31 December 2014 to approximately 54.4% as at 31 December 2015 due to the proceeds from the issue of shares under specific mandate during the year ended 31 December 2015.

### ***1.4 Capital requirement of the Group***

To ensure the competitive edges of the Company, the Company will apply all the net proceeds from the Open Offer in the development of the Lithium Ion Motive Battery Business of the Group, specifically for payment of the considerations under the Purchase Agreements.

We have obtained and reviewed the unaudited management account as of 31 May 2016 and the 2015 Annual Report of the Group. We note that the Group has bank and cash balances of approximately HK\$135 million and HK\$204 million as at 31 May 2016 and 31 December 2015, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As confirmed by the Directors, we understand that the Group has capital commitments in respect of the Company's businesses of approximately HK\$145 million and HK\$82 million as of 31 May 2016 and 31 December 2015, respectively.

In addition, as discussed with the Directors, as at 31 May 2016, we note that the amount of loan principal and interest in aggregate due for payment during the financial year ending 31 December 2016, excluding the revolving loan, is expected to be approximately HK\$23 million.

Having considered that (1) the Company has bank and cash balances of approximately HK\$135 million as at 31 May 2016; (2) the capital commitments of the Group as at 31 May 2016 is expected to be approximately HK\$145 million; and (3) the amount of loan principal and interest in aggregate due for payment during the financial year ending 31 December 2016, excluding the revolving loan, is expected to be approximately HK\$23 million. The Directors are of the view that, apart from the extra financial resources required for the payment of the considerations under the Purchase Agreements of approximately RMB280 million, the Group has sufficient capital resources to meet the requirement in the near to medium term up to 30 June 2017.

### **2. Reasons for and benefits of the Open Offer and the use of proceeds**

The net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) will amount to HK\$352,808,240. As stated in the Board Letter, all of the net proceeds from the Open Offer will be applied in the development of the Lithium Ion Motive Battery Business of the Group specifically for payment of the considerations under the Purchase Agreements.

The Directors consider that the Open Offer will enable the Group to strengthen its capital base and provide sufficient capital to support the development of the Group's Lithium Ion Motive Battery Business.

The Directors further consider that it is prudent to finance the Group's long-term business development by long-term financing, preferably in the form of equity which will not increase the Group's finance costs. The Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company. The Directors are of the view that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

As stated in the Board Letter, it is expected that the Company will finance the development of the Lithium Ion Motive Battery Business of the Group using the net proceeds from the Open Offer, debt financing together with net proceeds from the equity fund raising activity as set out under the section headed "Equity fund raising activity of the Company in the past twelve-month period immediately before the Latest Practicable Date" in the Board Letter.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the positive outlook of the PRC lithium ion motive battery industry to be discussed below, the Directors are optimistic about the development of the Group's Lithium Ion Motive Battery Business in the future.

As stated in the Board Letter, lithium battery in the PRC has seen notable growth in both production and domestic demand. A key usage of lithium battery is on the power supply unit of electric vehicles. Worldwide efforts on research and development on lithium batteries are focused on cost reduction and extension of useful life cycle. As lithium battery plays a vital role as a widely recognized choice of power supply unit in electric vehicles, the demand of which has a determining effect on the outlook of lithium battery sector. We have reviewed the statistics published by the Ministry of Industry and Information Technology of the PRC, China sold 330,000 units of new energy vehicles in 2015, which was 3.4 times that of the previous year and outperformed the United States to become the world's largest new energy vehicles market. We also noted from the New Energy Vehicle Plan that there were a series of favourable policies planned by the PRC government from 2012 to 2020 to support the development of electric vehicle in the PRC.

We have performed independent research and/or analysis, including but not limited to the research and/or analysis of (1) the article "Li-Ion Battery for Electric Vehicles Market In China" published by Technavio on 22 April 2015 (the "**Technavio Article**"); and (2) an article published on the "Renewable Energy World" on 4 September 2014 regarding the research report by Frost and Sullivan. Renewable Energy World was started in 1998 and is one of the most recognized and trusted independent source for renewable energy news and information globally. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York with more than 40 global offices and over 2,000 industry consultants, market research analysts, technology analysts and economists outstanding for various specific needs.

We consider these two sources of information independent, objective and relevant to the development of the Lithium Ion Motive Battery Business of the Group. In addition, we have reviewed the articles and understood the content of the articles. We consider the findings and information in these articles, which include views and ideas from global renowned experts, are fair, representative and conclusive to substantiate the reasons and benefits of the Open Offer.

According to the Technavio Article, which is publicly available, we note that electric vehicles, including but not limited to plug-in hybrid electric vehicles and battery electric vehicles, are powered by the lithium ion batteries. As stated in the Technavio Article, the demand for lithium ion batteries for electric vehicles in the PRC is expected to grow five-fold, posting a CAGR of close to 40% during 2015-2019. In addition, together with the financial incentives from the government in the PRC in the research and development activities of electric vehicles, continuous government support in improving the charging facilities for electric vehicles owners, favourable policies in manufacturing and development of electric vehicles such as aggressively implementing the country-wide installation of hi-tech charging stations to make charging convenient and accessible for all future electric vehicles, the Technavio Article concluded that there will be an increasing sales of electric vehicles in the PRC and in turn will increase the demand for lithium ion batteries for electric vehicles in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Last but not least, the market for lithium-ion batteries is expected to grow four times by 2020 according to an article published on the “Renewable Energy World” on 4 September 2014. As to the research report by Frost and Sullivan as stated in the article, regulatory incentives are driving demand in both energy and automotive sectors. In the automotive sector, regulations encouraging fuel efficiency, emission standards and use of clean energy sources are stimulating the need for lithium-ion batteries. Meanwhile, in grid and renewable energy storage, charging utility regulations, especially in the United States, Europe and Asia-Pacific, encourage battery-based energy storage and distribution projects. Thus, an exuberant growth of the global lithium-ion battery market is expected in the next few years.

Taking into account that (i) a key usage of lithium batteries is on the power supply unit of electric vehicles; (ii) there are favourable policies to back up the development of new energy vehicles and thus the new energy vehicle industry in the PRC would flourish and the demand for the lithium battery, being one of the most popular types of rechargeable battery for electric vehicles as discussed above, is expected to grow in the coming future; (iii) as stated in the Technavio Article, there will be an increasing sales of electric vehicles in the PRC and in turn will increase the demand for lithium ion batteries for electric vehicles in the PRC; and (iv) Frost and Sullivan expected, and we concurred, that there will be an expected growth in the global lithium-ion batteries industry and an increasing demand in the automotive sector, we concur with the Directors that the Lithium Ion Motive Battery Business has a promising outlook in the PRC and we are of the view that the net proceeds from the proposed Open Offer to fund the development of the Lithium Ion Battery Business is in the interests of the Company and Independent Shareholders.

### *2.1 Financing alternatives*

The Company has conducted one equity fund raising activity in the 12 months preceding the Latest Practicable Date. As stated in the circular of the Company dated 24 November 2015 (the “**2015 Circular**”), the Company issued new shares under specific mandates and conducted connected transaction involving subscription of new shares by connected person. Save as disclosed, the Company has not conducted any other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

As confirmed by the Directors, they have considered other methods of fund raising. For our due diligence purpose, we have discussed with the Directors and we note that the Company has considered various methods, namely (1) internal resources; (2) debt financing; and (3) equity financing.

As stated in the Board Letter, the total consideration, being the aggregated considerations of Consideration B II of RMB31,400,000, Consideration B III of RMB7,151,000, Consideration C II of RMB8,880,000, Consideration D of RMB100,000,000, Consideration E of RMB90,000,000, Consideration F of RMB36,000,000, and Consideration G of RMB6,500,000, is approximately RMB279,931,000 (the “**Total Consideration**”). As confirmed by the Company, the Company had bank and cash balances of approximately HK\$135 million as at 31 May 2016. We note that the Company’s existing bank and cash balances is insufficient for payment of the Total Consideration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 May 2016, the Company had debt of approximately HK\$877 million and a high gearing ratio of approximately 57.9%. As discussed with the Directors, it is difficult for the Company to obtain loans from banks or financial institutions in view of the considerably high gearing ratio. We have discussed with the management of the Company and note that the Company approached several banks or financial institution, including but not limited to local and country-wide banks or financial institutions in Hong Kong and PRC in 2016. However, the Company did not receive favourable responses from them. In addition, it will incur interest expenses to the Company which in turn will adversely affect the profit and loss position of the Company. As such, the Directors consider that debt financing is not suitable for the Company, given the current financial position of the Company.

The Company has considered other forms of equity fund raising exercises such as placement of shares to third parties or rights issue to Qualifying Shareholders. As discussed with the Directors, the Directors consider that share placement will result in dilution to the interests of the existing Shareholders, which is not preferred for the time being. We concur with the Directors that share placement is not preferred for the time being due to the potential dilution to interests of the existing Shareholders.

As discussed with the Directors, compared to open offer, the Directors considers that rights issue generally requires higher cost to administer and arrange for the nil-paid rights trading, printing services and for reviewing the provisional allotment letters and other necessary documents, including the time for the Company to liaise with the parties involved in the rights issue such as the share registrar, the underwriter, financial printer and its professional advisers. Moreover, given the recent lackluster performance of the share price and thin trading volume of the Shares, the Directors consider that the absence of trading of nil-paid rights may not be considered material to the Qualifying Shareholders. We concur with the Directors that rights issue is less preferred when compared to open offer.

As discussed with the Directors, we note that the Directors consider an open offer allows the Qualifying Shareholders sharing an equal opportunity to participate in the enlargement of the capital base and future development of the Company while maintaining their proportionate interest in the Company. We concur with the Directors that open offer is a more appropriate fundraising method for the Company and the Shareholders as a whole.

Having considered that (1) payment of the Total Consideration by the Company's internal resources is not sufficient; (2) debt financing is considered not suitable for the Company, given the current financial position of the Company and the adverse impact on the financial position of the Company attributable to the additional interest expense burden; (3) share placement is not preferred for the time being due to the dilution effect to interests of the existing Shareholders; (4) rights issue will generally incur higher administration cost when compared to open offer; and (5) open offer is a more appropriate fundraising method for the Company and the Shareholders as a whole, we concur with the Directors and we are of the view that the proposed Open Offer will enable the Group to strengthen its capital base and provide sufficient capital to support the development of the Group's Lithium Ion Motive Battery Business and is a more preferable fundraising method for the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.2 *Intended use of proceeds*

As stated in the announcement of the Company dated 20 October 2015, the Company has established a wholly-owned subsidiary, Tesson New Energy (Shenzhen), in Shenzhen, the PRC in around late September 2015. Tesson New Energy (Shenzhen) is intended to engage in the 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.

Tesson New Energy (Shenzhen) entered into an agreement on 31 December 2015 for acquisition of the entire equity interest of the Shaanxi Company which, together with its subsidiary, is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials. The Shaanxi Company's factories, offices and ancillary facilities are located at Weinan City, Shaanxi Province, the PRC. To upgrade the technology and to raise the production capacity of the Shaanxi Company Manufacturing Site, the Shaanxi Company has entered into purchase agreements for the purchase of machineries including but not limited to Machineries B III and Machineries C II.

To establish another production line of lithium-ion batteries, battery packs, chargers and battery materials, Tesson New Energy (Shenzhen) (i) has, through its wholly-owned subsidiary, rented a production site in Weinan City, Shaanxi Province, the PRC; and (ii) has entered into purchase agreements for the purchase of machineries and services including but not limited (1) Machineries A and Machineries B as referred to in the Disclosable Transactions Announcement and (2) Machineries B II, Machineries C I, Machineries D, Machineries E, the Renovation and Construction Services and Machineries G as set out above. For avoidance of doubt, the purchase of those other machineries does not constitute a notifiable transaction for the Company due to their size.

Machineries A, Machineries B, Machineries B III, Machineries C I, Machineries D and Machineries E, the Renovation and Construction Services, Machineries G and those other machineries will be delivered to the Rented Manufacturing Site and form its production line.

It is expected that the development of the Lithium Ion Motive Battery Business will comprise establishing a full production line at the Rented Manufacturing Site and the upgrade of technology and raise of the production capacity of the Shaanxi Company Manufacturing Site. For further information on the detailed developed plan of both manufacturing sites, please refer to the section headed "Reasons for entering into of Purchase Agreement C I and the Purchase Agreements" in the Board Letter.

We have obtained and discussed on the business plan of the Group with the Directors and the management of the Company and we note that the Group takes a positive view on the development of the Lithium Ion Motive Battery Business in the PRC and desires to pursue investment opportunities in such business in the PRC. Furthermore, as discussed with the management of the Company, we note that, according to the business plan of the Group in relation to the development of the Lithium Ion Motive Battery Business in the PRC, the Company has started engaging in the Lithium Ion Motive Battery Business and will continue

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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to invest and grow the Lithium Ion Motive Battery Business, as stated in the 2015 Annual Report and the announcements of the Company dated 20 October 2015, 3 January 2016, 15 January 2016 and 29 March 2016. Moreover, we have discussed with the Directors and the management of the Company and understood the assumptions made by them on the consideration of the business plan. We concur with the Directors and we are of the view that these assumptions have been made with due care and consideration by the Company. And, we are of the view that the assumptions are fair and reasonable.

In addition, we have discussed with the management of the Company regarding the development of the Lithium Ion Motive Battery Business in the PRC, including but not limited to the potential and benefits of the development of the Lithium Ion Motive Battery Business in the PRC and the absence of restrictions in the Lithium Ion Motive Battery Business in the PRC. We concur with the Directors on the feasibility and viability of the business plan of the Lithium Ion Motive Battery Business in the PRC.

As confirmed by the Directors, we note that the Directors consider the Company is equipped with relevant management experience and expertise to develop into the Lithium Ion Motive Battery Business. We have obtained the background information of the relevant personnel and note that these personnel have been engaged in the lithium ion motive battery industry or relevant industries for multiple years. As stated in the background information of the relevant personnel, they have obtained extensive experience and qualification in the relevant areas of the Lithium Ion Motive Battery Business, including but not limited to the experience, expertise, awards, patents, professional qualifications, achievements and contributions to the relevant areas of the Lithium Ion Motive Battery Business. As discussed with the management of the Company, their experience and expertise shall be directly and/or indirectly applicable to the development of the Lithium Ion Motive Battery Business. We concur with the Directors that the Company has necessary management experience and expertise to develop into the Lithium Ion Motive Battery Business.

As stated in the Board Letter, the Company intended to invest approximately RMB413 million, out of the total investment cost of the Lithium Ion Motive Battery Business of approximately RMB482.5 million, for the refurbishment of the two production sites, namely the Shaanxi Company Manufacturing Site and the Rented Manufacturing Site, by the purchase of various machineries and services. As confirmed by the Directors, the Company will apply the net proceeds from the Open Offer to the development of the Lithium Ion Motive Battery Business.

As stated in the Board Letter, the net proceeds from the Open Offer (after deducting professional fees and other relevant expenses) of HK\$352,808,240 is intended to be applied in the development of the Lithium Ion Motive Battery Business of the Group specifically for payment of the considerations under the Purchase Agreements. In view of the prospects of the lithium ion battery industry as discussed above, we concur with the Directors' view that the intended use of proceeds is aligned with the business plan of the Group and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Open Offer

Set out below are the principal terms of the Open Offer as extracted from the Board Letter.

#### Issue statistics

Basis of the Open Offer	:	Three (3) Offer Shares for every four (4) Shares held on the Record Date
Total number of issued Shares as at the Latest Practicable Date	:	592,180,400 Shares
Number of Offer Shares	:	444,135,300 Offer Shares
Subscription Price	:	HK\$0.80 per Offer Share
Number of Offer Shares irrevocably undertaken to be accepted by Double Key (in its capacity as a Shareholder)	:	176,433,980 Offer Shares
Number of Underwritten Shares ( <i>Note</i> )	:	267,701,320 Offer Shares
Issued share capital upon the close of the Open Offer	:	1,036,315,700 Offer Shares

#### *Note:*

Under the Open Offer and pursuant to the Underwriting Agreement, the Underwriter has agreed to take up the Offer Shares on a fully underwritten basis. Accordingly, the total number of Offer Shares to be underwritten by the Underwriter is 267,701,320 Offer Shares. Nevertheless, the Underwriter, subject to the results of the Open Offer, may arrange VBG Capital Limited (as the placing agent) to procure independent subscriber(s) to subscribe for such number of Offer Shares to ensure that the Company is able to maintain the minimum public float requirement at all times.

The Offer Shares proposed to be issued represent:

- (a) 75.00% of the issued share capital of the Company as at the Latest Practicable Date assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer; and
- (b) approximately 42.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares, assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer.

The aggregate nominal value of the Offer Shares is HK\$44,413,530.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As confirmed by the Company, the Company had no outstanding option, convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

### *3.1 The Offer Shares*

The Company has agreed to issue and allot 444,135,300 new Shares pursuant to the Open Offer.

### *3.2 The Subscription Price*

The Subscription Price of HK\$0.80 per Offer Share is payable in full when a Qualifying Shareholder accepts the Open Offer.

The Subscription Price represents

- (i) a discount of approximately 1.23% to the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of 1.27% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 0.62% to the average closing price of approximately HK\$0.805 per Share for the ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately 81.82% over the consolidated net asset value per Share of approximately HK\$0.44 (calculated by dividing the audited equity attributable to owners of the Company as at 31 December 2015 as shown in the annual report of the Company for the year ended 31 December 2015 of approximately HK\$261,848,000 by 592,180,400 Shares in issue as at the Latest Practicable Date); and
- (v) a premium of approximately 0.76% over the theoretical ex-entitlement price (calculated by dividing the aggregate of (i) the market value of the Shares at the closing price as quoted on the Stock Exchange on the Last Trading Day; and (ii) the gross proceeds from the Open Offer, by the number of Shares then in issue immediately after the close of the Open Offer) of approximately HK\$0.794 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

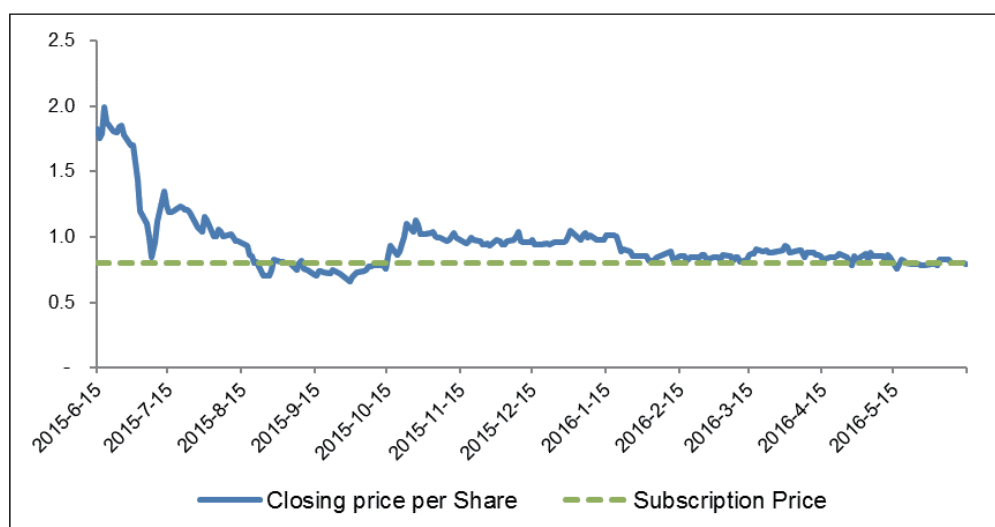
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As confirmed by the Directors, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter after taking into account primarily the prevailing market price of the Shares. We further understood from the Directors that the Subscription Price has been set at minimal of 1.27% to the Last Trading Day but at a premium over the net asset value per Share as at the Latest Practicable Date in order to maintain the existing fund raising size of the Open Offer for development of the Group on the new lithium ion battery business. Nonetheless, the differences between the Subscription Price with the benchmark under (ii), (iii) and (v) are also minimal.

To further assess the fairness and reasonableness of the Subscription Price, we set out below our further analysis.

### *Historical share price performance of the Company*

We have reviewed the historical share price performance of the Company for the period commenced from 15 June 2015, being the 12 month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”). Set out below is the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period.



Source: The Stock Exchange's web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Review Period, we noted that the highest closing price and lowest closing price of the Shares were HK\$1.99 per Share on 18 June 2015 and HK\$0.66 per Share on 29 September 2015, respectively. The closing prices of the Shares fluctuated and hit the closing price of HK\$1.85 per Share on 25 June 2015 after the Company's announcement of the entering into of certain contracts in respect of relocation and upgrade of the packaging printing plant on 29 May 2015. The closing price then fluctuated and showed a general sliding trend until it reached its bottom at the end of September 2015 and thereafter, it showed a slight recovery trend. As



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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shown in the above diagram, the Subscription Price of HK\$0.80 per Share is within the aforesaid range. As discussed with the Directors, save and except for the aforesaid announcement dated 29 May 2015, the Directors were not aware of any specific events of the Company during the Review Period that caused the said fluctuation in the Share prices.

### *Historical trading volume of the Shares*

Set out below are (i) the number of trading days in each month; (ii) the average daily number of the Shares traded in each month; (iii) and the respective percentages of the Shares' monthly trading volume as compared to (a) the total number of issued Shares held by the public as at the Latest Practicable Date; and (b) the total number of issued Shares as at the Latest Practicable Date during the Review Period.

Month	No. of trading days in each month <i>Days</i>	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>%</i> <i>(Note 2)</i>	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>%</i> <i>(Note 3)</i>
<b>2016</b>				
June (up to and including the Last Trading Date) <i>(Note 1)</i>	9	30,444	0.02%	0.01%
May	21	138,523	0.09%	0.04%
April	20	227,250	0.14%	0.06%
March	21	205,476	0.13%	0.05%
February	18	144,833	0.09%	0.04%
January	20	424,950	0.27%	0.11%
<b>2015</b>				
December	22	364,182	0.23%	0.09%
November	21	540,667	0.34%	0.14%
October	20	1,003,600	0.64%	0.26%
September	20	371,400	0.24%	0.09%
August	21	697,000	0.44%	0.18%
July	22	1,788,000	1.14%	0.46%
June	22	2,441,591	1.56%	0.62%

*Source: The Stock Exchange's web-site (www.hkex.com.hk)*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Trading in the Shares was halted on 15-17 June 2016 at 9:00 a.m..
2. Based on 156,935,094 Shares held by the public as at the Latest Practicable Date.
3. Based on 592,180,400 Shares in issue as at the Latest Practicable Date.

We noted that the average daily trading volume of the Shares in each month was thin during the Review Period, being below 2% of the total number of issued Shares held by the public and below 1% of the total number of issued Shares as at the Latest Practicable Date.

Having considered that (i) the Subscription Price is of no material difference to the closing price and average closing price in situations (i) to (iii) and (v) as disclosed under the paragraph headed “3.2 The Subscription Price” above; (ii) the Subscription Price of HK\$0.80 is within the closing price range within the Review Period; (iii) the volume of Shares traded during the Review Period was thin; and (iv) Qualifying Shareholders are given the opportunity to maintain their respective pro-rata shareholding interest in the Company, we concur with the Directors and we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

#### **4. The Underwriting Agreement**

##### ***4.1 Principal terms of the Underwriting Agreement***

Set out below is the principal terms of the Underwriting Agreement.

Date	14 June 2016
Underwriter	Double Key
Total number of Offer Shares to be underwritten ( <i>Note</i> )	267,701,320 Offer Shares
Commission	No underwriting commission will be payable by the Company to Double Key

*Note:*

Under the Open Offer and pursuant to the Underwriting Agreement, the Underwriter has agreed to take up the Offer Shares on a fully underwritten basis. Accordingly, the total number of Offer Shares to be underwritten by the Underwriter is 267,701,320 Offer Shares. Nevertheless, the Underwriter, subject to the results of the Open Offer, may arrange VBG Capital Limited (as the placing agent) to procure independent subscriber(s) to subscribe for such number of Offer Shares to ensure that the Company is able to maintain the minimum public float requirement at all times.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.2 *Conditions precedent*

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following conditions being fulfilled:

- (a) the Company having despatched the Circular Documents (as defined under the Underwriting Agreement) to Shareholders containing, among other matters, details of the Open Offer and the Whitewash Waiver;
- (b) the passing by the Independent Shareholders at the SGM by way of poll of the necessary resolution(s) approving, amongst others, the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Offer Shares and the Whitewash Waiver, and the proposed increase in authorised share capital of the Company;
- (c) the Executive granting the Whitewash Waiver waiving any obligation on the part of Double Key and parties acting in concert with it, if any, to make a general offer for all the securities of the Company not already owned by it or agreed to be acquired by it upon completion of the Underwriting Agreement and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and, if required by or in compliance with the Listing Rules and/or the Companies (WUMP) Ordinance, the posting of the Overseas Letter (as defined under the Underwriting Agreement) together with a copy of the Prospectus marked “For information only” to the Non-Qualifying Shareholders (if any), in each case, on the Prospectus Posting Date;
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in all the Offer Shares either unconditionally or subject to such conditions as the Company may accept by no later than the first day of their dealings on the Stock Exchange as stated in the Prospectus;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (g) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;
- (h) compliance with and performance of all undertakings and obligations of the Underwriter, respectively, pursuant to the terms and conditions of the Underwriting Agreement;
- (i) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof;
- (j) there being no specified event (as defined in the Underwriting Agreement) occurring prior to the Latest Time for Termination; and
- (k) compliance by Double Key with its undertakings and obligations under its irrevocable undertaking given to the Company.

Save for condition (g) above which can only be waived by the Underwriter, none of the conditions precedent can be waived. In the event that the above conditions have not been satisfied or waived on or before the dates specified therein or if no such time is specified, the Latest Time for Termination (or such other time and date as the Company and the Underwriter may agree in writing), all obligations and liabilities of the parties under the Underwriting Agreement shall cease and terminate and none of the parties shall have any claim against the other. In such case, the Open Offer will not proceed.

As confirmed by the Company, none of the above conditions had been fulfilled or waived as at the Latest Practicable Date.

### ***4.3 Underwriting arrangement and absence of application for excess Offer Shares***

There is no arrangement for application of the Offer Shares by Qualifying Shareholders in excess of their proportionate assured allotments under the Open Offer. The Offer Shares (other than those which have been irrevocably undertaken to be subscribed by Double Key) not validly applied for by the Qualifying Shareholders will be taken up by the Underwriter. No underwriting commission will be payable by the Company to the Underwriter under the Underwriting Agreement.

We have obtained and reviewed the Underwriting Agreement from the Company and note that no underwriting commission is payable by the Company to the Underwriter and Double Key shall be responsible for all fees and expenses incurred by it in relation to the Whitewash Waiver.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Underwriting Agreement consists of various terms, in particular, the underwriting commission. We have reviewed the announcements of open offer as announced by companies listed on the Main Board of the Stock Exchange from January to May in 2016. We note that the commissions payable by the respective companies to the respective underwriters for open offers with premium over or less than 10% discount to the closing price of the respective last trading day, whether the respective underwriters are connected or independent, ranged from 2.0% to 3.0%. In light of the comparatively attractive terms of the Underwriting Agreement, in particular, the underwriting commission, we consider the Underwriting Agreement is in the interest of the Company and the Shareholders as a whole.

As disclosed in the Board Letter, after arm's length negotiations with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that the administrative costs would be lowered without the excess application.

As stated in the Board Letter and confirmed by the Directors, we note that the estimated administrative costs of approximately HK\$150,000 will be incurred should the Company entitle the Qualifying Shareholders to apply for excess Offer Shares. Additionally, considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's potential future development by subscribing for his/her entitlement under the Open Offer and maintaining their respective pro rata shareholding interests in the Company, the Directors are of the view that the benefits of offering the excess application procedures do not justify the additional efforts and costs. The Directors consider it is fair and reasonable and in the interests of the Company and the Shareholders not to offer any excess application to the Qualifying Shareholders. In light of the above, we concur with the Directors and we are of the view that the absence of application for excess Offer Shares may not be considered material to the Qualifying Shareholders.

Having considered that (1) each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Open Offer; (2) the Subscription Price is acceptable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; (3) Double Key is willing to underwrite the new Shares; (4) no underwriting commission is payable by the Company to the Underwriter; (5) Double Key shall be responsible for all fees and expenses incurred by it in relation to the Whitewash Waiver; (6) the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole; (7) as estimated by the Company, the arrangement of excess application would require putting in additional effort and costs of approximately HK\$150,000; (8) the absence of application for excess Offer Shares may not be considered material to the Qualifying Shareholders; (9) the Qualifying Shareholders who choose to accept their respective entitlement under the Open Offer in full can maintain their respective pro-rata shareholding in the Company and to participate in the future growth and development of the Group; and (10) the Open Offer is subject to the Underwriting Agreement having become unconditional while the Underwriting Agreement is conditional upon, among others, approval of the absence of excess application arrangement under the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM, we concur with the Directors and are of the view that (1) the terms of the Underwriting Agreement; and (2) the terms of the Open Offer in respect of the absence of the excess application arrangement, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

#### *4.4 Potential dilution effect of the Open Offer on Shareholding interests*

As discussed at the section headed Financing Alternatives under the section headed Reasons for and benefits of the Open Offer and the use of proceeds in this letter, the Directors considers open offer to be the most appropriate fundraising method for the Company for the time being as an open offer allows the Qualifying Shareholders sharing an equal opportunity to participate in the enlargement of the capital base and future development of the Company while maintaining their proportionate interest in the Company.

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments in full under the Open Offer.

As stated in section headed Shareholding Structure of the Company under the Board Letter, approximately 43.39% of the Company was held by the Independent Shareholders, which include Lankai Limited and its parties acting in concert and other public Shareholders, as at the date of the Announcement. The shareholding interest of the Independent Shareholders will reduce to approximately 24.80% immediately after completion of the Open Offer, assuming none of the Qualifying Shareholders (other than Double Key in the capacity of a Shareholder) have taken up their respective entitlements under the Open Offer and no exercise of any outstanding and exercisable Share Option on or before the Record Date. In the event the subscription for the Offer Shares by the Underwriter pursuant to the Underwriting Agreement will result in insufficient public float of the Company, the Underwriter shall take all necessary steps before the close of the Open Offer such that sufficient float to the Company can be maintained.

As stated in the Board Letter, pursuant to the public float requirement under Rule 8.08(1)(a) of the Listing Rules, the public Shareholders, at all times, must hold 25% of the total number of issued Shares. Under Rule 8.24 of the Listing Rules, Double Key and Burgeon Max Holdings Limited are non-public Shareholders. In the event that the Shares held by Lankai Limited equal to or are above 10% of the total number of issued Shares, Lankai Limited will be a substantial shareholder of the Company and hence also a non-public Shareholder (vice versa). If not all Qualifying Shareholders taking up their respective entitlements under the Open Offer, upon the close of the Open Offer, the Company may not be able to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the Underwriter has arranged with VBG Capital Limited to act as the placing agent to procure independent subscriber(s) to subscribe for a maximum of 102,143,831 Offer Shares (representing approximately 9.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares), which otherwise the Underwriter would be called upon to take up, to ensure that not less than 25% of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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total number of issued Shares is held by the public Shareholders and the Company meets the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules at all times. Such maximum number of Offer Shares to be subscribed for by the independent subscriber(s) as procured by VBG Capital Limited is calculated based on the scenario that none of the Qualifying Shareholders (other than (i) Double Key in the capacity of a Shareholder and (ii) Lankai Limited taking up its partial entitlements under the Open Offer up to the extent that it will hold 10% of the enlarged issued Shares) have taken up their respective entitlements under the Open Offer.

The relevant Placing Agreement was entered into by the Underwriter and VBG Capital Limited on 5 July 2016. After the Latest Time for Acceptance, when the results of the Open Offer are known, having taken into account of the minimum public float requirement, the Underwriter will notify VBG Capital Limited, as the placing agent, such number of Offer Shares, it should procure the independent subscriber(s) to subscribe for and direct the Company to issue such Offer Shares directly to the relevant subscriber(s). It is expected that the Company will be able to maintain public float of 25% of the issued Shares at all times.

In all cases of open offers, the dilution on the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlements under open offers are inevitable. Taking into account the above mentioned factors, we are of the view that the potential dilution effect of the Open Offer on shareholding interests is acceptable.

### **5. Financial effects of the Open Offer on the Group**

#### ***5.1 Effect on bank and cash balances***

Upon completion of the Open Offer, the net proceeds are expected to be not less than approximately HK\$352.8 million. As such, immediately upon completion of the Open Offer, the bank and cash balances of the Group will be increased. Hence it is expected to have a positive effect on the Group's bank and cash balances.

#### ***5.2 Effect on net asset value attributable to owners of the Company***

We have obtained and reviewed the management account as at 31 May 2016, from the Company. Based on the financial results of the Company for the five months ended 31 May 2016, the unaudited net asset value attributable to owners of the Company was approximately HK\$270 million as at 31 May 2016. As confirmed by the Directors, the Open Offer would increase the shareholder's equity of the Company. Hence, it is expected to have a positive effect on the Group's net asset value attributable to owners of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **5.3 Effect on net gearing**

As the Open Offer will have a positive effect on the Group's bank and cash balances, as well as a positive effect on the Group's net asset value attributable to owners of the Company, the Company's net gearing ratio will be improved upon completion of the Open Offer. Hence, it is expected to have a positive effect on the Group's net gearing ratio.

In light of (1) the positive effect on the Group's bank and cash balances; (2) the positive effect on the Group's net asset value attributable to owners of the Company; and (3) the positive effect on the Group's net gearing ratio, we are of the view that the Open Offer will have a positive financial effect on the Group.

### **6. Effect of the Open Offer on the shareholding of the Company**

All Qualifying Shareholders are entitled to subscribe for the Open Shares. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged after the completion of the Open Offer.

## **(II) THE WHITEWASH WAIVER**

As stated in the Board Letter, Ms. Cheng through Double Key, holds 235,245,306 Shares, representing approximately 39.73% of the existing issued share capital of the Company. In the event that the Underwriter is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, the interests of Double Key and parties acting in concert in the Company will increase from approximately 39.73% as at the Latest Practicable Date to approximately 65.35% (assuming that (1) no further Shares will be issued or bought back by the Company prior to the date of Open Offer; and (2) none of the Qualifying Shareholders other than Double Key have taken up their respective entitlements under the Open offer). Accordingly, in the absence of the Whitewash Waiver, the underwriting by the Underwriter of the Open Offer will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and persons acting in concert with it. The Underwriter has made an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

As stated in the Board Letter, the Open Offer is conditional upon, among other things, the Executive granting the Whitewash Waiver to the Underwriter. Based on our analysis of the terms of the Open Offer as set out above, we consider that the terms of the Open Offer and the absence of excess application arrangement are fair and reasonable and the Open Offer is in the interests of the Company and the Independent Shareholders as a whole. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Open Offer will not proceed. Given (i) the abovementioned positive financial impacts on the Group as a result of the Open Offer; and (ii) all Qualifying Shareholders will be provided with an equal opportunity to take up their Offer Shares in



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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accordance with their entitlement under the Open Offer and their respective interests in the Company will not be diluted if they elect to take up their entitlement in full under the Open Offer, we are of the opinion that, for the purposes of implementing the Open Offer as discussed above, the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole.

### (III) RECOMMENDATION

Taking into consideration of the principal factors and reasons discussed above, in particular that:

- (i) there are potential capital requirement and capital commitment particularly in the business development projects of the Group for investment in the Lithium Ion Motive Batteries Business;
- (ii) there is an expected positive outlook of the lithium ion batteries to be funded by the net proceeds from the proposed Open Offer;
- (iii) the Open Offer will enlarge the capital base and strengthen financial position of the Company, and the net proceeds from the proposed Open Offer;
- (iv) the Subscription Price is fair and reasonable;
- (v) the Open Offer is subject to the Underwriting Agreement having become unconditional while the Underwriting Agreement is conditional upon, among others, approval of the absence of excess application arrangement under the Open Offer and the Whitewash Waiver by the Independent Shareholders at the SGM;
- (vi) no underwriting commission will be charged by the Underwriter and thus will not increase the cost burden of the Group;
- (vii) all the Qualifying Shareholders will be offered an equal opportunity to participate in the Open Offer and there would be no dilution effect on those Qualifying Shareholders who take up their entitlements in full under the Open Offer;
- (viii) other fund raising alternatives such as placement of Shares would dilute the interests of the existing Shareholders in the Company as existing Shareholders might not be able to participate on an equitable basis, while further debt financing would increase the interest burden of the Group;
- (ix) according to recent negotiations with banks, the Group has difficulty in raising a significant amount of borrowings at a reasonable interest rate in short term; and
- (x) there will be an overall positive financial effects of the Open Offer on the Group as expected by the Company,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we consider that the Open Offer, the absence of the excess application of the Offer Shares arrangement, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM in this regard.

Yours faithfully,  
For and on behalf of  
**KGI Capital Asia Limited**

**Ringo Kwan**  
*Head of Investment Banking*

**Wesley Chan**  
*Senior Vice President*

## 1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results and assets and liabilities of the Company for the years ended 31 December 2013, 2014 and 2015, as extracted from the 2013, 2014 and 2015 annual reports of the Company respectively.

	For the year ended 31 December		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>			
Revenue	737,281	758,687	795,307
Assets impairment loss	(36,819)	(740)	(8,014)
Loss on disposal of assets	(44,413)	(7,364)	–
Restructuring cost	–	–	(23,575)
Gain on execution of the scheme of arrangement	–	–	30,412
Profit before tax	(12,347)	78,540	96,234
Income tax	(19,987)	(15,656)	(20,827)
Profit/(loss) for the year from discontinued operation	(614,642)	42,190	–
Profit/(loss) for the year	<u>(646,976)</u>	<u>105,074</u>	<u>75,407</u>
Attributable to:			
Owners of the Company	(676,091)	65,171	28,248
Non-controlling interests	<u>29,115</u>	<u>39,903</u>	<u>47,159</u>
	<u>(646,976)</u>	<u>105,074</u>	<u>75,407</u>
		Restated	
Earnings/(loss) per share			
Basis and diluted (cents per share)			
From continuing operation	(23.5)	8.75	7.71
From discontinued operation	<u>(235.09)</u>	<u>16.06</u>	<u>–</u>
Dividend per share	<u>–</u>	<u>–</u>	<u>–</u>

	As at 31 December		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets	663,281	631,325	645,755
Current assets	453,540	468,249	768,850
Current liabilities	(803,439)	(694,754)	(311,647)
Non-current liabilities	(42,368)	(36,619)	(457,906)
Net Assets	<u>271,014</u>	<u>368,201</u>	<u>645,052</u>
Attributable to:			
Owners of the Company	(52,703)	10,304	261,848
Non-controlling interests	<u>323,717</u>	<u>357,897</u>	<u>383,204</u>
Total Equity	<u>271,014</u>	<u>368,201</u>	<u>645,052</u>

The full text of the Company's financial statements are contained in the Company's annual reports, which can be accessed on the websites of the Company ([www.tessonholdings.com](http://www.tessonholdings.com)) and the Stock Exchange (<http://www.hkexnews.hk>). The hyperlinks to the documents are set out below:

- Annual Report 2013 published on 17 February 2015 (pages 20-92):  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0217/LTN20150217172.pdf>
- Annual Report 2014 published on 28 April 2015 (pages 32-94):  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN20150428601.pdf>
- Annual Report 2015 published on 28 April 2016 (pages 33-88):  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN201604281002.pdf>

ZHONGHUI ANDA CPA Limited, the auditor of the Company, issued disclaimer opinion on the financial statements of the Group for year ended 31 December 2013 and issued qualified opinion on the financial statements of the Group for years ended 31 December 2014 and 2015. Save as disclosed in the financial information above, there were no items which were exceptional because of size, nature or incidence for the consolidated statement of profit or loss and other comprehensive income of the Group for each of the three years ended 31 December 2013, 2014 and 2015. In addition, the Group had neither declared nor paid any dividends during the aforesaid years.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Continuing operation</b>			
Revenue	7	795,307	758,687
Cost of sales		<u>(552,398)</u>	<u>(520,397)</u>
Gross profit		242,909	238,290
Other income	8	13,052	11,023
Distribution and selling expenses		(4,414)	(3,961)
Administrative expenses		<u>(147,315)</u>	<u>(152,591)</u>
<b>Profit from operation</b>		104,232	92,761
Impairment loss on trade receivable		(8,014)	(740)
Fair value changes on held-for-trading investments		(25)	3
Loss on disposal of available-for-sale financial assets		–	(7,364)
Restructuring costs		(23,575)	–
Gain on execution of the schemes of arrangement	10	<u>30,412</u>	<u>–</u>
<b>Profit from operation</b>		103,030	84,660
Finance costs	11	<u>(6,796)</u>	<u>(6,120)</u>
<b>Profit before tax</b>		96,234	78,540
Income tax	12	<u>(20,827)</u>	<u>(15,656)</u>
Profit for the year from continuing operation		75,407	62,884
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	13	<u>–</u>	<u>42,190</u>
<b>Profit for the year</b>	14	75,407	105,074
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(47,116)</u>	<u>(3,681)</u>
<b>Total comprehensive income for the year</b>		<u><u>28,291</u></u>	<u><u>101,393</u></u>

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company:			
From continuing operation		28,248	22,981
From discontinued operation		—	42,190
		<u>28,248</u>	<u>65,171</u>
Non-controlling interests:			
From continuing operation		47,159	39,903
		<u>75,407</u>	<u>105,074</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		988	62,926
Non-controlling interests		27,303	38,467
		<u>28,291</u>	<u>101,393</u>
			Restated
<b>Earnings per share</b>			
Basic and diluted ( <i>cents per share</i> )			
From continuing operation	17	7.71	8.75
From discontinued operation		—	16.06
		<u>7.71</u>	<u>24.81</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	18	571,527	561,458
Prepaid land lease payments	19	46,080	41,731
Deposits paid for acquisition of property, plant and equipment		10,242	22,457
Available-for-sale financial assets	20	17,906	5,679
		<u>645,755</u>	<u>631,325</u>
<b>Current assets</b>			
Inventories	21	167,937	147,999
Trade and other receivables, deposits and prepayments	22	395,579	265,495
Prepaid land lease payments	19	560	613
Held-for-trading investments		415	440
Bank and cash balances	23	204,359	53,702
		<u>768,850</u>	<u>468,249</u>
<b>Current liabilities</b>			
Trade and other payables	24	184,171	193,235
Tax payables		7,086	5,136
Dividend payable to non-controlling shareholders		1,480	1,677
Borrowings	25	88,907	489,706
Amount due to the single largest shareholder	26	30,003	5,000
		<u>311,647</u>	<u>694,754</u>
<b>Net current assets/(liabilities)</b>		<u>457,203</u>	<u>(226,505)</u>
<b>Total assets less current liabilities</b>		<u>1,102,958</u>	<u>404,820</u>
<b>Non-current liabilities</b>			
Amount due to a related company	26	422,397	–
Deferred tax liabilities	27	35,509	36,619
		<u>457,906</u>	<u>36,619</u>
<b>NET ASSETS</b>		<u><u>645,052</u></u>	<u><u>368,201</u></u>
<b>Capital and reserves</b>			
Share capital	28	59,218	26,145
Reserves	29(a)	202,630	(15,841)
Equity attributable to owners of the Company		261,848	10,304
Non-controlling interests		383,204	357,897
<b>TOTAL EQUITY</b>		<u><u>645,052</u></u>	<u><u>368,201</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital	Capital redemption reserve	Share premium	Asset revaluation reserve	Enterprise expansion fund	Reserve fund	Other reserve	Capital reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
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 year	-	-	-	-	-	-	-	-	(2,245)	65,171	62,926	38,467	101,393
Revaluation surplus released upon disposal of property, plant and equipment	-	-	-	(543)	-	-	-	-	-	543	-	-	-
Reversal of deferred tax liability upon release of revaluation surplus	-	-	-	81	-	-	-	-	-	-	81	28	109
Gain on deconsolidation of the discontinued liquidating subsidiaries	-	-	-	(34)	-	(4)	-	-	-	38	-	-	-
Dividends distributed to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(4,315)	(4,315)
Transfer to enterprise expansion reserve	-	-	-	-	21,696	-	-	-	-	(21,696)	-	-	-
At 31 December 2014	<u>26,145</u>	<u>624</u>	<u>74,215</u>	<u>41,243</u>	<u>69,397</u>	<u>30,012</u>	<u>79,143</u>	<u>(200)</u>	<u>118,878</u>	<u>(429,153)</u>	<u>10,304</u>	<u>357,897</u>	<u>368,201</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 year	-	-	-	-	-	-	-	-	(27,260)	28,248	988	27,303	28,291
Revaluation surplus released upon disposal of property, plant and equipment	-	-	-	(2,315)	-	-	-	-	-	2,315	-	-	-
Reversal of deferred tax liability upon release of revaluation surplus	-	-	-	354	-	-	-	-	-	-	354	191	545
Dividends distributed to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,187)	(2,187)
Transfer to enterprise expansion reserve	-	-	-	-	9,420	-	-	-	-	(9,420)	-	-	-
Issue of share under open offer	13,073	-	77,129	-	-	-	-	-	-	-	90,202	-	90,202
Issue of shares under specific mandate	20,000	-	140,000	-	-	-	-	-	-	-	160,000	-	160,000
At 31 December 2015	<u>59,218</u>	<u>624</u>	<u>291,344</u>	<u>39,282</u>	<u>78,817</u>	<u>30,012</u>	<u>79,143</u>	<u>(200)</u>	<u>91,618</u>	<u>(408,010)</u>	<u>261,848</u>	<u>383,204</u>	<u>645,052</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 December 2015*

	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Profit before tax		
From continuing operation	96,234	78,540
From discontinued operations	–	42,190
Adjustments for:		
Finance costs	6,796	9,465
Interest income	(401)	(479)
Depreciation	57,658	59,358
Amortisation of prepaid land lease payments	713	672
Impairment loss on trade receivable	8,014	740
Loss on disposal of available-for-sale financial assets	–	7,364
Fair value changes on held-for-trading investments	25	3
Loss on disposal of property, plant and equipment	4,390	890
Gain on deconsolidation of the discontinued liquidating subsidiaries	–	(45,733)
	<hr/>	<hr/>
Operating cash flows before working capital changes	173,429	153,010
Change in inventories	(27,965)	(11,499)
Change in trade and other receivables, deposits and prepayments	(152,494)	(7,819)
Change in loan receivables	–	811
Change in trade and other payables	73,375	(1,133)
	<hr/>	<hr/>
Cash generated from operations	66,345	133,370
Interest received	401	479
Tax paid	(19,164)	(19,380)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>47,582</b>	<b>114,469</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(105,827)	(24,690)
Net cash outflow on deconsolidation of subsidiaries	–	(274)
Proceeds from disposal of available-for-sale financial assets	–	5,397
Proceeds from disposal of property, plant and equipment	1,609	475
Deposits paid for acquisition of property, plant and equipment	(4,639)	(20,915)
Purchase of available-for-sale financial asset	(12,534)	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(121,391)</b>	<b>(40,007)</b>
	<hr/>	<hr/>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Cash flows from financing activities</b>		
New short-term bank loans raised	203,979	148,178
Advances from the single largest shareholder	25,003	5,000
Net decrease in factoring loans	–	(148)
Repayment of bank loans	(168,550)	(178,761)
Repayment of obligation under finance lease	–	(16)
Interest on bank and other loans paid	(6,796)	(9,464)
Interest on finance lease paid	–	(1)
Dividends paid to non-controlling shareholders of subsidiaries	(2,187)	(44,696)
Proceeds from issue of shares under open offer	90,202	–
Proceeds from issue of shares under specific mandate	160,000	–
Repayment to a related company	(82,724)	–
	<u>218,927</u>	<u>(79,908)</u>
<b>Net cash generated from/(used in) financing activities</b>		
	<u>218,927</u>	<u>(79,908)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	145,118	(5,446)
Cash and cash equivalents at beginning of year	53,702	47,675
Effect of changes in foreign exchange rate	5,539	(754)
	<u>204,359</u>	<u>41,475</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>204,359</u></u>	<u><u>41,475</u></u>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	204,359	53,702
Bank overdrafts	–	(12,227)
	<u>204,359</u>	<u>41,475</u>
	<u><u>204,359</u></u>	<u><u>41,475</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the year ended 31 December 2015***1. GENERAL INFORMATION**

Tesson Holdings Limited (Formerly known as Kith Holdings Limited) (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability. In the opinion of the directors of the Company (the “**Directors**”), the Company’s single largest shareholder is Double Key International Limited (the “**Single Largest 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 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. On 25 March 2015, all resumption conditions set out in the letter from the Stock Exchange dated 29 October 2014 have been fulfilled. The trading in the shares of the Company has been resumed on 27 March 2015. Further details of which are described in the Company’s announcements dated 4 December 2014, 27 January 2015, 17 March 2015 and 25 March 2015.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively “**the Group**”) were principally engaged in printing and manufacturing of packaging products (the “**Packaging Printing Business**”). The principal activities of the Company’s subsidiaries are set out in note 35 to the consolidated financial statement.

As approved by shareholders of the Company at an 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 Chinese 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” and 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 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 consolidated financial statements and amounts reported for the current year and prior years.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

These consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

#### Consolidation

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

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

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

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

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

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

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

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

#### **Discontinued operations**

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

#### **Foreign currency translation**

##### **(a) Functional and presentation currency**

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

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

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

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

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

*(c) Translation on consolidation*

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

**Property, plant and equipment**

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

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

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

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

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

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

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

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

#### **Operating leases**

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

#### **Inventories**

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

#### **Recognition and derecognition of financial instruments**

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

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

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

#### **Investments**

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

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

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

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

(ii) *Available-for-sale financial assets*

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

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

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

**Trade and other receivables**

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

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

**Cash and cash equivalents**

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

**Financial liabilities and equity instruments**

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



**Borrowings**

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

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

**Trade and other payables**

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

**Equity instruments**

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

**Revenue recognition**

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

- (a) Revenues from the trading and sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.
- (b) Interest income is recognised on a time-proportion basis using the effective interest method.
- (c) Dividend income is recognised when the shareholders' rights to receive payment are established.

**Employee benefits****(a) *Employee leave entitlements***

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

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

**(b) *Pension obligations***

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

**(c) *Termination benefits***

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

**Borrowing costs**

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

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

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

**Government grants**

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

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

**Taxation**

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

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

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

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

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

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

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

#### **Related parties**

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

**Segment reporting**

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

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

**Impairment of assets**

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

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

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

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

**Provisions and contingent liabilities**

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

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

**Events after the reporting period**

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

#### 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

##### **Critical judgements in applying accounting policies**

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

*(a) Deferred tax for withholding tax*

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

##### **Key sources of estimation uncertainty**

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

*(a) Property, plant and equipment and depreciation*

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

*(b) Impairment loss for bad and doubtful debts*

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

*(c) Net realisable value of inventories*

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

**5. FINANCIAL RISK MANAGEMENT**

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

**(a) Foreign currency risk**

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

**(b) Credit risk**

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

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 42% (2014: 38%) and 82% (2014: 78%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

**(c) Liquidity risk**

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

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

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

	Carrying amounts	Total contractual undiscounted cash flow			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 December 2015</b>					
Trade and other payables	184,171	184,171	–	–	–
Dividend payable to non-controlling shareholders	1,480	1,480	–	–	–
Short-term bank loans	88,907	90,040	–	–	–
Amount due to the single largest shareholder	30,003	30,003	–	–	–
Amount due to a related company	422,397	–	54,912	154,597	567,701
	<u>726,958</u>	<u>305,694</u>	<u>54,912</u>	<u>154,597</u>	<u>567,701</u>
<b>31 December 2014</b>					
Trade and other payables	193,235	193,235	–	–	–
Dividend payable to non-controlling shareholders	1,677	1,677	–	–	–
Bank overdrafts	12,227	12,227	–	–	–
Trust receipt loans	310,795	310,795	–	–	–
Short-term bank loans	89,220	90,803	–	–	–
Other loans	77,464	77,464	–	–	–
Amount due to the single largest shareholder	5,000	5,000	–	–	–
	<u>689,618</u>	<u>691,201</u>	<u>–</u>	<u>–</u>	<u>–</u>

**(d) Interest rate risk**

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

*(e) Fair values*

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

*(f) Financial instruments by category*

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at fair value through profit or loss, held-for-trading	415	440
Available-for-sale financial assets	17,906	5,679
Loans and receivables (including cash and cash equivalents)	<u>535,477</u>	<u>301,192</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<u>722,399</u>	<u>689,618</u>

**6. FAIR VALUE MEASUREMENTS**

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

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

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

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

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



*Disclosures of level in fair value hierarchy:*

	<b>2015</b> <b>Fair value</b> <b>measurements</b> <b>using:</b> <b>Level 1</b> <i>HK\$'000</i>	<b>2014</b> <b>Fair value</b> <b>measurements</b> <b>using:</b> <b>Level 1</b> <i>HK\$'000</i>
<b>Recurring fair value measurements:</b>		
Financial assets at fair value through profit or loss		
Listed securities in Hong Kong	415	440
	<u>415</u>	<u>440</u>
<b>7. REVENUE</b>		
The Group's revenue arising from printing and manufacturing of packaging products for the year.		
<b>8. OTHER INCOME</b>		
	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Net exchange gains	406	–
Interest income	401	479
Government grants	6,350	6,631
Dividend income	3,343	945
Proceeds from disposal of scrap materials	1,781	1,849
Others	771	1,119
	<u>13,052</u>	<u>11,023</u>
<b>9. SEGMENT INFORMATION</b>		

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. During the year ended 31 December 2015 and 31 December 2014, the Group's revenue are derived from the segment of printing and manufacturing of packaging products.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include investment and other income, finance costs, restructuring costs, gain on execution of the schemes of arrangement, income tax and other unallocated corporate income and expenses. Segment assets do not include available-for-sale financial assets, held-for-trading investments, current and deferred tax assets, deposits paid for acquisition of property, plant and equipment, other receivable, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include borrowings, amount due to a related company, current and deferred tax liabilities, and unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

	<b>Continuing operation</b>	<b>Discontinued operation</b>	
	<b>Printing and manufacturing of packaging products <i>HK\$'000</i></b>	<b>Distribution of television business-related products <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 31 December 2015:</b>			
Revenue from external customers	795,307	–	795,307
Segment profit	102,824	–	102,824
Depreciation	57,512	–	57,512
Amortisation of prepaid land lease payments	713	–	713
Other material non-cash items:			
Impairment of trade receivables	8,014	–	8,014
Additions to segment non-current assets	105,095	–	105,095
	<u>1,199,992</u>	<u>–</u>	<u>1,199,992</u>
<b>At 31 December 2015:</b>			
Segment assets	1,199,992	–	1,199,992
Segment liabilities	177,321	–	177,321
	<u>1,199,992</u>	<u>–</u>	<u>1,199,992</u>
<b>Year ended 31 December 2014:</b>			
Revenue from external customers	758,687	–	758,687
Segment profit	106,040	42,190	148,230
Depreciation	59,358	–	59,358
Amortisation of prepaid land lease payments	672	–	672
Other material non-cash items:			
Impairment of trade receivables	740	–	740
Additions to segment non-current assets	24,690	–	24,690
	<u>1,090,934</u>	<u>–</u>	<u>1,090,934</u>
<b>At 31 December 2014:</b>			
Segment assets	1,090,934	–	1,090,934
Segment liabilities	146,602	–	146,602
	<u>1,090,934</u>	<u>–</u>	<u>1,090,934</u>

Reconciliations of profit or loss from continuing operation:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit or loss:</b>		
Total profit of reportable segments	102,824	106,040
Other income	13,052	11,023
Restructuring costs	(23,575)	–
Gain on execution of the schemes of arrangement	30,412	–
Corporate and unallocated loss	(19,683)	(32,403)
	<u>103,030</u>	<u>84,660</u>
Consolidated profit from operation	<u><u>103,030</u></u>	<u><u>84,660</u></u>

Reconciliations of reportable segments' assets and liabilities:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Assets:</b>		
Total assets of reportable segments	1,199,992	1,090,934
Corporate and unallocated assets:		
Available-for-sale financial assets	17,906	5,679
Held-for-trading investments	415	440
Other receivable	63,019	1,647
Bank and cash balances	130,368	486
Others	2,905	388
	<u>1,414,605</u>	<u>1,099,574</u>
Consolidated total assets	<u><u>1,414,605</u></u>	<u><u>1,099,574</u></u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	177,321	146,602
Corporate and unallocated liabilities:		
Borrowings	88,907	489,706
Tax liabilities	7,086	5,136
Deferred tax liabilities	35,509	36,619
Amount due to a related company	422,397	–
Others	38,333	53,310
	<u>769,553</u>	<u>731,373</u>
Consolidated total liabilities	<u><u>769,553</u></u>	<u><u>731,373</u></u>

Geographical information:

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

Information about revenue from the Group's two (2014: two) customers from the Group's segment of printing and manufacturing of packaging products individually contributing over 10% of total revenue of the Group as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A	217,096	214,126
Customer B	136,380	74,329
	<u>253,476</u>	<u>288,455</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets:		
Hong Kong	932	1,422
PRC	626,917	624,224
	<u>627,849</u>	<u>625,646</u>

#### 10. GAIN ON EXECUTION OF THE SCHEMES OF ARRANGEMENT

The Group's gain of approximately HK\$30,412,000 on the execution of the schemes of arrangement represented the net distribution attributable to the Group from the execution of the arrangement of certain debts compromise, waiver and settlement in accordance with the terms of the schemes.

#### 11. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on borrowings		
– Interest on bank loans	6,796	9,464
– Finance leases charges	–	1
	<u>6,796</u>	<u>9,465</u>
Representing:		
Continuing operation	6,796	6,120
Discontinued operation ( <i>note 13</i> )	–	3,345
	<u>6,796</u>	<u>9,465</u>

## 12. INCOME TAX

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
PRC Enterprise Income Tax for the year	20,086	21,296
Under-provision of PRC Enterprise Income Tax	1,306	–
	<u>21,392</u>	<u>21,296</u>
Deferred tax ( <i>note 27</i> )	(565)	(5,640)
	<u>20,827</u>	<u>15,656</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years presented.

According to the Law of the PRC on Enterprise Income Tax, the tax rate for certain PRC subsidiaries of the Company is 25% from 1 January 2008 onwards. Yunnan Qiaotong Package Printing Company Limited, 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.

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Profit before tax from continuing operation	96,234	78,540
Notional tax on profit before tax calculated at the PRC statutory rate	24,059	19,635
Tax effect of non-taxable income	(7,904)	(3,408)
Tax effect of non-deductible expenses	6,394	4,234
Tax effect of utilisation of tax losses not previously recognised	–	(2,794)
Effect of different tax rates in other tax jurisdictions	(6,781)	(2,011)
Under-provision in respect of prior years	1,306	–
Deferred tax charge on dividend withholding tax	3,753	–
	<u>20,827</u>	<u>15,656</u>

## 13. DISCONTINUED OPERATION

The Group had ceased its distribution business since May 2013. The Group has decided to discontinue its distribution business in order to reserve more resources to focus on the Group's core profitable Packaging Printing Business.

- (a) The loss for the year from discontinued operation is analysed as follows:

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>
Loss of discontinued operation	13(b)	(3,543)
Gain on deconsolidation of the discontinued liquidating subsidiaries	13(c)	45,733
		<u>42,190</u>

- (b) The results of the discontinued operation for the year, which have been included in consolidated profit or loss, were as follows:

	<b>2014</b> <i>HK\$'000</i>
Administrative expenses and loss from operation	(198)
Finance costs	(3,345)
	<u>(3,543)</u>
Loss before tax	(3,543)
Income tax	–
	<u>(3,543)</u>

- (c) On 20 August 2014, at the respective shareholder's meeting, a special resolution was duly passed to wind up Kith Electronics Limited and Kith Resources Limited, two wholly-owned subsidiaries of the Company by way of creditors' voluntary liquidation, details are set out in the Company's announcement dated 21 August 2014. Another two wholly-owned subsidiaries of the Company, Kith Consumer Product Inc. and 僑威華電科技(深圳)有限公司 were deconsolidated on the same day. The Directors considered that the Group had lost control over those subsidiaries. The results, assets and liabilities, and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group with effect from 20 August 2014.

**2014**  
*HK\$'000*

Net liabilities of the subsidiaries deconsolidated on 20 August 2014 were as follows:	
Bank and cash balances	(274)
Trade payables	36,894
Other payables	7,358
Accrued financial expenses	17
Tax payables	1,697
Foreign currency translation reserve	41

Gain on deconsolidation of the discontinued liquidating subsidiaries	45,733
--	--------

Net cash outflow on deconsolidation of the discontinued liquidating subsidiaries is set out below:

Cash and bank equivalent balances deconsolidated:

Bank and cash balances	274
------------------------	-----

The net cash outflows incurred by the operation in distribution business are as follows:

**2014**  
*HK\$'000*

Operating activities	(198)
Investing activities	(274)
Financing activities	(3,345)
Net cash outflows	(3,817)

#### 14. PROFIT FOR THE YEAR

The Group's profit for the year from continuing operation is stated after charging the following:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Auditor's remuneration	1,300	1,450
Cost of inventories sold	552,398	520,397
Depreciation	57,658	59,358
Amortisation of prepaid land lease payments	713	672
Minimum lease payments under operating leases in respect of office premises	1,578	1,096
Impairment on trade receivables	8,014	740
Loss on disposal of property, plant and equipment	4,390	890
Loss on disposal of available-for-sale financial assets	–	7,364
Staff costs (including directors' remuneration – <i>note 15</i> ):		
Salaries, bonus and allowances	116,108	98,267

## 15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

	<i>Notes</i>	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors:</b>					
Ms. Cheng Hung Mui		152	–	–	152
Mr. Zhang Xiao Feng		152	588	26	766
Mr. Tin Kong	<i>1</i>	62	158	11	231
Mr. Chen, Dekun	<i>2</i>	93	330	–	423
Mr. Zhou Jin		155	393	–	548
Mr. Tao Fei Hu		146	756	–	902
Mr. Wang Feng Wu	<i>3</i>	136	192	–	328
Mr. Liu Qing Chang	<i>4</i>	59	–	–	59
Mr. Liu Shi Hong	<i>4</i>	59	–	–	59
Mr. Wei Ren	<i>4</i>	59	–	–	59
<b>Non Executive Directors:</b>					
Mr. Gou Min	<i>5</i>	134	–	–	134
Ms. Zhang Xiaohua Connie	<i>4</i>	59	–	–	59
<b>Independent Non Executive Directors:</b>					
Mr. Ho Chun Chung Patrick		192	–	–	192
Mr. Lee, Kwong Yiu	<i>6</i>	179	–	–	179
Mr. Liang, Zhong	<i>5</i>	121	–	–	121
Mr. Wang, Jinlin	<i>6</i>	139	–	–	139
Mr. Zhang, Jianxing	<i>7</i>	134	–	–	134
Total for the year ended 31 December 2015		<u>2,031</u>	<u>2,417</u>	<u>37</u>	<u>4,485</u>



		Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive Directors:</b>					
Ms. Cheng Hung Mui	8	92	–	–	92
Mr. Zhang Xiao Feng	8	92	–	–	92
Mr. Zhou Jin		200	154	–	354
Mr. Wang Feng Wu		120	144	–	264
Mr. Tao Fei Hu		150	278	–	428
Mr. Wei Ren	8	92	–	–	92
Mr. Liu Qing Chang	8	92	–	–	92
Mr. Liu Shi Hong	8	92	–	–	92
Mr. Hui King Chun, Andrew	9	–	636	8	644
Mr. Hui Bin Long	9	93	–	–	93
<b>Non-executive Directors:</b>					
Mr. Gou Min	8	92	–	–	92
Ms. Zhang Xiaohua Connie	8	92	–	–	92
<b>Independent Non-executive Directors:</b>					
Mr. Ho Chun Chung Patrick	8	92	–	–	92
Mr. Lai Can Hui	10	15	–	–	15
Mr. Ng Chi Yeung	11	100	–	–	100
Mr. Tam Yuk Sang	11	150	–	–	150
Total for the year ended 31 December 2014		<u>1,564</u>	<u>1,212</u>	<u>8</u>	<u>2,784</u>

*Notes:*

- 1 Appointed as a director on 27 August 2015
- 2 Appointed as a director on 25 June 2015
- 3 Resigned as a director on 21 September 2015
- 4 Retired as a director on 25 June 2015
- 5 Resigned as a director on 27 August 2015
- 6 Appointed as a director on 24 March 2015
- 7 Appointed as a director on 24 March 2015 and resigned as a director on 21 September 2015
- 8 Appointed as a director on 27 June 2014
- 9 Removed as a director on 27 June 2014
- 10 Appointed as a director on 27 June 2014 and resigned as a director on 31 July 2014
- 11 Resigned as a director on 1 July 2014

The five highest paid employees during the year included two (2014: one) director(s), details of whose remuneration are set out in information above. Details of the remuneration of the remaining three (2014: four) non-directors, highest paid employees for the year are as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Salaries and other benefits	2,381	1,612
Retirement benefits scheme contributions	51	40
Compensation for loss of office	–	1,511
	<u>2,432</u>	<u>3,163</u>

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

	<b>Number of employees</b>	
	<b>2015</b>	<b>2014</b>
Emolument band:		
HK\$nil – HK\$1,000,000	2	4
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>–</u>

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December, 2015 and 2014, no directors waived any emoluments.

## 16. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

## 17. EARNINGS 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 year of approximately HK\$28,248,000 (2014: HK\$65,171,000) attributable to owners of the Company and the weighted average number of 366,316,940 (2014: 262,704,574 ordinary shares, as adjusted to reflect the impact of open offer on 18 March 2015) ordinary shares in issue during the year.

#### *Diluted earnings per share*

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

**(b) From continuing operation***Basic earnings per share*

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year of approximately HK\$28,248,000 (2014: HK\$22,981,000) 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 earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

**(c) From discontinued operation***Basic earnings per share*

The calculation of basic earnings per share from discontinued operation attributable to owners of the Company is based on the profit for the year of approximately HK\$nil (2014: HK\$42,190,000) 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 earnings per share is presented, as the Company did not have any outstanding dilutive potential ordinary shares during both years.

## 18. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b> <i>HK\$'000</i>	<b>Plant and machinery</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Office equipment</b> <i>HK\$'000</i>	<b>Construction in progress</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Valuation</b>						
At 1 January 2014	136,365	449,732	4,010	10,959	–	601,066
Currency realignment	(817)	(2,041)	(45)	(24)	–	(2,927)
Additions	985	7,154	1,079	1,516	13,956	24,690
Disposals	–	(1,949)	(90)	(54)	–	(2,093)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014 and 1 January 2015	136,533	452,896	4,954	12,397	13,956	620,736
Currency realignment	(9,212)	(23,498)	(605)	(412)	(3,841)	(37,568)
Additions	412	23,445	1,481	2,019	78,470	105,827
Disposals	–	(4,550)	(978)	(203)	(412)	(6,143)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	127,733	448,293	4,852	13,801	88,173	682,852
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2014	–	–	–	–	–	–
Currency realignment	3	11	1	1	–	16
Charge for the year	11,585	44,553	2,057	1,163	–	59,358
Disposals	–	(87)	–	(9)	–	(96)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014 and 1 January 2015	11,588	44,477	2,058	1,155	–	59,278
Currency realignment	(1,081)	(4,044)	(191)	(151)	–	(5,467)
Charge for the year	11,457	41,653	2,093	2,455	–	57,658
Disposals	–	(52)	–	(92)	–	(144)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	21,964	82,034	3,960	3,367	–	111,325
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amounts</b>						
At 31 December 2015	<u>105,769</u>	<u>366,259</u>	<u>892</u>	<u>10,434</u>	<u>88,173</u>	<u>571,527</u>
At 31 December 2014	<u>124,945</u>	<u>408,419</u>	<u>2,896</u>	<u>11,242</u>	<u>13,956</u>	<u>561,458</u>

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

	2015			2014		
	Cost HK\$'000	Accumulated depreciation HK\$'000	Carrying values HK\$'000	Cost HK\$'000	Accumulated depreciation HK\$'000	Carrying values HK\$'000
Buildings	144,555	52,894	91,661	143,570	42,812	100,758
Plant and machinery	606,972	279,329	327,643	599,818	242,674	357,144
Motor vehicles	21,965	21,661	304	20,886	19,819	1,067
Office equipment	37,740	36,491	1,249	36,224	34,331	1,893
	<u>811,232</u>	<u>390,375</u>	<u>420,857</u>	<u>800,498</u>	<u>339,636</u>	<u>460,862</u>

#### 19. PREPAID LAND LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purposes as:		
Non-current asset	46,080	41,731
Current asset	560	613
	<u>46,640</u>	<u>42,344</u>

#### 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Unlisted investments:		
– Investments outside Hong Kong ( <i>note</i> )	17,906	5,679
	<u>17,906</u>	<u>5,679</u>

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

## 21. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Raw materials	118,907	114,026
Work in progress	19,017	15,628
Finished goods	30,013	18,345
	<u>167,937</u>	<u>147,999</u>

## 22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	315,511	254,973
Less: impairment losses	(19,593)	(10,983)
	<u>295,918</u>	<u>243,990</u>
Bills receivables	17,921	5,832
Down payment in relation to a possible acquisition of restructuring debt of a target company	53,717	–
Prepayment, deposits and other receivables	28,023	15,673
	<u>395,579</u>	<u>265,495</u>

**Trade and bills receivables**

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 60 days	267,649	234,950
61 to 90 days	16,611	8,307
Over 90 days	11,658	733
	<u>295,918</u>	<u>243,990</u>

**Impairment of trade receivables**

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
At beginning of the reporting period	10,983	623,497
Deconsolidation of the discontinued liquidating subsidiaries	–	(613,254)
Impairment losses recognised	8,014	740
Amounts written off	(41)	–
Currency realignment	637	–
	<u>19,593</u>	<u>10,983</u>
At the end of the reporting period	<u><u>19,593</u></u>	<u><u>10,983</u></u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$19,593,000 (2014: HK\$10,983,000) which are due to long outstanding/or default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

**Trade receivables that are not impaired**

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Neither past due nor impaired	245,946	231,226
Less than 60 days past due	48,059	12,031
Over 60 days past due	1,913	733
	<u>295,918</u>	<u>243,990</u>
	<u><u>295,918</u></u>	<u><u>243,990</u></u>

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**23. BANK AND CASH BALANCES**

At the end of reporting period, the bank and cash balances of Group denominated in Renminbi (“RMB”) amounted to approximately HK\$171,232,000 (2014:HK\$52,264,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

Bank balances carry average interest rate of 0.01% (2014: 0.01%) per annum.

**24. TRADE AND OTHER PAYABLES**

	<b>2015</b> <i>HK\$’000</i>	<b>2014</b> <i>HK\$’000</i>
Trade payables	91,585	135,074
Bills payable	12,232	–
Accruals and other payables	80,354	58,161
	<u>184,171</u>	<u>193,235</u>

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

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

	<b>2015</b> <i>HK\$’000</i>	<b>2014</b> <i>HK\$’000</i>
0 to 60 days	74,113	82,368
61 to 90 days	5,150	3,241
Over 90 days	12,322	49,465
	<u>91,585</u>	<u>135,074</u>

Upon the schemes of arrangement being effective on 18 March 2015, trade and other payables of approximately HK\$71,960,000, all the schemes claims and liabilities, against the Company and its subsidiary, Ever Honest Industries Limited, (collectively “the **Restructured Debts**”) have been transferred as payable to Cloud Apex Global Limited (the “**Scheme Company**”) (see note 26 below).



## 25. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank overdrafts	–	12,227
Bank loans	88,907	89,220
Trust receipt loans	–	310,795
Other loans	–	77,464
	<u>88,907</u>	<u>489,706</u>
Analysed as:		
Secured	–	30,000
Unsecured	88,907	459,706
	<u>88,907</u>	<u>489,706</u>

Upon the schemes of arrangement being effective on 18 March 2015, the borrowings of approximately HK\$433,161,000 in relation to the Restructured Debts have been transferred as payable to the scheme company (see note 26 below).

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

	2015	2014
Bank overdrafts	–	4.2% – 14.8%
Short-term bank loans:		
variable-rate	–	4.84% – 8.3%
fixed-rate	4.11% – 5.74%	–

At 31 December 2014, bank loans of approximately HK\$13,000,000 were guaranteed by the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme, and other loan of approximately HK\$9,000,000 was secured by a property held by a company controlled by an ex-director, Mr. Hui King Chun, Andrew.

## 26. AMOUNT DUE TO THE SINGLE LARGEST SHAREHOLDER/AMOUNT DUE TO A RELATED COMPANY

The amount due to the single largest shareholder is unsecured, non-interest bearing and has no fixed repayment terms.

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

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

## 27. DEFERRED TAX

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

	<b>Revaluation of property, plant and equipment</b> <i>HK\$'000</i>	<b>Depreciation allowances in excess of related of PRC tax depreciation</b> <i>HK\$'000</i>	<b>Undistributed earnings of subsidiaries</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2014	12,418	26,658	2,584	708	42,368
– Credited to consolidated statement of profit or loss	–	(4,972)	–	(668)	(5,640)
– Credited to equity for the year	(109)	–	–	–	(109)
At 31 December 2014 and 1 January 2015	12,309	21,686	2,584	40	36,619
– (Credited)/charged to consolidated statement of profit or loss	–	(4,318)	3,753	–	(565)
– Credited to equity for the year	(545)	–	–	–	(545)
At 31 December 2015	<u>11,764</u>	<u>17,368</u>	<u>6,337</u>	<u>40</u>	<u>35,509</u>

At the end of the reporting period, subject to the agreements with the tax authority, the Group has unused tax losses of approximately HK\$76,488,000 (2014: HK\$70,894,000) for subsidiaries incorporated in Hong Kong available for offset against future profits of approximately approximately HK\$76,488,000 (2014: HK\$70,894,000) and such tax losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams of those subsidiaries.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January, 2008 onwards. Deferred tax has been provided for in the consolidated financial statements in respect of the undistributed earnings of the Group's PRC subsidiaries to the extent that such earnings are estimated to be distributed in the foreseeable future. At the end of the reporting period, the aggregate amount of the undistributed earnings of the Group's PRC subsidiaries which the corresponding deferred taxation has not been provided for in the consolidated financial statements amounted to approximately HK\$118,836,000 (2014: HK\$115,740,000), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

## 28. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31 December 2014 and 2015	1,000,000,000	100,000
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> )	130,726,800	13,073
Issue of shares under specific mandate ( <i>Note 2</i> )	200,000,000	20,000
At 31 December 2015	592,180,400	59,218

*Notes:*

- (1) Completion of the open offer took place on 18 March 2015 pursuant to which 130,726,800 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK\$0.69 per offer share. Accordingly, the Company's issued share capital was increased by approximately HK\$13,073,000 and its share premium account was increased by approximately HK\$77,129,000, total proceeds before the expenses were approximately HK\$90,202,000.
- (2) Completion of the share subscription took place on 30 December 2015 pursuant to which 200,000,000 subscribe shares were issued under the subscription agreement at the subscription price of HK\$0.80 per subscribe share. Accordingly, the Company's issued share capital was increased by approximately HK\$20,000,000 and its share premium account was increased by approximately HK\$140,000,000, total proceeds before the expenses were approximately HK\$160,000,000.

**Capital management**

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

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

## 29. RESERVES

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

## (b) Reserves of the Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	74,215	624	29,509	(429,934)	(325,586)
Loss for the year	–	–	–	178,334	178,334
At 31 December 2014	<u>74,215</u>	<u>624</u>	<u>29,509</u>	<u>(251,600)</u>	<u>(147,252)</u>
At 1 January 2015	74,215	624	29,509	(251,600)	(147,252)
Issue of share under open offer	77,129	–	–	–	77,129
Issue of shares under specific mandate	140,000	–	–	–	140,000
Profit for the year	–	–	–	(24,543)	(24,543)
At 31 December 2015	<u>291,344</u>	<u>624</u>	<u>29,509</u>	<u>(276,143)</u>	<u>45,334</u>

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

(i) *Share premium*

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

(ii) *Capital redemption reserve*

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

(iii) *Capital reserve*

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

(iv) *Contributed surplus*

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

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

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(v) *Foreign currency translation reserve*

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

(vi) *Asset revaluation reserve*

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

## 30. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>		
Investments in subsidiaries	44,089	44,089
<b>Current assets</b>		
Amounts due from subsidiaries	494,851	358,018
Other receivables, deposits and prepayments	757	1,909
Bank and cash balances	29,513	266
	<u>525,121</u>	<u>360,193</u>
<b>Current liabilities</b>		
Accruals and other payables	803	71,553
Amounts due to subsidiaries	31,124	15,674
Borrowings	–	438,162
Amount due to the single largest shareholder	30,003	–
	<u>61,930</u>	<u>525,389</u>
<b>Net current assets/(liabilities)</b>	<u>463,191</u>	<u>(165,196)</u>
<b>Non-current liabilities</b>		
Payable to a related company	402,728	–
<b>NET ASSETS/(LIABILITIES)</b>	<u><u>104,552</u></u>	<u><u>(121,107)</u></u>
<b>Capital and reserves</b>		
Share capital	59,218	26,145
Reserves	45,334	(147,252)
<b>TOTAL EQUITY</b>	<u><u>104,552</u></u>	<u><u>(121,107)</u></u>

## 31. CONTINGENT LIABILITIES

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

**32. LEASE COMMITMENTS**

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Within one year	807	1,697
In the second to fifth year inclusive	—	1,263
	<u>807</u>	<u>2,960</u>

**33. CAPITAL COMMITMENTS**

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

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Contracted but not provided for:		
– Property, plant and equipment	58,984	3,962
– Unpaid capital contribution for possible investment in a subsidiary	23,272	—
	<u>82,256</u>	<u>3,962</u>

**34. RELATED PARTY TRANSACTIONS****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 15.

**35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY**

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

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

Name	Place of incorporation/ registration	Issued/ paid-up capital	Percentage of the Company's indirect interest	Principal ownership activities
勁富投資有限公司 Gainful Investments Limited	Hong Kong	HK\$4	100%	Investment holding
寶駿有限公司 Good Cheers Limited	Hong Kong	HK\$4	100%	Investment holding
永發實業有限公司 Ever Honest Industries Limited	Hong Kong	HK\$4	100%	Investment holding
哈爾濱高美印刷有限公司* Harbin Gaomei Printing Company Limited *#	The PRC	US\$2,500,000	80%	Printing and manufacturing of packaging products
雲南僑通包裝印刷有限公司* Yunnan Qiaotong Package Printing Co. Ltd. **	The PRC	US\$38,000,000	60%	Printing and manufacturing of packaging products
安徽僑豐包裝印刷有限公司* Anhui Qiaofeng Package Printing Co. Ltd. **	The PRC	US\$9,380,000	54.8%	Printing and manufacturing of packaging products
昭通新僑彩印有限責任公司** Zhaotong Xinqiao Printing Co. Ltd. **#	The PRC	RMB6,200,000	60%	Printing and manufacturing of packaging products
天臣新能源（深圳）有限公司***^ Tesson New Energy (Shen Zhen) Limited ***^	The PRC	RMB130,000,000	100%	Trading and manufacturing of lithium ion products

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

\*\* The company is a limited liability company established in the PRC.

\*\*\* The company is a wholly foreign owned enterprises established in the PRC.

# The English name is for identification purpose only

^ Newly-incorporated during the year



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

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the reporting period.

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

Name	Yunnan Qiaotong Package Printing Co. Ltd.		Anhui Qiaofeng Package Printing Co. Ltd.	
	雲南僑通包裝印刷有限公司 <sup>^</sup>		安徽僑豐包裝印刷有限公司	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Principal place of business and country of incorporation	PRC		PRC	
% of ownership interests and voting rights held by NCI	40%	40%	45.2%	45.2%
<b>At 31 December:</b>				
Non-current assets	504,842	538,768	118,613	147,135
Current assets	478,272	380,932	82,154	68,041
Current liabilities	(225,344)	(166,511)	(36,174)	(41,177)
Net assets	757,770	753,189	164,593	173,999
Accumulated NCI	303,108	301,276	74,396	78,648
<b>Year ended 31 December:</b>				
Revenue	654,217	597,012	137,963	148,384
Profit	113,563	95,385	4,611	4,107
Total comprehensive income	74,547	90,245	(38)	3,106
Profit allocated to NCI	45,425	38,154	2,084	1,856
Dividends distributed to NCI	–	–	2,187	4,315
Net cash generated from operating activities	49,973	96,359	19,049	35,400
Net cash used in investing activities	(72,825)	(62,563)	(6,914)	(1,402)
Net cash generated from/(used in) financing activities	32,363	(60,024)	–	(17,590)
Net increase/(decrease) in cash and cash equivalents	9,511	(26,228)	12,135	16,408
<sup>^</sup> included its subsidiaries				

**36. EVENTS AFTER THE REPORTING PERIOD**

The Group has the following events subsequent to the end of the reporting period.

- (a) On 31 December 2015, the Group entered into an acquisition agreement with Shunqian Energy and Jinwen New Energy (the “**Vendor**”), pursuant to which the Group agrees to purchase and the Vendor agrees to sell the entire contributed capital of Shaanxi Leaders Battery Co., Limited, a company incorporated in PRC, being a wholly-owned subsidiary of the Vendor at a cash consideration of approximately RMB19,496,000 (approximately HK\$23,272,000). The company is principally engaged in manufacturing and sale of lithium-ion batteries, battery packs, chargers and battery materials. The transaction was completed on 28 January 2016. Because the aforesaid acquisition was effected subsequent to end of the reporting period, it is not practicable to disclose further financial details about the acquisition; and
- (b) On 15 January 2016, the Company entered into two purchase agreements with independent third parties in relation to the purchase of various machineries at consideration of approximately RMB30,960,000 (approximately HK\$36,957,000) and approximately RMB32,800,000 (approximately HK\$39,153,000). Further details of the above are described in the Company’s announcements dated 15 January 2016.

**37. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

### 3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following liabilities:

**(a) Borrowings**

As at the close of business on 31 May 2016, the Group had outstanding (i) secured borrowings of approximately HK\$115,067,000 and unsecured borrowings of approximately HK\$82,630,000; (ii) amount due to the single largest shareholder of approximately HK\$27,804,000; and (iii) amount due to a related company of approximately HK\$402,397,000.

**(b) Capital commitment**

As at the close of business on 31 May 2016, the Group had capital commitments in relation to (i) construction of the new factory of approximately HK\$53,549,000; and (ii) development of a new business of approximately HK\$91,817,000.

**(c) Contingent liabilities**

As at 31 May 2016, the Group did not have any significant commitments and contingent liabilities other than those disclosed under the section headed “Material litigation” in Appendix IV to this circular.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 May 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities. Save as aforesaid, the Directors confirm that there had been no material change to the indebtedness and contingent liabilities of the Group since 31 May 2016 and up to the Latest Practicable Date.

### 4. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are in the opinion that in the absence of unforeseen circumstances and taking into account of the net proceeds from the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this circular.

**5. STATEMENT ON MATERIAL CHANGE**

Save and except for the material changes in the financial and trading position of the Group for the five months ended 31 May 2016 as a result of the development of Lithium Ion Motive Battery Business by the Group due to (1) the additional capital commitment of approximately HK\$91,871,000 in relation to the development of a new business as disclosed under the section headed “Statement of Indebtedness” in Appendix I to the Circular; and (2) the possible changes of financial position as disclosed in Appendix II to the Circular, the Directors confirmed that there has been no material change in the financial and trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**6. BUSINESS TREND AND PROSPECTS**

For the year ended 31 December 2015, the Group continued to engage in printing and manufacturing of packaging products in the PRC.

The revenue from package printing business for the year ended 31 December 2015 was approximately HK\$795,307,000, representing an increase of 5% from 2014. Gross profit margin remained steady at 30.5% compared to 31.4% in 2014. Gross profit from the package printing business, which remains the core business of the Group, accounted for 100% of the Group’s total gross profit for the year ended 31 December 2015.

The package printing business has maintained its performance throughout the years. Despite challenging, the management believes that this business will continue to contribute stable returns to the Group.

At the end of October 2015, the Group had announced its intention to engage in the 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 establishment of production capability of lithium ion motive battery enables the Group to participate in one of the highest growth areas amongst the industries. The Group will continue investing in the industry in order to capture the high growth and demand in new energy cars and thus enhance the return to Shareholders.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE GROUP**

**(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared to illustrate the effect from the purchase of various machineries and services by the Group from the various vendors pursuant to the Purchase Agreements (“**Acquisition**”), assuming the transaction had been completed as at 31 December 2015, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the annual report of the Group for the year ended 31 December 2015 after making certain pro forma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 December 2015. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular.

**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

**(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE GROUP**

	<b>The Group at 31 December 2015 HK\$'000 (Note 1)</b>	<b>Assets acquisition HK\$'000 (Note 2)</b>	<b>Pro forma Group HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	571,527	330,224	901,751
Prepaid land lease payments	46,080		46,080
Deposit paid for acquisition of property, plant and equipment	10,242		10,242
Available-for-sale financial assets	17,906		17,906
	645,755		975,979
<b>Current assets</b>			
Inventories	167,937		167,937
Trade and other receivables, deposits and prepayments	395,579		395,579
Prepaid land lease payments	560		560
Held-for-trading investments	415		415
Cash and cash equivalents	204,359	(330,224)	(125,865)
	768,850		438,626
<b>Current liabilities</b>			
Trade and other payables	184,171		184,171
Tax payables	7,086		7,086
Dividend payable to non-controlling shareholders	1,480		1,480
Borrowings	88,907		88,907
Amount due to the single largest shareholder	30,003		30,003
	311,647		311,647
<b>Net current assets</b>	457,203		126,979
<b>Total assets less current liabilities</b>	1,102,958		1,102,958
<b>Non-current liabilities</b>			
Amount due to a related company	422,397		422,397
Deferred tax liabilities	35,509		35,509
	457,906		457,906
<b>NET ASSETS</b>	645,052		645,052

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**(3)    NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
GROUP**

- (1)    The balances have been extracted from the audited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the annual report of the Company for the year ended 31 December 2015.
  
- (2)    In accordance with the Purchase Agreements, the consideration for the Acquisition transactions will be satisfied by a cash payment of approximately HK\$330,224,000 (equivalent to RMB279,931,000). The consideration of the Acquisition transactions will be financed by Open Offer.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

21 July 2016

*The Board of Directors*

**Tesson Holdings Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tesson Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2015 (the “**Statement**”) as set out on pages II-1 to II-3 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are set out in Appendix II of the Circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of machineries on the Group’s financial position as at 31 December 2015 as if the transaction had been taken place at 31 December 2015. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2015, on which an audit report has been published.

**Directors’ Responsibilities for the Pro Forma Financial Information**

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“ AG ”) 7 “ Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



### **Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “ Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “ Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**ZHONGHUI ANDA CPA Limited**  
*Certified Public Accountants*  
**Pang Hon Chung**  
Practising Certificate Number P05988  
Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**(B) STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 31 December 2015.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Open Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 December 2015, adjusted as described below:

<b>Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015</b>	<b>Estimated net proceeds from the Open Offer</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2015</b>
<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>
<u>645,052</u>	<u>352,808</u>	<u>997,860</u>
Consolidated net tangible assets per Existing Share before completion of the Open Offer <i>(Note 3)</i>		<u>HK\$1.09</u>
Pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Open Offer <i>(Note 4)</i>		<u>HK\$0.96</u>

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 are based on the audited consolidated statement of financial position of the Group as at 31 December 2015.
- (2) The estimated net proceeds from the Open Offer of approximately HK\$352,808,000 are based on 444,135,300 Offer Shares at the Subscription Price of HK\$0.80 per Offer Share, after deduction of the share issue related expenses payable by the Company.
- (3) Based on 592,180,400 Existing Shares in issue as at 31 December 2015 before completion of the Open Offer.
- (4) Based on 1,036,315,700 total shares, on which 592,180,400 Existing Shares were in issue as at 31 December 2015 and 444,135,300 Offer Shares, assuming that the Open Offer had been completed on 31 December 2015.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

21 July 2016

*The Board of Directors*

**Tesson Holdings Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tesson Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 December 2015 as set out on pages II-7 to II-8 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are set out in Appendix II of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Open Offer on the Group’s net tangible assets as at 31 December 2015 as if the transaction had been taken place at 31 December 2015. As part of this process, information about the Group’s net tangible assets has been extracted by the directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2015, on which an audit report has been published.

**Directors’ Responsibility for the Pro Forma Financial Information**

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “ Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “ Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus ” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “ Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant ’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds, or whether such use will actually take place as described under “Reasons for the Open Offer and the use of proceeds” set out on pages 21 to 22 of the circular.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**ZHONGHUI ANDA CPA Limited**  
*Certified Public Accountants*  
**Pang Hon Chung**  
Practising Certificate Number P05988  
Hong Kong

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from APAC Asset Valuation and Consulting Limited, an independent valuer, in connection with its valuation as at 31 May 2016 of the property interests held by the Group.*

The Directors  
Tesson Holdings Limited  
Room 1007,  
Tsim Sha Tsui Centre,  
West Wing,  
66 Mody Road,  
Tsim Sha Tsui,  
Kowloon

21 July 2016

Dear Sirs,

In accordance with instructions from Tesson Holdings Limited (the “**Company**”) for us to value the property interests held by the Company and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 May 2016 (the “**Date of Valuation**”).

#### **Valuation Basis**

Our valuation is our opinion of Market Value which is defined by The Hong Kong Institute of Surveyors (“**HKIS**”) Valuation Standards to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This valuation is complied with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (“**HKIS**”). We have also complied with all the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers. We have met the requirement of an “independent valuer” as defined in Appendix 1-1 of the valuation standard and these mentioned listing rules.

#### **Valuation Assumptions**

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the properties.



No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free of encumbrances, restrictions, outgoing of onerous nature and public information which could affect its value.

### **Valuation Methodology**

We have valued the property interests in Group I (except property no. 7) and Group III by Direct Comparison Approach on the assumption that the properties can be sold in their existing state with the benefit of immediate vacant possession and making references to comparable sales transactions and asking prices as available in the relevant markets. The Direct Comparison Approach (also known as market approach) is based on comparing the properties to be valued directly with other comparable properties. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical condition, location and economic characteristics are important criteria to be analysed when comparing to the properties.

We have valued the property interest of property no. 7 by Income Approach as the unexpired land use term of this property is relatively short. Our valuation is based on the capitalization of the net potential income of the property. A current market rent and a current market yield of approximately 6% was adopted after considering the similar comparable properties in the same district.

We have valued the property interests in Group II on the basis that it will be developed and completed in accordance with the latest development proposal to us. In arriving at our opinion of value, we have adopted the Direct Comparison Method by making reference to the comparable sales transaction and asking prices as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

We have also attributed no commercial value to the property interests in Group IV and Group V due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

### **Title and Assumptions**

We have been provided with copies of extracts of title documents relating to the properties. However, we have not caused title searches to be made for the property interest at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Company’s PRC legal adviser, W & H Law Firm.

**POTENTIAL TAX LIABILITIES**

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and as advised by the Group, since all the properties held by the Group are not intended for sale, therefore, the potential tax liability is not applicable to the Group's properties.

**Source of Information**

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, planning approvals, statutory notices, easements, site and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

**Site Inspections**

Site inspection of the properties was carried by Mr. Bond Lai, with over one year valuation experience, in June 2016. We have inspected the exterior and, where possible, the interior of the properties. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plan handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are or not free of rot, infestation or any other structural defects. No tests have been carried out on any of the services. Neither have we carried out site investigation to determine the suitability of the ground conditions or the services for any properties development thereon. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the properties are free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

**Management Confirmation of Facts**

A draft of this report and our calculation has been sent to the management of the Group. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

**Currency and Exchange Rate**

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (“RMB”).

Our valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**APAC Asset Valuation and Consulting Limited**  
**Ken Wong**  
*MHKIS, MCIREA, RPS (GP)*  
*Director*

*Note:* Mr. Ken Wong is a Registered Professional Surveyor in General Practice Division of HKIS with over 16 years valuation experience on properties in Asian Pacific region, including Hong Kong, Taiwan, the PRC, etc.

## SUMMARY OF VALUES

## Group I – Property interests held by the Group for owner occupation

No.	Property	Market value in existing state as at 31 May 2016	Interest attributable to the Company	Market value attributable to the Company
1.	An industrial complex, Dalian First Road, Economic and Technology Development Zone, Pingfang District, Harbin, Heilongjiang Province, The PRC	No commercial value	80%	No commercial value
2.	Unit 2, L3, Block 5, No. 98 Nanma Road, Daowai District, Harbin, Heilongjiang Province, The PRC	RMB300,000	80%	RMB240,000
3.	Units 1401 to 1403, and 3 car parking spaces on Basement of Block 7, Guixin Garden, Hi-tech Zone, Kunming, Yunnan Province, The PRC	RMB3,100,000	60%	RMB1,860,000
4.	An industrial complex located at the south of the junction of Jingsan Road and National Highway No. 104, Chuzhou, Anhui Province, The PRC	RMB37,500,000	60%	RMB22,500,000
5.	An industrial complex located at the east of Shiquan Road, the north of Weihua Railway, and the west of Chongye Road, Linwei District, Weinan, Shaanxi Province, The PRC	RMB8,300,000	100%	RMB8,300,000

No.	Property	Market value in existing state as at 31 May 2016	Interest attributable to the Company	Market value attributable to the Company
6.	A school, No. 88 Yingfeng Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	RMB9,400,000	60%	RMB5,640,000
7.	An industrial complex, Tuanjie Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	RMB600,000	60%	RMB360,000
8.	An industrial complex, No. 998 Kekai Road, Gaoxin District, Kunming, Yunnan Province, The PRC	RMB37,100,000	60%	RMB22,260,000
<b>Sub-total:</b>		<b>RMB96,300,000</b>		<b>RMB61,160,000</b>

**Group II – Property interest held by the Group under construction**

<b>No.</b>	<b>Property</b>	<b>Market value in existing state as at 31 May 2016</b>	<b>Interest attributable to the Company</b>	<b>Market value attributable to the Company</b>
9.	An industrial complex located in Honglu Village, Beizha County, G Zhaoyang District, Zhaotong, Yunnan Province, The PRC	RMB83,700,000	60%	RMB50,220,000
		<hr/>		<hr/>
	<b>Sub-total:</b>	<b><u>RMB83,700,000</u></b>		<b><u>RMB50,220,000</u></b>



## Group IV – Properties rented by the Group in Hong Kong

No.	Property	Market value in existing state as at 31 May 2016	Interest attributable to the Company	Market value attributable to the Company
11.	Room 1007, Tsim Sha Tsui Centre, West Wing, 60 Mody Road, Tsim Sha Tsui, Kowloon	No commercial value		No commercial value
12.	Some store area on 8/F, Long Life Industrial Building, 15 Ko Fai Road, Yau Tong, Kowloon	No commercial value		No commercial value
13.	Flat G, 38/F, 8 Royal Green, 8 Ching Hiu Road, Sheung Shui, New Territories	No commercial value		No commercial value
	<b>Sub-total:</b>	<b>No commercial value</b>		<b>No commercial value</b>



## Group V – Properties rented by the Group in the PRC

No.	Property	Market value in existing state as at 31 May 2016	Interest attributable to the Company	Market value attributable to the Company
14.	Factory No. 1 and the dormitory, 3D Printing Gaoxin Industrial Park, Weinan, Shaanxi Province, The PRC	No commercial value		No commercial value
15.	An industrial complex, Tuanjie Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	No commercial value		No commercial value
16.	Block 4, Phase II of Zijin South Zone, Zhilan Road, Yuhuatqi District, Nanjiang Jiangsu Province, The PRC	No commercial value		No commercial value
17.	Room 1009, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	No commercial value		No commercial value
18.	Room 1113, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	No commercial value		No commercial value

No.	Property	Market value in existing state as at 31 May 2016	Interest attributable to the Company	Market value attributable to the Company
19.	Room 1604, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	No commercial value		No commercial value
20.	Room 2162, Level 16, Block 2 Unit 2, Gongyuan Tianxia, Weinan, Shaanxi Province, The PRC	No commercial value		No commercial value
	<b>Sub-total:</b>	<b>No commercial value</b>		<b>No commercial value</b>
	<b>Grand Total:</b>	<b>RMB192,000,000</b>		<b>RMB123,380,000</b>

## VALUATION CERTIFICATE

## Group I – Property interests held by the Group for owner occupation

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
1.	An industrial complex, Dalian First Road, Economic and Technology Development Zone, Pingfang District, Harbin, Heilongjiang Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,800.00 sq.m. with an industrial complex erected thereon. The industrial complex was completed by phases from 1996 to 2009. It is about 5 minutes driving distance from both Shunha Highway and National Highway No. 1001. Hanan Station of Harbin Subway is at the north of the property with about 10 minutes driving distance.</p> <p>The property comprises two 2-storey buildings with a total gross floor area of approximately 4,684.90 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring on 3 April 2048 for industrial use.</p>	The property is occupied as an industrial complex.	No commercial value

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Ha Gou Yong (98) Di 465, the land use rights of the property with a site area of 6,800.0 sq.m. was granted to Harbin Gaomei Printing Company Limited (“**Harbin Gaomei**”) (哈爾濱高美印刷有限公司), a company with 80% indirect interest hold by the Company, for a term expiring on 3 April 2048 for industrial use.
2. Pursuant to 2 Building Ownership Certificate – Ha Fang Quan Zheng Kai Gou Zi Di 00039078 and 00039079 both dated 8 October 2001, the building ownership of the property with a total gross floor area of 4,684.9 sq.m. were vested to Harbin Gaomei for industrial use.
3. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Harbin Gaomei has owned the land use rights of the property;
  - (ii) Harbin Gaomei has owned the building ownership of the property; and
  - (iii) the property is freezed by Heilongjiang Harbin Pingfang District People’s Court for a period from 15 March 2016 to 14 March 2019.
4. In the course of our valuation, we have assigned no commercial value to the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
2.	Unit 2, L3, Block 5, No. 98 Nanma Road, Daowai District, Harbin, Heilongjiang Province, The PRC	The property comprises a residential unit in Daowai District and was completed in 1995. It is in the centre district of Harbin with about 5 minutes driving distance from both Harbin Train Station and Yinchang Station of Harbin Subway.  The gross floor area of the property is approximately 50.29 sq.m.	The property is occupied for residential use.	RMB300,000 (80% interest attributable to the Company: RMB240,000)

*Notes:*

1. Pursuant to a Building Ownership Certificate – Ha Fang BI Zi Di 001126 dated 18 June 1996, the building ownership of the property with a gross floor area of 50.29 sq.m. was vested to Harbin Gaomei Printing Company Limited (“**Harbin Gaomei**”) (哈爾濱高美印刷有限公司), a company with 80% indirect interest hold by the Company, for residential use.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Harbin Gaomei has owned the building ownership of the property and is entitled to use, mortgage or handled in other ways of the property; and
  - (ii) the property is free from mortgage.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
3.	Units 1401 to 1403, and 3 car parking spaces on Basement of Block 7, Guixin Garden, Hi-tech Zone, Kunming, Yunnan Province, The PRC	The property comprises 3 residential unit on Level 14 and 3 car parking spaces on Basement and was completed in 2007. It is located at the south of Kefa Road and is within the Third Ring Road of the city.  The gross floor area of the 3 residential units of the property is approximately 391.00 sq.m.	The property is occupied for residential and car parking uses.	RMB3,100,000 (60% interest attributable to the Company: RMB1,860,000)

*Notes:*

1. Pursuant to 6 Building Ownership Certificate – Kun Ming Shi Fang Quan Zheng Zi Di 200721910, 200723122, 200723116, 200860518, 200860553 and 200860554, the building ownership of the property with a total gross floor area of 391.00 sq.m. and 3 car parking spaces were vested to Yunnan Qiantong Package Printing Company Limited (“**Yunnan Qiantong**”) (雲南僑通包裝印刷有限公司), a company with 60% indirect interest hold by the Company, for residential and car parking uses.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Yunnan Qiantong has owned the building ownership of the property and is entitled to use, mortgage or handled in other ways of the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
4.	An industrial complex located at the south of the junction of Jingsan Road and National Highway No. 104, Chuzhou, Anhui Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 63,325.00 sq.m. with an industrial complex erected thereon. The industrial complex was completed by phases from 2006 to 2015. The property is located in the industrial zone of Chuzhou with about 10 minutes driving distance from Chuzhou North Train Station.</p> <p>The property comprises two 1 to 2-storey buildings with a total gross floor area of approximately 17,843.42 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring on 17 February 2055 for industrial, mining and warehouse uses.</p>	The property is occupied as an industrial complex.	RMB37,500,000 (60% interest attributable to the Company: RMB22,500,000)

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Chu Gou Yong (2007) Di 00503, the land use rights of the property with a site area of 63,325 sq.m. was granted to Anhui Qiaofeng Package Printing Co., Ltd. (“Anhui Qiaofeng”) (安徽僑豐包裝印刷有限公司), a company with 60% indirect interest hold by the Company, for a term expiring on 17 February 2055 for industrial, mining and warehouse uses.
2. Pursuant to a Building Ownership Certificate – Chu Fang Quan Zheng 2007 Zi Di No. 00353 dated 10 October 2007, the building ownership of the property with a gross floor area of 17,843.42 sq.m. was vested in Anhui Qiaofeng for industrial, mining and warehouse uses.
3. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Anhui Qiaofeng has owned the land use rights of the property;
  - (ii) Anhui Qiaofeng has owned the building ownership of the property; and
  - (iii) Anhui Qiaofeng is entitled to use, mortgage or handled in other ways of the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
5.	An industrial complex located at the east of Shiquan Road, the north of Weihua Railway, and the west of Chongye Road, Linwei District, Weinan, Shaanxi Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 59,250.76 sq.m. with an industrial complex erected thereon. The industrial complex was completed by phases from 2009 to 2016 and is located at the east of Shiquan Road, the north of Weihua Railway, and the west of Chongye Road with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.</p> <p>The property comprises four single-storey buildings with a total gross floor area of approximately 22,031.64 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring on 30 July 2059 for industrial use.</p>	The property is occupied as an industrial complex.	RMB8,300,000 (Please refer to Note 4) (100% interest attributable to the Company: RMB8,300,000)

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Wei Nan Xin Gou Yong (2009) Di 21, the land use rights of the property with a site area of 59,250.76 sq.m. was granted to Shaanxi Shuntian Energy Technology Company Limited (陝西舜天能源科技股份有限公司), which has been renamed as Shaanxi Leader's Battery Co., Ltd. ("Shaanxi Company") (陝西力度電池有限公司), an indirect wholly-owned subsidiary of the Company, for a term expiring on 30 July 2059 for industrial use.
2. Pursuant to a Construction Work Planning Permits – No. WKJ 2009-38 dated 11 January 2010, the construction work of the property was permitted with a development scale of 27,000 sq.m.
3. We have been provided with a legal opinion on the title to the property prepared by the Company's PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Shaanxi Company has owned the land use rights of the property and is entitled to use, mortgage or handled in other ways such portion of the property;
  - (ii) Shaanxi Company has occupied the buildings of the property without obtaining the Completion and Acceptance of Construction Works or Building Ownership Certificate. There is a risk that Shaanxi Shuntian will be fined for >2% and <4% of the construction cost of the building and/or will be ordered stop occupying the buildings and will be subject to a fine ranged from RMB30,000 to RMB300,000.
  - (iii) Shaanxi Company has promised to apply the Completion and Acceptance of Construction Works for buildings of the property. After obtaining the Completion and Acceptance of Construction Works, Shaanxi Company can apply the Building Ownership Certificates for buildings of the property.
4. In the course of our valuation, we have assigned no commercial value to the building portion of the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
6.	A school, No. 88 Yingfeng Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 11,799.30 sq.m. with an industrial complex erected thereon. The industrial complex was completed in 2003. The property is located at the east of Yingfeng Road, in the center district of Zhaoyang.</p> <p>The property comprises two 1 to 5-storey buildings with a total gross floor area of approximately 7,641.71 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring in January 2055 for commercial use.</p>	The property is occupied as a school.	RMB9,400,000 (Please refer to Note 3) (60% interest attributable to the Company: RMB5,640,000)

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (2006) Di 0046, the land use rights of the property with a site area of 11,799.3 sq.m. was granted to Zhaotong Xinqiao Colour Printing Co., Ltd. (“Xinqiao”) (昭通新僑彩印有限責任公司), a company with 60% indirect interest hold by the Company, for a term expiring on January 2055 for commercial use.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Xinqiao has owned the land use rights of the property and is entitled to use, mortgage or handled in other ways such portion of the property;
  - (i) Xinqiao has occupied the buildings of the property without obtaining the Completion and Acceptance of Construction Works or Building Ownership Certificate. There is a risk that Xinqiao will be ordered to rectify the buildings with fined for >5% and <10% of the construction cost of the buildings; or will be ordered demolish the buildings with fined for <10% of the construction cost of the buildings.
3. In the course of our valuation, we have assigned no commercial value to the building portion of the property.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
7.	An industrial complex, Tuanjie Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 22,064.00 sq.m. with an industrial complex erected thereon. The industrial complex was completed by phases from 1994 to 2009. The property is located at the south of Tuanjie Road, in the center district of Zhaoyang.</p> <p>The property comprises nine 1 to 4-storey buildings with a total gross floor area of approximately 34,885.94 sq.m.</p> <p>The land use rights of the property has been granted for two land use terms of 18 years from 28 April 1998 and 20 years from 2 August 1996 respectively for industrial use.</p>	The property is occupied as an industrial complex.	RMB600,000 (Please refer to Note 7) (60% interest attributable to the Company: RMB360,000)

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (1998) Zi Di E(9)-3, the land use rights of portion of the property with a site area of 1,787 sq.m. was granted to Yunnan Qiantong Package Printing Company Limited (“**Yunnan Qiantong**”) (雲南僑通包裝印刷有限公司), a company with 60% indirect interest hold by the Company, for a land use term of 18 years from 28 April 1998 for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (96) Zi Di E-9-4, the land use rights of portion of the property with a site area of 20,277 sq.m. was granted to Yunnan Qiantong for a land use term of 20 years from 2 August 1996 for industrial use.
- Pursuant to eight Building Ownership Certificates – Zhao Tong Shi Zhong Gang He Zi Fang Chan Suo You Zheng Nos. 0003934 to 0003939, Zhao Fang Quan Zheng Zhao Tong Shi Zi Di 00112516 and 00112517 dated 5 October 1997 and 18 July 2008, the building ownership of the property with a total gross floor area of 23,577.34 sq.m. was vested in Yunnan Qiantong for non-residential and residential uses.
- Pursuant to two Completion and Acceptance of Construction Works – Zhao Di Jian Zhi Jian (1999) Jun Zi Di 005 and Zhao Di Jian Zhi Jian (2001) Jun Zi Di 011, portion of the property with a total gross floor area of 11,308.6 sq.m. was certificated to be completed.
- As advised by the Company, the buildings of the property are erected on the land with State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (1998) Zi Di E-9-4.

6. As advised by the Company, Yunnan Qiantong is applying for extending the land use terms of the property for 50 years.
7. We have been provided with a legal opinion on the title to the property prepared by the Company's PRC legal adviser, which contains, inter alia, the followings:-
  - (i) Yunnan Qiantong has owned the land use rights of the land with State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (1998) Zi Di E-9-4 and is entitled to use, mortgage or handled in other ways such portion of the property;
  - (ii) Yunnan Qiantong has owned portion of the building ownership of the property as mentioned in Note 3 and is entitled to use, mortgage or handled in other ways such portion of the property; and
  - (iii) Yunnan Qiantong is entitled to use and to apply the Building Ownership Certificates for the buildings as mentioned in Note 4.
8. In the course of our valuation, we have assigned no commercial value to the parcel of land with State-owned Land Use Rights Certificate – Zhao Shi Gou Yong (1998) Zi Di E(9)-3 as the land use term of this parcel of land was expired in April 2016.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
8.	An industrial complex, No. 998 Kekai Road, Gaoxin District, Kunming, Yunnan Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 12,937.22 sq.m. with an industrial complex erected thereon. The industrial complex was completed by phases from 2006 to 2014. The property is located at the west of Kekai Road near Keyuan Road and is located within The Third Ring Road of Kunming.</p> <p>The property comprises four 3 to 6-storey buildings with a total gross floor area of approximately 19,539.21 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring on 30 April 2054 for industrial use.</p>	The property is occupied as an industrial complex.	RMB37,100,000 (60% interest attributable to the Company: RMB22,260,000)

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Kun Gou Yong (2005) Di 00348, the land use rights of the property with a site area of 12,937.215 sq.m. was granted to Yunnan Qiantong Package Printing Company Limited Kunming Branch (“Kunming Branch”) (雲南僑通包裝印刷有限公司昆明分公司), a company with 60% indirect interest hold by the Company, for a land use term expiring on 30 April 2054 for industrial use.
2. Pursuant to four Building Ownership Certificates – Kun Fang Quan Zheng (Kun Ming Shi) Zi Di Nos. 201248634 to 201248637, the building ownership of the property with a total gross floor area of 19,538.61 sq.m. was vested in Kunming Branch for non-residential and residential uses.
3. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Kunming Branch has owned the land use rights of the property;
  - (ii) Kunming Branch has owned the building ownership of the property; and
  - (iii) Kunming Branch is entitled to use, mortgage or handled in other ways of the property.

## VALUATION CERTIFICATE

## Group II – Property interest held by the Group under construction

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016										
9.	An industrial complex located in Honglu Village, Beizha County, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 114,685.60 sq.m. with an industrial complex is planned to be erected thereon by two phases. The Phase I of the property was scheduled to be completed in 2016. The property is located in Honglu Village near Linfeng Road and is within 10 minutes driving district from Yukun Highway. Detail of the site areas by phase are as follow:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;"><b>Site Area</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><i>sq.m.</i></td> </tr> <tr> <td>Phase I</td> <td style="text-align: right;">57,567.00</td> </tr> <tr> <td>Phase II</td> <td style="text-align: right;"><u>57,118.60</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u><u>114,685.60</u></u></td> </tr> </table> <p>Phase I of the property has a planned gross floor area of approximately 49,610.09 sq.m.</p> <p>The land use rights of the property has been granted for a land use term expiring on 1 January 2064 for industrial use.</p>		<b>Site Area</b>		<i>sq.m.</i>	Phase I	57,567.00	Phase II	<u>57,118.60</u>		<u><u>114,685.60</u></u>	<p>Phase I of the property is under construction.</p> <p>Phase II of the property is a vacant land.</p>	RMB83,700,000 (60% interest attributable to the Company: RMB50,220,000)
	<b>Site Area</b>													
	<i>sq.m.</i>													
Phase I	57,567.00													
Phase II	<u>57,118.60</u>													
	<u><u>114,685.60</u></u>													

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Zhao Gong Gou Yong (2013) Di 0020, the land use rights of the property with a site area of 114,685.60 sq.m. was granted to Yunnan Qiantong Package Printing Company Limited (“Yunnan Qiantong”) (雲南僑通包裝印刷有限公司), a company with 60% indirect interest hold by the Company, for a land use term expiring on 1 January 2064 for industrial use.
2. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 532101201400008 dated 29 April 2014, Yunnan Qiantong was permitted to use portion of a parcel of land with a site area of 49,110.83 sq.m. out of 114,685.6 sq.m. for development.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 53210120400039 dated 28 August 2014, the construction work of portion of the property was permitted with a development scale of 49,777.24 sq.m.
4. Pursuant to a Construction Work Commencement Permit – No. 5306022015030910010110 dated 9 March 2015, the construction work of portion of the property with a construction scale of 49,777.24 sq.m. (except steel construction works) was permitted to commence.
5. Pursuant to a Construction Work Commencement Permit – No. 5306022015042033010116 dated 20 April 2015, the construction work of portion of the property with a construction scale of 38,534.28 sq.m.(steel construction works) was permitted to commence.
6. As advised, as at the valuation date, the incurred and outstanding construction costs of Phase I of the property was approximately RMB85,650,000 and RMB43,520,000 respectively. We have taken into account such amounts in our valuation.
7. As advised by the Company, there is no development plan for Phase II of the property.
8. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Yunnan Qiantong has owned the land use rights of the property and is entitled to use, mortgage or handled in other ways of such portion of the property;
  - (ii) Yunnan Qiantong has obtained all the necessary consents, approvals or permits for the buildings of Phase I of the property.
9. For reference purpose, if Phase I of the property was completed as at the valuation date, the market value of Phase I of the property was approximately RMB133,900,000 and the market value of the whole property was approximately RMB146,500,000.
10. The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:

State-owned Land Use Rights Certificate	Obtained
Construction Land Planning Permit	Obtained
Construction Work Planning Permit	Obtained
Commencement Permit for Construction Works	Obtained

## VALUATION CERTIFICATE

## Group III – Property interest held by the Group for future development

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2016
10.	A parcel of land located at the east of Shiquan Road, the north of Weihua Railway, and the west of Chongye Road, Linwei District, Weinan, Shaanxi Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 85,363.08 sq.m. The property is located at the east of Shiquan Road, the north of Weihua Railway, and the west of Chongye Road with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.</p> <p>The land use rights of the property has been granted for a land use term expiring on 30 July 2059 for industrial use.</p>	The property is a vacant land.	RMB12,000,000 (100% interest attributable to the Company: RMB12,000,000)

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Wei Nan Xin Gou Yong (2009) Di 22, the land use rights of the property with a site area of 85,363.08 sq.m. was granted to Shaanxi Shuntian Energy Technology Company Limited (陝西舜天能源科技股份有限公司), which has been renamed as Shaanxi Leaders Battery Co., Ltd. (“Shaanxi Company”) (陝西力度電池有限公司), an indirect wholly-owned subsidiary of the Company, for a term expiring on 30 July 2059 for industrial use.
2. As advised by the Company, there is no development plan for the property.
3. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) Shaanxi Company has owned the land use rights of the property and is entitled to use, mortgage or handled in other ways of the property.

## VALUATION CERTIFICATE

## Group IV – Properties rented by the Group in Hong Kong

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
11.	Room 1007, Tsim Sha Tsui Centre, West Wing, 60 Mody Road, Tsim Sha Tsui, Kowloon Hong Kong	The property comprises an office unit of a commercial building. The property is located in the commercial region in Tsim Sha Tsui with about 15 minutes walking district from MTR Tsim Sha Tsui East and Hong Hum Station.  The gross floor area of the property is approximately 198.25 sq.m. or 2,134.00 sq.ft.	The property is leased to the Group for a term expiring on 14 September 2016 for a monthly rent of HK\$94,963.	No commercial value

*Notes:*

- Pursuant to a Tenancy Agreement entered into between Murdoch Investments Inc. (an independent third party) and Tesson Holdings Company (the "Company"), the property with a gross floor area of 2,134 sq.ft. was leased to the Company from 1 January 2015 to 14 September 2016 for a monthly rent of HK\$94,963.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
12.	Some store area on 8/F, Long Life Industrial Building, 15 Ko Fai Road, Yau Tong, Kowloon Hong Kong	<p>The property comprises some store area on 8/F of an industrial building. The property is located at the south of Ko Fai Road with about 15 minutes walking district from MTR Yau Tong Station.</p> <p>The property is approximately 139 carton with the size of each carton is about 16-<sup>1</sup>/<sub>4</sub>" X 13-<sup>1</sup>/<sub>4</sub>" X 10-<sup>1</sup>/<sub>2</sub>".</p>	The property is leased to the Group for a term expiring on 30 September 2016 for a monthly rent of HK\$903.5.	No commercial value

*Notes:*

- Pursuant to a Tenancy Agreement entered into between Professional Storage Services Limited (an independent third party) and Tesson Holdings Company (the "Company"), the property with 139 carton with the size of each carton is about 16-<sup>1</sup>/<sub>4</sub>" X 13-<sup>1</sup>/<sub>4</sub>" X 10-<sup>1</sup>/<sub>2</sub>" was leased to the Company from 1 October 2015 to 30 September 2016 for a monthly rent of HK\$903.5.



## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
13.	Flat G, 38/F, 8 Royal Green, 8 Ching Hiu Road, Sheung Shui, New Territories Hong Kong	The property comprises an residential on 38/F of a residential building. The property is located at the west of Ching Hiu Road with about 15 minutes walking district from MTR Sheung Shui Station.	The property is leased to the Group for a term expiring on 31 January 2017 for a monthly rent of HK\$30,000.	No commercial value
		The gross floor area of the property is approximately 96.90 sq.m. or 1,043 sq.ft.		

*Notes:*

- Pursuant to a Tenancy Agreement entered into between 陳美嫻 (an independent third party) and Ever Honest Industries Limited ("Ever Honest"), the property was leased to Ever Honest from 1 February 2016 to 31 January 2017 for a monthly rent of HK\$30,000.

## VALUATION CERTIFICATE

## Group V – Properties rented by the Group in the PRC

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
14.	Factory No. 1 and the dormitory, 3D Printing Gaoxin Industrial Park, Weinan, Shaanxi Province, The PRC	<p>The property comprises an industrial building and a dormitory building with 129 rooms. The property is within 10 minutes driving district from both Weinan North Train Station and Weinan Train Station.</p> <p>The gross floor area of the industrial building and a dormitory building are approximately 25,467.00 sq.m. and 2,451.00 sq.m. respectively.</p>	The property is leased to the Group for a term expiring on 30 June 2025 for a monthly rent of RMB235,986.	No commercial value

*Notes:*

1. Pursuant to a Building Ownership Certificate – Wei Fang Quan Zheng You Zi Di 50P07001, the building ownership of the property was vested in 陝西渭南鑫匯紡織有限責任公司.
2. Pursuant to a Corporation Agreement, 渭南高新區火炬科技發展有限責任公司 leased the property from 陝西渭南鑫匯紡織有限責任公司, and can lease the property to other party prior getting the approval from 陝西渭南鑫匯紡織有限責任公司.
3. Pursuant to a Tenancy Agreement entered into between Tesson New Energy (Weinan) Company (“Tesson New Energy (Weinan)”) and 渭南高新區火炬科技發展有限責任公司, an independent third party, the property with a gross floor area of 25,467 sq.m. and 129 dormitory rooms was leased to Tesson New Energy (Weinan) from 1 January 2016 to 30 June 2025. The rent of the industrial building is RMB8 per sq.m. per month and that of the dormitory is RMB3,000 per room per year.
4. Pursuant to a Sub-lease Confirmation dated 15 January 2016, 陝西渭南鑫匯紡織有限責任公司 has agreed 渭南高新區火炬科技發展有限責任公司 sub-lease the property to Tesson New Energy (Weinan).
5. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) the tenancy agreement as mentioned in Note 3 above is legal and valid.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
15.	An industrial complex, Tuanjie Road, Zhaoyang District, Zhaotong, Yunnan Province, The PRC	The property comprises a parcel of land with a site area approximately 13,333.40 sq.m. with an industrial complex erected thereon.  The total gross floor area of the property is approximately 3,937.00 sq.m.	The property is leased to the Group for a term expiring on 31 March 2017 for a monthly rent of RMB33,333.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 雲南省昭通監獄, an independent third party, and Yunnan Qiantong Package Printing Company Limited (“Yunnan Qiantong”) (雲南僑通包裝印刷有限公司), the property with a total gross floor area of 3,937 sq.m. was leased to Yunnan Qiantong from 1 April 2002 to 31 March 2017 for a quarterly rent of RMB100,000.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) as advised by the Company, no building ownership certificates have been obtained for the property. If the tenancy is invalid and there are some disputes, the Company can find other property to substitute the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
16.	Block 4, Phase II of Zijin South Zone, Zhilan Road, Yuhuatqi District, Nanjing Jiangsu Province, The PRC	The property comprises an industrial building of Phase II of Zijin South Zone. The property is located at the south of Zhilan Road and is about 20 minutes walking district from Subway China Pharmaceutical University Station.  The total gross floor area of the property is approximately 3,937.00 sq.m.	The property is leased to the Group for a term expiring on 30 June 2021 for a monthly rent of RMB312,000.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 南京江寧(大學)科教創新園有限公司, an independent third party, and Tesson New Energy Research (Nanjing) Company Limited (“**Tesson New Energy (Nanjing)**”) (天臣新能源研究南京有限公司), the property with a total gross floor area of 5,200 sq.m. was leased to Tesson New Energy (Nanjing) from 1 April 2016 to 30 June 2021 for an annual rent of RMB3,744,000.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) the tenancy agreement as mentioned in Note 2 above is legal and valid.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
17.	Room 1009, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	The property comprises a residential unit on Level 10 of Apartment Block 2 of Wanda Plaza. The property is located at the west of Xinqu East Road and with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.  The total gross floor area of the property is approximately 43.00 sq.m.	The property is leased to the Group for a term expiring on 14 December 2016 for a monthly rent of RMB1,000.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 李曉渭, an independent third party, and Tesson New Energy (Shenzhen) Company Limited (“Tesson New Energy (Shenzhen)”) (天臣新能源 (深圳) 有限公司), the property with a gross floor area of 43 sq.m. was leased to Tesson New Energy (Shenzhen) from 15 December 2015 to 14 December 2016 for a monthly rent of RMB1,000.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) as advised by the Company, no building ownership certificates have been obtained for the property. If the tenancy is invalid and there are some disputes, the Company can find other property to substitute the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
18.	Room 1113, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	The property comprises a residential unit on Level 11 of Apartment Block 2 of Wanda Plaza. The property is located at the west of Xinqu East Road and with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.  The total gross floor area of the property is approximately 43.00 sq.m.	The property is leased to the Group for a term expiring on 14 December 2016 for a monthly rent of RMB1,000.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 劉曉榮, an independent third party, and Tesson New Energy (Shenzhen) Company Limited (“Tesson New Energy (Shenzhen)” (天臣新能源(深圳)有限公司), the property with a gross floor area of 43 sq.m. was leased to Tesson New Energy (Shenzhen) from 15 December 2015 to 14 December 2016 for a monthly rent of RMB1,000.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) as advised by the Company, no building ownership certificates have been obtained for the property. If the tenancy is invalid and there are some disputes, the Company can find other property to substitute the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
19.	Room 1604, Apartment Block 2 Wanda Plaza, Wainan Hi-tech Zone, Weinan, Shaanxi Province, The PRC	The property comprises a residential unit on Level 16 of Apartment Block 2 of Wanda Plaza. The property is located at the west of Xinqu East Road and with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.  The total gross floor area of the property is approximately 47.30 sq.m.	The property is leased to the Group for a term expiring on 14 December 2016 for a monthly rent of RMB1,100.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 張建朋, an independent third party, and Tesson New Energy (Shenzhen) Company Limited (“Tesson New Energy (Shenzhen)”) (天臣新能源(深圳)有限公司), the property with a gross floor area of 47.3 sq.m. was leased to Tesson New Energy (Shenzhen) from 15 December 2015 to 14 December 2016 for a monthly rent of RMB1,100.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) as advised by the Company, no building ownership certificates have been obtained for the property. If the tenancy is invalid and there are some disputes, the Company can find other property to substitute the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenancy particulars	Particulars of occupancy	Market value in existing state as at 31 May 2016
20.	Room 2162, Level 16, Block 2 Unit 2, Gongyuan Tianxia, Weinan, Shaanxi Province, The PRC	The property comprises a residential unit on Level 16 of Block 2 Unit 2 of Gongyuan Tianxi. The property is located at the north of Chaoyang Road and with about 10 minutes driving distance from both Weinan North Train Station and Weinan Train Station.  The total gross floor area of the property is approximately 100.8 sq.m.	The property is leased to the Group for a term expiring on 14 December 2016 for a monthly rent of RMB1,900.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement entered into between 趙元琮, an independent third party, and Tesson New Energy (Shenzhen) Company Limited (“Tesson New Energy (Shenzhen)”) (天臣新能源 (深圳) 有限公司), the property with a gross floor area of 100.8 sq.m. was leased to Tesson New Energy (Shenzhen) from 15 December 2015 to 14 December 2016 for a monthly rent of RMB1,900.
2. We have been provided with a legal opinion on the title to the property prepared by the Company’s PRC legal adviser, which contains, inter alia, the followings:–
  - (i) as advised by the Company, no building ownership certificates have been obtained for the property. If the tenancy is invalid and there are some disputes, the Company can find other property to substitute the property.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the increase in authorised share capital and the Open Offer are as follows:

### (i) As at the Latest Practicable Date

<i>Authorised:</i>		
<u>1,000,000,000</u>	Shares	<u>HK\$100,000,000.00</u>
<i>Issued and fully paid up:</i>		
<u>592,180,400</u>	Shares	<u>HK\$59,218,040.00</u>

### (ii) Upon completion of the increase in authorised share capital and the Open Offer assuming that no further Shares will be issued or bought back by the Company prior to the close of the Open Offer

<i>Authorised:</i>		
<u>2,000,000,000</u>	Shares	<u>HK\$200,000,000.00</u>
<i>Issued and fully paid up:</i>		
592,180,400	Shares as at the Latest Practicable Date	HK\$59,218,040.00
444,135,300	Offer Shares to be issued pursuant to the Open Offer	HK\$44,413,530.00
<u>1,036,315,700</u>	Shares	<u>HK\$103,631,570.00</u>

No Shares had been issued by the Company since the end of the financial year of the Company ended 31 December 2015 up to the Latest Practicable Date.

All the Shares in issue and Offer Shares to be issued rank and will rank *pari passu* in all respects with each other including as regards to dividends, voting and capital.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any of its subsidiaries had been put under option or agreed conditionally or unconditionally to be put under option.

### 3. MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange (i) on the last day on which trading took place in each of the six calendar months during the period commencing six months preceding the Last Trading Day and ending on the Latest Practicable Date (the “**Relevant Period**”); (ii) on 14 June 2016, being the Last Trading Day; and (iii) as at the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 December 2015	1.05
29 January 2016	0.85
29 February 2016	0.84
31 March 2016	0.92
29 April 2016	0.83
31 May 2016	0.79
14 June 2016 (Last Trading Day)	0.79
15 June 2016 (trading suspended)	N/A
30 June 2016	0.79
Latest Practicable Date	0.81

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period (both dates inclusive) were HK\$1.05 recorded on 31 December 2015 and HK\$0.76 recorded on 16 May 2016, respectively.

#### 4. DISCLOSURE OF INTERESTS

##### Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of 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 and 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 into the register referred to therein; or (iii) or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code were as follows:

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Cheng Hung Mui ( <i>Note a</i> )	Interest of Controlled Corporation	235,245,306	39.73%
Sheng Siguang ( <i>Note b</i> )	Family interest	100,000,000	16.89%

*Note a:* The Shares are held by Double Key in which Cheng Hung Mui, an executive Director, owns 100% shareholding interest.

*Note b:* The Shares are held by Burgeon Max Holdings Limited which is owned as to 60% by Ms. Wang Jin and 40% by Ms. Wu Siqing, an Independent Third Party. Ms. Wang Jin is the spouse of Mr. Sheng Siguang, an executive Director.

Save as disclosed above, as at the Latest Practicable Date, 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 or (iii) or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

As at the Latest Practicable Date, save as the Undertaking Letter, the Board had not received any information from the Directors of their intention to take up the securities of the Company to be offered to them under the Open Offer.

### Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares which would fall to be disclosed to the Company and the Stock Exchange 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, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

Name of Shareholder	Capacity or nature of interests	Number of Shares in long position	Approximate percentage of issued share capital of the Company
Cheng Hung Mui	Interest of controlled corporation	235,245,306 (Note 1)	39.73%
Double Key	Beneficial owner	235,245,306 (Note 1)	39.73%
Burgeon Max Holdings Limited	Beneficial owner	100,000,000 (Note 2)	16.89%
Lankai Limited	Beneficial owner	100,000,000 (Note 3)	16.89%
Wang Jin	Interest of controlled corporation	100,000,000 (Note 2)	16.89%
Sheng Siguang	Family interest	100,000,000 (Note 2)	16.89%
Wu Siqing	Interest of controlled corporation	100,000,000 (Note 2)	16.89%
Li Yujun	Interest of controlled corporation	100,000,000 (Note 3)	16.89%

*Note 1:* The entire issued share capital of Double Key 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 pursuant to the SFO.

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

*Note 3:* The entire issued share capital of Lankai Limited is wholly 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.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register of the Company as required to be kept under section 336 of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any member of the Group.

#### **Additional Disclosures**

- (i) None of the subsidiaries of the Company, or pension fund of the Company or of a subsidiary of the Company or the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date and had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (ii) As at the Latest Practicable Date, save for the Undertaking Letter, the Underwriting Agreement and the Placing Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (iii) No fund managers (other than exempt fund managers) connected with the Company managed on a discretionary basis any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date and had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (iv) As at the Latest Practicable Date, none of the Company and the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.
- (v) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer and/or the Underwriting Agreement and/or the Whitewash Waiver.

- (vi) As at the Latest Practicable Date, save for the Undertaking Letter and the Placing Agreement, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver.
- (vii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Underwriter or any person acting in concert with it and any of the Directors, recent Directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver.
- (viii) As at the Latest Practicable Date, save for the Placing Agreement, there was no agreement, arrangement or understanding between the Underwriter and any other persons whereby the Offer Shares subscribed and acquired under the Open Offer would be transferred, charged or pledged to any persons.
- (ix) As at the Latest Practicable Date, saved for the Undertaking Letter, the Underwriting Agreement and the Placing Agreement, no material contracts had been entered into by the Underwriter in which any Director had a material personal interest.
- (x) The correspondence address of Ms. Cheng Hung Mui, being a director and the sole beneficial owner of the Underwriter, is Room 1007, 10/F., West Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (xi) The correspondence address of the Underwriter is Room 1007, 10/F., West Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (xii) As at the Latest Practicable Date, the Underwriter was wholly and beneficially owned by Ms. Cheng Hung Mui. Save for Ms. Cheng Hung Mui, none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Underwriter. None of the Company and the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period.

## 5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their advice or opinion which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
KGI Capital Asia Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhonghui Anda CPA Limited	Certified public accountants
APAC Asset Valuation and Consulting Limited	Independent valuer in relation to the property, plant and equipment of the Group

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts had any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interests in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group was engaged in the below litigations:

1. Harbin Gaomei Printing Co., Ltd\* (哈爾濱高美印刷有限公司) (“**Harbin Gaomei**”), an indirectly-owned subsidiary of the Company in the PRC, had received the following civil rulings (the “**Ruling(s)**”) in the PRC:

Date of Rulings	Parties involved	Background and cause of action	Court	Details of Rulings
14 March 2016	哈爾濱豐匯紙業有限公司旭森分公司 (“豐匯紙業”) as the Plaintiff and Harbin Gaomei as the Defendant.	On 24 September 2015, 豐匯紙業 as the supplier and Harbin Gaomei as the purchaser entered into a sale and purchase contract for the supply of paper products.	黑龍江省哈爾濱市平房區人民法院 (Heilongjiang Harbin Pingfang District People’s Court*)	A freezing order was granted in favour of 豐匯紙業 over the industrial complex of Harbin Gaomei located at 哈爾濱市經濟開發區平房綜合區大連一路 (Dalian First Road, Economic and Technology Development Zone, Pingfang District, Harbin, Heilongjiang Province*) for the period of three years from 15 March 2016 to 14 March 2019.
	豐匯紙業 had been the paper supplier of Harbin Gaomei since 2012 and ceased to be a supplier of Harbin Gaomei as at the Latest Practicable Date.	On 28 February 2016, 豐匯紙業 filed an application of arbitration against Harbin Gaomei alleging Harbin Gaomei for failing to pay for goods delivered. During the said arbitral proceedings, 豐匯紙業 applied for a freezing order over the industrial complex of Harbin Gaomei for security of costs (財產保全).		

Date of Rulings	Parties involved	Background and cause of action	Court	Details of Rulings
6 April 2016	豐匯紙業 as the Plaintiff and Harbin Gaomei as the Defendant.	Please refer to the above.	哈爾濱仲裁委員會 (Harbin Arbitration Commission*)	(i) Repayment of RMB3,698,576.70 plus default payment of RMB500,000 to 豐匯紙業 by Harbin Gaomei; and  (ii) Payment of arbitration costs of RMB22,325.00 by Harbin Gaomei.

2. The Shaanxi Company had received the following Ruling in the PRC:

Date of Ruling	Parties involved	Background and cause of action	Court	Details of Ruling
9 October 2015	武鳳來, as the Plaintiff and the Shaanxi Company as the Defendant.  武鳳來, an Independent Third Party, was a creditor of the Shaanxi Company.	On 19 December 2012, 武鳳來 as creditor and the Shaanxi Company as the borrower entered into a loan agreement in respect of the principal sum of RMB1,000,000.00 payable in one year with interest at the rate of 1.5% per month. The Shaanxi Company failed to repay the loan on time. 武鳳來 sued the Shaanxi Company accordingly.	渭南市臨渭區人民法院 (Weinan Linwei District, People's Court*)	(i) Repayment of RMB1,000,000.00 plus contractual interest and liquidated damage calculated at 24% per annum from 19 March 2013 up to payment date to 武鳳來, by the Shaanxi Company; and  (ii) Payment of legal costs of RMB18,300.00 by the Shaanxi Company.

\* for identification purposes only

In relation to the Rulings, the Company is seeking advice from its legal advisers in the PRC. The Company has recognised the liquidated sums of RMB3,698,576.70 against Harbin Gaomei as liabilities in the audited consolidated financial statements of the Group for the year ended 31 December 2015 and also has recognised the liquidated sums of RMB1,000,000.00 against the Shaanxi Company in the management accounts of the Group as at 31 May 2016, in the opinion of the Directors, any further liabilities arising from the aforesaid Rulings (including interest, liquidated damages and legal costs) are



immaterial. The Company intends to pay off the liabilities arising from the aforesaid Rulings. The Directors are of the view that there will be no material adverse impact on the business and/or financial or trading position and/or prospects of the Group upon settlement of the liabilities.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

#### **7. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) had been entered into or amended within six months before the date of the Announcement; (ii) which were continuous contracts with a notice period of 12 months or more; (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) which were not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **8. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Company.

#### **9. MATERIAL CONTRACTS**

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, had been entered by the Company and are or may be material:

- (a) an underwriting agreement dated 11 September 2014 entered into among the Company, Double Key and Select Investment Services Limited in relation to the open offer of 130,726,800 Shares at the subscription price of HK\$0.69 per offer share on the basis of one offer share for every two existing Shares held on the record date (the “**September 2014 Underwriting Agreement**”);
- (b) an underwriting agreement dated 30 December 2014 entered into among the Company, Double Key and Guoyuan Securities Brokerage (Hong Kong) Limited in relation to the open offer of 130,726,800 Shares at the subscription price of HK\$0.69 per offer share on the basis of one offer share for every two existing Shares held on the record date;

- (c) the deed of termination dated 30 December 2014 entered into among the Company, Double Key and Select Investment Services Limited in relation to the termination of the September 2014 Underwriting Agreement;
- (d) the independent subscription agreement dated 26 October 2015 entered into between the Company and Lankai Limited in relation to the subscription of 100,000,000 subscription shares at the subscription price of HK\$0.80 per subscription share;
- (e) the connected subscription agreement dated 26 October 2015 entered into between the Company and Burgeon Max Holdings Limited in relation the subscription of 100,000,000 subscription shares at the subscription price of HK\$0.80 per subscription share;
- (f) the acquisition agreement dated 31 December 2015 entered into between Tesson New Energy (Shenzhen) as purchaser and 陝西順乾能源科技有限公司 (Shaanxi Shunqian Energy Technology Co. Ltd.\*) and 陝西錦文新能源有限公司 (Shaanxi Jinwen New Energy Co. Ltd.\*) as vendors (both being Independent Third Parties) in relation to the sale and purchase of the entire issued share capital of the Shaanxi Company at a consideration of RMB19,495,524.60;
- (g) the assignment of loan dated 31 December 2015 entered into between Tesson New Energy (Shenzhen) and China Cinda Asset Management Co. Ltd (Shaanxi Branch), an Independent Third Party, in relation to the settlement of approximately RMB88.8 million liability of the Shaanxi Company at a discount of approximately 50.7% to the settlement amount of RMB45 million which was completed on 28 January 2016; and
- (h) the Underwriting Agreement.

## 10. EXPENSES

The estimated expenses in connection with the Open Offer (including but not limited to printing, registration, financial advisory, legal, professional and accounting charges) are approximately HK\$2.5 million and are payable by the Company.

## 11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### (i) Particulars of Directors and Senior Management

Name	Address
<i>Executive Directors:</i>	
Ms. Cheng Hung Mui	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong

Mr. Tin Kong (*Chairman*)  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Zhou Jin  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Chen Dekun  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Tao Fei Hu  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Sheng Siguang  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

*Independent non-executive Directors:*

Mr. Wang Jinlin  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Chen Weixi  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Ng Ka Wing  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

*Senior Management:*

Mr. Chan Wei  
Room 1007, Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui  
Hong Kong

Mr. Zhang Jing	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Wen Jie	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Jiang Fei	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Zhang Nan Zheng	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Chen Tong Kun	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Huang Li San	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Mr. Li Li Bin	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong

(ii) **Biographical details of Directors and Senior Management**

*Executive Directors:*

**Ms. Cheng Hung Mui**

Ms. Cheng Hung Mui (“**Ms. Cheng**”), aged 45, is a Hong Kong resident and an individual investor. Ms. Cheng was appointed as an executive Director on 6 June 2014. Ms. Cheng is the beneficial owner and a director of Double Key.

Save as disclosed above, Ms. Cheng (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

#### **Mr. Tin Kong**

Mr. Tin Kong (“**Mr. Tin**”), aged 55, is a Hong Kong resident. Mr. Tin was appointed as an executive Director and chairman of the Board on 27 August 2015. Mr. Tin is a director of Double Key. He graduated from 北京文化幹部管理學院經濟管理學系 (translated as department of Economics and Management in Beijing Academy of Cultural Administration). In addition, Mr. Tin also serves as director and/or legal representative of certain subsidiaries of the Group.

Save as disclosed above, Mr. Tin (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

#### **Mr. Zhou Jin**

Mr. Zhou Jin (“**Mr. Zhou**”), aged 56, has joined our Group since March 1993 and was appointed as an executive Director on 27 May 1998. He was one of the founding members of Yunnan Qiaotong Package Printing Company Limited (“**Yunnan Qiaotong**”), a PRC subsidiary of the Group. He is currently the vice chairman of Yunnan Qiaotong, and is responsible for investment management and setting up of new production facilities and branches. Mr. Zhou is a senior economist in the PRC and graduated from the Chinese Academy of Social Sciences with a master degree in Commerce and Economics. Prior to joining the Group, he was engaged in academic and research activities with a school and a governmental bureau respectively in Yunnan Province of the PRC.

Save as disclosed above, Mr. Zhou (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

**Mr. Chen Dekun**

Mr. Chen Dekun (“**Mr. Chen**”), aged 53, has 30 years’ experience in investment, trading and management. Mr. Chen was appointed as an executive Director on 25 June 2015. In addition, Mr. Chen also serves as director and/or legal representative of certain subsidiaries of the Group.

Save as disclosed above, Mr. Chen (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

**Mr. Tao Fei Hu**

Mr. Tao Fei Hu (“**Mr. Tao**”), aged 62, was appointed as an executive Director on 6 August 2013. Mr. Tao is the general manager of Anhui Qiaofeng Package Printing Company Limited (“**Anhui Qiaofeng**”), a PRC subsidiary of the Group, a subsidiary of the Company engaged in the business of printing and manufacturing of packaging products in the PRC. Prior to his appointment with Anhui Qiaofeng in January 2010, he was the deputy general manager and a founding member of Yunnan Qiaotong which engages in the business of printing and manufacturing of packaging products. Mr. Tao has over 39 years of working experience in production and marketing management in the PRC.

Save as disclosed above, Mr. Tao (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

**Mr. Sheng Siguang**

Mr. Sheng Siguang (“**Mr. Sheng**”), aged 43, was appointed as an executive Director on 8 March 2016. Mr. Sheng received a Master degree in industrial economy from Nanjing Southeast University. He also graduated from Nanjing University of Aeronautics and Astronautics with an associate degree and a Bachelor degree in applied electronic technology. Mr. Sheng has served in a major state-owned electronic enterprise in China and held positions of quality manager, head of quality department and head of purchasing department. Mr. Sheng has extensive experience in investment management. Mr. Sheng’s spouse, Ms. Wang Jin, is a beneficial owner of one of the Company’s substantial shareholders. In addition, Mr. Sheng also serves as director and/or legal representative of certain subsidiaries of the Group.

As at the Latest Practicable Date, Mr. Sheng was deemed to be interested in the Shares beneficially owned by his spouse, Ms. Wang Jin through her controlled corporation, Burgeon Max Holdings Limited pursuant to the SFO.

Save as disclosed above, Mr. Sheng (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

*Independent non-executive Directors:*

**Mr. Wang Jinlin**

Mr. Wang Jinlin (“**Mr. Wang**”), aged 51, was appointed as an independent non-executive Director on 24 March 2015. Mr. Wang graduated from Zhejiang University and obtained a bachelor degree in 1984. He is a senior engineer and used to serve as deputy general manager of Jiaying Silk Spinning Factory (嘉興絹紡廠), deputy general manager and general manager of Zhejiang Jinying Silk Spinning Co., Ltd. (浙江金鷹絹紡有限公司), and deputy general manager of Zhejiang Jinying Holding Limited, possessing rich experience in corporate management and practice. He was a member of CPPC of Jiaying, a member of Chinese Silk Industry Association (中國絲綢工業協會) and vice chairman of the silk spinning branch of the Chinese Silk Industry Association.

Save as disclosed above, Mr. Wang (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

**Mr. Chen Weixi**

Mr. Chen Weixi (“**Mr. Chen**”), aged 42, was appointed as an independent non-executive Director on 8 March 2016. Mr. Chen obtained a Bachelor degree in economics from Renmin University of China, and an EMBA master degree from the Hong Kong University of Science and Technology. Mr. Chen is a Certified Public Accountant in China, with practising qualification for 19 years. He is also a licensed securities (futures) intermediary in China, and an associate member of the Association of International Accountants (AIA). Mr. Chen is currently a director and chief financial officer of Hong Kong TV International Media Group Limited.

Save as disclosed above, Mr. Chen (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company

and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

**Mr. Ng Ka Wing**

Mr. Ng Ka Wing (“**Mr. Ng**”), aged 60, was appointed as an independent non-executive Director on 8 March 2016. Mr. Ng has extensive experience in the manufacturing of motor vehicles. Mr. Ng is the managing director of a bus manufacturer and the chairman of Hong Kong Bus Suppliers Association.

Save as disclosed above, Mr. Ng (i) does not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company and its subsidiaries; (iii) does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have other major appointments or professional qualifications.

*Senior Management:*

**Mr. Chan Wei**

Mr. Chan Wei (“**Mr. Chan**”), aged 37, is the Chief Financial Officer and Company Secretary of the Company. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Associate of Chartered Certified Accountants. Mr. Chan received a Bachelor of Science in applied accounting degree from the Oxford Brookes University. He has over 13 years of experience in auditing, accounting and financial advisory. Before joining the Company, he was working in a listed company as financial controller.

**Mr. Zhang Jing**

Mr. Zhang Jing (“**Mr. Zhang**”), aged 56, has been employed by Yunnan Qiaotong since its inception and is currently the general manager. He is responsible for the overall management of Yunnan Qiaotong. Mr. Zhang graduated from the People’s University of China with a master degree in Business Administration.

**Mr. Wen Jie**

Mr. Wen Jie (“**Mr. Wen**”), aged 53, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the product design and technique development of Yunnan Qiaotong. Mr. Wen holds a bachelor degree of Science from the University of Yunnan in the PRC.



**Mr. Jiang Fei**

Mr. Jiang Fei (“**Mr. Jiang**”), aged 54, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the management of production and workmanship of Yunnan Qiaotong. Mr. Jiang is an engineer in the PRC and holds a bachelor degree from the Kunming Industrial University of China.

**Mr. Zhang Nan Zheng**

Mr. Zhang Nan Zheng (“**Mr. Zhang**”), aged 54, has been employed by Yunnan Qiaotong since its inception and is currently its deputy general manager. He is responsible for the administration and financial management of Yunnan Qiaotong. Mr. Zhang has over 17 years of procurement experience in the printing industry.

**Mr. Chen Tong Kun**

Mr. Chen Tong Kun (“**Mr. Chen**”), aged 51, was employed by Yunnan Qiaotong and has been transferred to Anhui Qiaofeng since its inception as the deputy general manager for production management of the operation. Mr. Chen is a graduate of the Beijing Institute of Graphic Communication in the PRC. He has over 23 years of working experience in production technique management in the PRC’s printing industry.

**Mr. Huang Li San**

Mr. Huang Li San (“**Mr. Huang**”), aged 49, has been employed by Anhui Qiaofeng since its inception, and is currently its deputy general manager and is responsible for the sales and marketing activities. Mr. Huang is an art designer and has over 27 years of experience in the PRC’s printing industry.

**Mr. Li Li Bin**

Mr. Li Li Bin (“**Mr. Li**”), aged 52, has been employed by Anhui Qiaofeng since its inception and is currently its deputy general manager and is responsible for management of production facilities. Mr. Li has over 26 years of experience in the PRC’s printing industry.

Save as disclosed above, as at the Latest Practicable Date, each of our senior management (i) did not hold any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) did not hold any other positions in the Company and its subsidiaries; (iii) did not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) did not have other major appointments or professional qualifications.

**12. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION**

Registered office of the Company:	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business of the Company:	Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Authorised representatives of the Company:	Mr. Tin Kong Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong  Mr. Chan Wei Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Company secretary of the Company:	Mr. Chan Wei a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Associate of Chartered Certified Accountants  Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Audit Committee of the Company:	Mr. Chen Weixi ( <i>Chairman</i> ) Mr. Wang Jinlin Mr. Ng Ka Wing
Auditors and reporting accountant of the Company:	ZHONGHUI ANDA CPA Limited Unit 701, 7/F., Citicorp Centre 18 Whitfield Road, Causeway Bay Hong Kong

Underwriter:	Double Key International Limited Room 1007, Tsim Sha Tsui Centre, West Wing 66 Mody Road Tsim Sha Tsui Hong Kong
Financial adviser to the Company:	VBG Capital Limited 18/F., Prosperity Tower 39 Queen's Road Central Hong Kong
Independent Financial Adviser:	KGI Capital Asia Limited 41/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Legal advisers to the Company:	<i>As to Hong Kong Law:</i> Angela Ho & Associates Unit 1405, 14/F., Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
Property valuer of the Company:	APAC Asset Valuation and Consulting Limited Unit 07-08, 17/F. Loon Kee Building 267-275 Des Voeux Road Central Hong Kong
Principal bankers of the Company:	Industrial and Commercial Bank of China China CITIC Bank International Limited
Principal registrar and transfer office of the Company in Bermuda:	Codan Services Limited Clarendon House, 2 Church Street PO Box HM 1022 Hamilton HM DX, Bermuda
Branch registrar of the Company in Hong Kong:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F., Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

**13. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**14. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Hong Kong; (ii) on the website of the Company ([www.tessonholdings.com](http://www.tessonholdings.com)); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the Underwriter;
- (c) the letter from the Board, the text of which is set out on pages 9 to 43 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 44 to 45 of this circular;
- (e) the letter of advice from KGI Capital Asia Limited, the text of which is set out on pages 46 to 70 of this circular;
- (f) the letters from ZHONGHUI ANDA CPA Limited in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (g) the valuation report issued by APAC Asset Valuation and Consulting Limited as set out in Appendix III to this circular;
- (h) the annual reports of the Company for the years ended 31 December 2015 and 31 December 2014;
- (i) the material contracts as referred to in the section headed “Material contracts” in this appendix;

- (j) the written consents referred to in the section “Experts and consents” in this appendix;
- (k) the Undertaking Letter; and
- (l) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### TESSON HOLDINGS LIMITED

### 天臣控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1201)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Tesson Holdings Limited (the “**Company**”) will be held at Academy Room III, 1/F., InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, Hong Kong on Friday, 5 August 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions which will be proposed as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 21 July 2016 (the “**Circular**”).

#### **ORDINARY RESOLUTIONS**

1. “**THAT** subject to and conditional upon fulfillment of the conditions of the underwriting agreement made between the Company and Double Key International Limited (the “**Underwriter**”) dated 14 June 2016 (the “**Underwriting Agreement**”) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification):
  - (a) the allotment and issue of 444,135,300 Offer Shares by way of open offer (the “**Open Offer**”) at the Subscription Price of HK\$0.80 per Offer Share on the basis of three (3) Offer Shares for every four (4) Shares held by the Qualifying Shareholders whose names appear on the register of members of the Company on Wednesday, 17 August 2016 (or such other date as the Company may agree with the Underwriter) (the “**Record Date**”) other than those Shareholders whose names appear on the register of members of the Company on the Record Date which are outside Hong Kong, whom the directors of the Company, based on the enquiry made or legal advice obtained, consider it necessary or expedient not to offer the Offer Shares to such Shareholders (the “**Non-Qualifying Shareholders**”) and the transactions contemplated thereunder, be and are hereby approved;
  - (b) the board of directors of the Company (the “**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the laws of the relevant place or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified;
  - (d) the increase in the issued share capital of the Company by more than 50% upon the close of the Open Offer be and is hereby approved;
  - (e) the absence of arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and is hereby approved; and
  - (f) any one or more of the Directors be and is/are hereby authorised to sign and execute and deliver any such documents and do all such acts and things incidental to the Open Offer or as he/she/they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement, the absence of excess application arrangement and the transactions contemplated thereunder or in this resolution.”
2. “**THAT** subject to the Executive granting the Whitewash Waiver to the Underwriter and parties acting in concert with it, and the satisfaction of any condition(s) attached to the Whitewash Waiver granted and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer, the waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code waiving any obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, which would be triggered as a result of the fulfillment of its underwriting obligation under the Underwriting Agreement be and is hereby approved.”
3. “**THAT** subject to the fulfilment of the terms and conditions set out in Purchase Agreement B II, Purchase Agreement B III, Purchase Agreement C II, Purchase Agreement D, Purchase Agreement E, Purchase Agreement F and Purchase Agreement G (collectively, the “**Purchase Agreements**”) regarding the purchase of various machineries and services from independent vendors by the Group, copies of which have been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification):
- (a) the Purchase Agreements and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (b) any one or more of the Directors be and is/are hereby authorised to sign and execute and deliver any such documents and do all such acts and things incidental to the Purchase Agreements or as he/she/they consider necessary, desirable or expedient to implement and give effect to the Purchase Agreements and the transactions contemplated thereunder.”

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## NOTICE OF SPECIAL GENERAL MEETING

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4. “**THAT**

- (i) the authorised share capital of the Company be increased from HK\$100,000,000 (divided into 1,000,000,000 Shares of HK\$0.10 each) to HK\$200,000,000 (divided into 2,000,000,000 Shares) by the creation of an additional 1,000,000,000 Shares, and that each such new Share, upon issue, shall rank *pari passu* in all respects with the existing issued Shares and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association and bye-laws of the Company (the “**Increase in the Authorised Share Capital**”); and
- (ii) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents, including under the seal of the Company, where applicable, as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in the Authorised Share Capital.”

By Order of the Board  
**Tesson Holdings Limited**  
**Tin Kong**  
*Chairman & Executive Director*

Hong Kong, 21 July 2016

*Notes:*

- (1) For the purpose of determining the eligibility of members who are qualified for attending the meeting, the register of members of the Company will be closed from Thursday, 11 August 2016 to Wednesday, 17 August 2016 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the meeting or any adjournment thereof, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 4:30 p.m. on Wednesday, 10 August 2016.
- (2) Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of his/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company but must be present in person at the meeting to represent the shareholder. Completion and return of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. In such event, his/her/its form of proxy will be deemed to have been revoked.
- (3) Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (4) In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the offices of the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
- (5) The ordinary resolutions as set out above will be determined by way of a poll.

*As at the date of this notice, the executive Directors of the Company are Ms. Cheng Hung Mui, Mr. Tin Kong, Mr. Zhou Jin, Mr. Chen Dekun, Mr. Tao Fei Hu and Mr. Sheng Siguang; and the independent non-executive Directors are Mr. Wang Jinlin, Mr. Chen Weixi, and Mr. Ng Ka Wing.*