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TESSON HOLDINGS LIMITED

天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

**SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the annual report of Tesson Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 published on 31 May 2022 (the “**Annual Report 2021**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Annual Report 2021.

**FURTHER DISCLOSURE RELATED TO IMPAIRMENT ON THE
PROPERTIES FOR SALE UNDER DEVELOPMENT**

In addition to the information provided in the section “Management Discussion and Analysis” in the Annual Report 2021, the Board would like to provide additional information in relation to the impairment on the properties for sale under development (“**PUD**”) of the Property and Cultural Business.

As disclosed in the Annual Report 2021, the Group had two property projects, namely Rongzhou Gangjiucheng* (容州港九城) located in Nanchang, Jiangxi and Fengxiang Terrace – Rongzhou Cultural Center* (鳳翔台 – 容州文化中心) located in Nanning, Guangxi. With the downturn in property market in the PRC, impairment loss on PUD of the two property projects at approximately HK\$54,391,000 and HK\$75,693,000 was recognised in 2021 respectively.

The downturn in the property market in the PRC was the aggregate effect of various factors occurred throughout the years, including the provincial policy which reflect the idea of “houses are for living instead of speculating”, adverse impact brought by the COVID-19 pandemic, the uncompleted property units held by certain leading property developers. According to the National Bureau of Statistics, from January to April 2022 and comparing to the same period in last year, residential investment dropped by 2.1%, new construction area of residential units decreased by 28.4%, sales revenue on residential units dropped by 32.2%. The national property prosperity index* (全國房地產景氣指數) dropped continuously from April 2021 at 101.29, to 95.89 in April 2022.

Based on certain market research, transaction area of residential property dropped by 26% in 2021 in Nanning, in Qingxiu District where the Group’s property project is located, transaction area dropped by 33% while average transaction sales price increased slightly by 5%. In 2022, based on various market research reports, from January to May 2022, total transaction floor area decreased by 40%, average transaction price decreased by 4.6%, overall market performance in Nanning is weak.

Whereas in Nanchang, based on various market research reports, total transaction floor area dropped by 10.4% and unit price of the new residential property dropped by 5.04% in 2021.

In addition, the Ministry of Housing and Urban-Rural Development included Nanchang in the list of key cities for real estate market monitoring, and strengthened the supervision and management of Nanchang's real estate market, other on-list cities were Shanghai, Shenzhen, Hangzhou, Wuxi, Chengdu, and Xi’an. The move had a clear message to the property market in Nanchang that stability was more important than boosting market demand, at the same time further diminishing the market confidence.

In view of the downturn in the PRC property market, the Group engaged APAC Appraisal and Consulting Limited (the “Valuer”), an independent and professional valuer in Hong Kong, to carry out valuation assessment for the Group’s PUD. The Valuer has assumed that the property will be developed and completed in accordance with the latest development proposal at the time being, all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. Direct comparison approach was adopted in valuing the property.

The Valuer has made reference to comparable sales evidences as available in the relevant market by assessing, among others, the following factors:

- (i) locality of the relevant building which shall be within the same or the surrounding districts, and / or share the similar business environment and traffic;
- (ii) nature of the relevant building which shall be residential property unit or commercial property unit, as the same as the Group's property under valuation of similar class; and
- (iii) transaction time of the relevant buildings which shall fall within three months before / after the valuation date.

The Valuer has also taken into account the expended construction cost and the cost that will be expended to complete the development, in order to reflect the quality of the completed development, with reference to, among others:

- (i) the budgeted cost provided by the Group which was completed in the planning stage of the property development projects based on the expected cost at the time being adjusted by expected inflation, and further modified throughout the construction period with reference to the construction contracts signed and expected fluctuation on input price including material and labour cost;
- (ii) expected time table for the properties to complete provided by the Group and online visit of the property units to estimate approximate construction progress; and
- (iii) current and previous occupancy of the properties

The above said valuation methodology were commonly used in valuing this nature of property.

As disclosed in note 4 to the consolidated financial statements in the Annual Report 2021, PUD are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. Referencing to the valuation assessment as abovementioned, an aggregate impairment loss on PUD of HK\$130,084,000 was recorded for the year ended 31 December 2021.

The additional information does not affect other information contained in the Annual Report 2021. Save as disclosed above, the remaining contents of the Annual Report 2021 remain unchanged.

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman and Executive Director

** for identification purpose only*

Hong Kong, 29 December 2022

As at the date of this announcement, the Board comprises Mr. Tin Kong, Mr. Chan Wei, Ms. Cheng Hung Mui and Ms. Liu Liu as executive Directors; and Dr. Ng Ka Wing, Mr. See Tak Wah and Mr. Wang Jinlin, as independent non-executive Directors.