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**Tomson Group**

# **TOMSON GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 258)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2020**

The Board of Directors (the “Board”) of Tomson Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2020 together with comparative figures for the corresponding year of 2019 as follows:

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Notes	<b>Year ended 31st December</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Gross proceeds from operations	4&5	<b>936,303</b>	938,057
Revenue	4	<b>929,947</b>	915,757
Cost of sales		<b>(426,591)</b>	(353,898)
Gross profit		<b>503,356</b>	561,859
Net (loss) gain on financial assets at fair value through profit or loss		<b>(7,070)</b>	828
Other income		<b>235,062</b>	158,784
Other gains and losses	6	<b>16,817</b>	8,472
Selling expenses		<b>(143,393)</b>	(128,567)
Administrative expenses		<b>(145,012)</b>	(182,986)
(Loss) gain on fair value changes of investment properties		<b>(12,329)</b>	17,226
Finance costs	7	<b>(40,716)</b>	(61,195)
		<b>406,715</b>	374,421
Share of results of associates		<b>2,598</b>	(353)
Share of result of a joint venture		<b>(2,552)</b>	17,330
Profit before taxation	8	<b>406,761</b>	391,398
Taxation	9	<b>(226,639)</b>	(160,855)
Profit for the year		<b>180,122</b>	230,543
Profit for the year attributable to:			
Owners of the Company		<b>174,993</b>	172,513
Non-controlling interests		<b>5,129</b>	58,030
		<b>180,122</b>	230,543
Earnings per share (HK cents)	11		
– Basic		<b>8.88</b>	8.59

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

	<b>Year ended 31st December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year	<b>180,122</b>	230,543
<b>Other comprehensive income (expense)</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising from translation of:		
– subsidiaries	<b>659,685</b>	(212,844)
– a joint venture	<b>10,378</b>	(3,889)
– associates	<b>375</b>	(43)
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	<b>10,814</b>	(36,783)
Other comprehensive income (expense) for the year	<b>681,252</b>	(253,559)
<b>Total comprehensive income (expense) for the year</b>	<b>861,374</b>	<b>(23,016)</b>
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>846,030</b>	(79,088)
Non-controlling interests	<b>15,344</b>	56,072
	<b>861,374</b>	<b>(23,016)</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		As at 31st December	
	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-Current Assets</b>			
Fixed assets			
– Investment properties		8,311,639	7,846,533
– Property, plant and equipment		258,202	202,375
Goodwill		33,288	33,288
Deferred tax assets		37,941	35,503
Interests in associates		14,225	11,259
Interest in a joint venture		175,740	184,316
Club debentures		515	515
Equity instruments at fair value through other comprehensive income		408,816	389,399
Pledged bank deposits		218,721	627,778
Other receivable		2,361	–
		<u>9,461,448</u>	<u>9,330,966</u>
<b>Current Assets</b>			
Properties under development		4,348,666	3,388,166
Deposit paid for land use rights		–	368,994
Properties held for sale		1,547,246	1,828,696
Trade and other receivables and prepayments	12	297,962	519,034
Tax recoverable		–	187,179
Financial assets at fair value through profit or loss		90,302	–
Inventories		4,212	4,046
Pledged bank deposits		912,755	559,284
Bank deposit		13,039	11,638
Cash and bank balances		3,711,525	3,654,035
		<u>10,925,707</u>	<u>10,521,072</u>
<b>Current Liabilities</b>			
Trade and other payables and accruals	13	732,465	766,198
Lease liabilities		7,645	4,297
Contract liabilities		46,874	277,192
Tax liabilities		4,105,724	3,605,848
Borrowings		735,263	508,208
		<u>5,627,971</u>	<u>5,161,743</u>
<b>Net Current Assets</b>		<u>5,297,736</u>	<u>5,359,329</u>
<b>Total Assets Less Current Liabilities</b>		<u>14,759,184</u>	<u>14,690,295</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31st December	
	2020	2019
	HK\$'000	HK\$'000
<b>Capital and Reserves</b>		
Share capital	985,512	985,512
Share premium and reserves	11,903,130	11,273,913
Equity attributable to owners of the Company	12,888,642	12,259,425
Non-controlling interests	327,732	312,388
<b>Total Equity</b>	<b>13,216,374</b>	<b>12,571,813</b>
<b>Non-Current Liabilities</b>		
Other payables	12,541	14,166
Lease liabilities	11,745	—
Borrowings	284,495	785,302
Deferred tax liabilities	1,234,029	1,319,014
	<b>1,542,810</b>	<b>2,118,482</b>
	<b>14,759,184</b>	<b>14,690,295</b>

Notes:

1. The Audit Committee of the Board of the Company has reviewed the consolidated financial statements of the Group for the year ended 31st December, 2020.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has applied the Amendments to Hong Kong Accounting Standard (“HKAS”) 1 (Revised) “Presentation of Financial Statements” and HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The Group has not early applied the following new HKFRS and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2021.

The Directors of the Company anticipate that the application of all above new HKFRS and amendments to HKFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

#### 4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

- (i) Property investment  
– represents revenue from property management and rental income
- (ii) Property development and trading  
– represents gross revenue received and receivable from sales of properties
- (iii) PVC operations  
– represents the gross revenue from sale of PVC pipes and fittings
- (iv) Leisure  
– represents the income from golf club operations and its related services
- (v) Media and entertainment  
– represents the gross revenue received and receivable from investment in the production of live entertainment shows, film distribution and related income

Gross proceeds from operations include the gross proceeds from sale of and dividend income received and receivable from financial assets at fair value through profit or loss (“FVTPL”) under the business of securities trading, in addition to the above aggregated revenue.

Revenue and gross proceeds from each type of business consist of the following:

	2020 HK\$'000	2019 HK\$'000
Revenue from sale of properties	647,698	635,681
Revenue from sale of goods	353	1,444
Revenue from rendering of services from golf club operations	42,315	41,517
Revenue from property management fee	37,008	33,664
Revenue from media and entertainment business	3,244	5,959
	<hr/>	<hr/>
<b>Revenue from contracts with customers</b>	<b>730,618</b>	718,265
Revenue from lease payments that are fixed	199,329	197,492
	<hr/>	<hr/>
<b>Total revenue</b>	<b>929,947</b>	915,757
Gross proceeds from sale of and dividend income from financial assets at FVTPL	<b>6,356</b>	22,300
	<hr/>	<hr/>
<b>Gross proceeds from operations</b>	<b>936,303</b>	938,057
	<hr/> <hr/>	<hr/> <hr/>

## 5. SEGMENT INFORMATION

The Group's operating and reportable segments are based on information reported to the chief operating decision makers, the executive Directors of the Company, for the purposes of resources allocation and performance assessment. In addition to those set out in Note 4(i) to (v), the Group's operating segments under HKFRS 8 "Operating Segments" include securities trading segment which is dealing in financial assets at FVTPL.

	Property Investment HK\$'000	Property Development and Trading HK\$'000	PVC Operations HK\$'000	Leisure HK\$'000	Media and Entertainment HK\$'000	Securities Trading HK\$'000	Total HK\$'000
<b>2020</b>							
<b>GROSS PROCEEDS FROM OPERATIONS</b>							
– SEGMENT REVENUE	<u>236,337</u>	<u>647,698</u>	<u>353</u>	<u>42,315</u>	<u>3,244</u>	<u>6,356</u>	<u>936,303</u>
<b>RESULTS</b>							
Segment profit (loss)	<u>128,969</u>	<u>139,885</u>	<u>(113)</u>	<u>(14,745)</u>	<u>(3,526)</u>	<u>(7,350)</u>	<u>243,120</u>
Other unallocated income							257,555
Unallocated expenses							(53,244)
Finance costs							(40,716)
							<u>406,715</u>
Share of results of associates							2,598
Share of result of a joint venture							(2,552)
							<u>406,761</u>
<b>2019</b>							
<b>GROSS PROCEEDS FROM OPERATIONS</b>							
– SEGMENT REVENUE	<u>231,156</u>	<u>635,681</u>	<u>1,444</u>	<u>41,517</u>	<u>5,959</u>	<u>22,300</u>	<u>938,057</u>
<b>RESULTS</b>							
Segment profit (loss)	<u>153,322</u>	<u>189,344</u>	<u>(324)</u>	<u>(22,665)</u>	<u>(2,110)</u>	<u>506</u>	<u>318,073</u>
Other unallocated income							168,530
Unallocated expenses							(50,987)
Finance costs							(61,195)
							<u>374,421</u>
Share of results of associates							(353)
Share of result of a joint venture							17,330
							<u>391,398</u>

Except for the presentation of segment revenue which is different from the reported revenue in the consolidated statement of profit or loss, the accounting policies of the operating segments are the same as the Group's accounting policies. For details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK\$929,947,000 (2019: HK\$915,757,000), please refer to Note 4.

## 5. SEGMENT INFORMATION (continued)

Segment profit (loss) represents the results by each segment without allocation of central administration costs, directors' salaries, share of results of associates and a joint venture, other non-recurring income and expenses and finance costs. This is the measure reported to the executive Directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities are not presented as the chief operating decision makers review the consolidated financial position of the Group as a whole to assess their performance. Management focuses more on the results of the Group.

### Geographical Information

The Group's operations are located in Hong Kong, Macau and the Mainland of the People's Republic of China ("Mainland China").

The Group's revenue from external customers is based on the location of the operations:

	2020 HK\$'000	2019 HK\$'000
Hong Kong	3,244	5,959
Macau	33,840	106,258
Mainland China	892,863	803,540
	<u>929,947</u>	<u>915,757</u>

The Group's non-current assets, excluding deferred tax assets, amounts due from associates and a joint venture, club debentures, other receivable, pledged bank deposits and equity instruments at fair value through other comprehensive income ("FVTOCI"), amounted to HK\$8,781,800,000 (2019: HK\$8,266,470,000). By geographical location, the assets and operation of the associates and a joint venture are substantially situated in the Mainland China.

Analysis of Group's revenue by each type of business is set out in Note 4.

## 6. OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Net impairment losses on trade and other receivables recognised	(822)	(1,274)
Net loss on disposal/write off of property, plant and equipment	(4,854)	(67)
Net exchange gain	22,493	9,813
	<u>16,817</u>	<u>8,472</u>



## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on borrowings	40,204	56,819
Interest on lease liabilities	512	398
Other finance charges	–	3,978
	<u>40,716</u>	<u>61,195</u>

## 8. PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	45,044	39,456
Impairment of film distribution rights (included in cost of sales)	–	150
and after crediting:		
Other income		
– Interest income	165,267	84,051
– Dividends from equity instruments at FVTOCI		
– listed	10,227	10,227
– unlisted	15,819	16,907
	<u>165,267</u>	<u>107,185</u>

## 9. TAXATION

	2020 HK\$'000	2019 HK\$'000
The charge (credit) comprises:		
Mainland China Enterprise Income Tax (“EIT”)	122,357	107,545
Mainland China Land Appreciation Tax (“LAT”)	301,892	150,702
Macau Complementary Tax	1,459	6,195
Taiwan withholding tax	–	6
Dividend withholding tax	820	727
Overprovision in prior years		
– Mainland China EIT ( <i>Note</i> )	(5,028)	(184,672)
– Macau Complementary Tax	(500)	–
– Dividend withholding tax	(42,536)	–
	<u>378,464</u>	<u>80,503</u>
Deferred tax (credit) charge	(151,825)	80,352
	<u>226,639</u>	<u>160,855</u>

## 9. TAXATION (continued)

The Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%). No provision for Hong Kong Profits Tax has been made since there is no assessable profit for both years.

The Macau Complementary Tax is levied at 12% (2019: 12%) on the taxable income for the year.

The income tax rate of the subsidiaries in the Mainland China is 25% (2019: 25%).

*Note:* During the year ended 31st December, 2019, a subsidiary of the Group cleared and settled LAT with local tax authorities and the subsidiary becomes eligible to claim the related deduction for the EIT recognised in respective previous years. As a result, the related deferred tax asset of HK\$187,179,000 recognised in previous years was reversed to profit or loss. The same amount was credited to current tax and presented as an overprovision in prior years.

## 10. DIVIDEND

In 2020, a dividend of approximately HK\$216,813,000 (2019: HK\$354,785,000) in aggregate was paid to shareholders in respect of the interim dividend for the year ended 31st December, 2019 (2019: interim dividend for the year ended 31st December, 2018).

Subsequent to the end of reporting period, the Directors have declared payment of an interim dividend of 5.50 HK cents per share (2019: 11 HK cents per share) amounting to approximately HK\$108,406,000 for the year ended 31st December, 2020 (2019: HK\$216,813,000).

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2020 HK\$'000	2019 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<b><u>174,993</u></b>	<b><u>172,513</u></b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b><u>1,971,025,125</u></b>	<b><u>2,008,872,983</u></b>

No diluted earnings per share is presented as there was no potential ordinary share in issue during both years.

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit term of the Group given to trade customers is 60 days. A longer credit period may be granted to customers with long business relationship.

Included in trade and other receivables and prepayments are trade receivables, net of allowance for credit losses, of HK\$52,000 (2019: HK\$1,035,000) and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 3 months	52	1,025
4 – 6 months	–	–
7 – 12 months	–	10
	<u>52</u>	<u>1,035</u>

## 13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK\$116,330,000 (2019: HK\$111,188,000) and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 3 months	8,533	8,292
4 – 6 months	181	81
7 – 12 months	485	–
Over 1 year	107,131	102,815
	<u>116,330</u>	<u>111,188</u>

## INTERIM DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2020

The Board of the Company has declared an interim dividend of 5.50 HK cents per share for the year ended 31st December, 2020 (2019: 11 HK cents per share) to shareholders whose names appear on the register of members of the Company on Thursday, 10th June, 2021. The dividend is payable in cash and dividend warrants are expected to be despatched on Tuesday, 22nd June, 2021.

## CLOSURE OF REGISTER OF MEMBERS

The Board of the Company has resolved to convene the annual general meeting of the Company for Thursday, 10th June, 2021 (the “2021 AGM”).

For the purpose of determining the shareholders who are entitled to attend and vote at the 2021 AGM and qualify for the interim dividend for 2020, the register of members of the Company will be closed from Monday, 7th June, 2021 to Thursday, 10th June, 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the 2021 AGM and qualify for the interim dividend, all transfer documents accompanied by the relevant

share certificates must be lodged with Tricor Secretaries Limited, the Company's share registrar in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("China"), at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 4th June, 2021 for registration.

## **GENERAL OVERVIEW**

The Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK\$174,993,000 for the year ended 31st December, 2020 (2019: HK\$172,513,000). Basic earnings per share amounted to 8.88 HK cents (2019: 8.59 HK cents).

There was a slight increase in the gross proceeds from property development and investment business for the year under review, however, the segment profit was reduced to HK\$268,854,000 (2019: HK\$342,666,000) owing to higher cost of sales and selling expenses as well as a loss on fair value changes of the investment properties. Unlike the case in the corresponding period in 2019, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai, China of HK\$12,329,000 was recorded for the year 2020 (2019: gain of HK\$17,226,000) upon market valuation as at year end pursuant to applicable accounting standards.

Dividend receipts from the listed and unlisted long-term equity investments of the Group amounted to HK\$26,046,000 for the year under review (2019: HK\$27,134,000).

During the year 2020, there were increases in the interest income and net exchange gain recognized while the administrative expenses and finance costs were reduced. As a result, excluding the changes in revaluation of the investment properties, the Group reported an operating profit before taxation of HK\$419,044,000 for the year under review (2019: HK\$357,195,000).

## **OPERATIONS REVIEW**

The Mainland of China, particularly Shanghai, is the principal base of the Group's operations.

For the year ended 31st December, 2020, the property development and trading segment was the Group's primary profit maker by contributing a segment profit of HK\$139,885,000 (2019: HK\$189,344,000) which was attributable to the sales of properties in Shanghai and the Macao Special Administrative Region ("Macau") of China.

The property investment segment was the secondary profit contributor of the Group and this generated a segment profit of HK\$128,969,000 (2019: HK\$153,322,000), which was derived from the recurrent rental and management income from the investment properties of the Group in Shanghai, however, it was partly offset by the unrealized loss on fair value changes of these investment properties upon revaluation at year end.

The other business segments of the Group reported losses during the year under review.

### **Property Development and Investment**

Property development and investment in Shanghai and Macau remained the core business and the principal source of profit of the Group for the year ended 31st December, 2020 by contributing a total profit of HK\$268,854,000 (2019: HK\$342,666,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK\$884,035,000 which accounted for approximately 94.42% of the gross proceeds from operations of the Group for the year 2020. There was an improvement in the revenue which was mainly attributable to the sale proceeds recognized. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 90.80% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 3.62%. However, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai of HK\$12,329,000 was recorded at the year-end date.

### ***Tomson Riviera, Shanghai***

Tomson Riviera is a notable high-rise residential development along the riverfront of Lujiazui of Pudong and right opposite the Bund. There are four residential towers, and in order to maximize the return on investment, two residential towers are earmarked for sale while the other two towers are for leasing.

As at 31st December, 2020, the total residential gross floor area available for sale of Towers A and C was approximately 5,000 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, about 69% were leased.

For the year 2020, total revenue of HK\$709.43 million was recognized and this accounted for approximately 75.77% of the gross proceeds from operations of the Group. The revenue was principally attributable to sale proceeds with the rest derived from rental income and management fee. In addition, sale deposits of HK\$46.51 million have been received by the Group and such amount is expected to be recognized in 2021 upon delivery of the properties to the buyers. However, the Group recorded an unrealized loss on fair value changes of this project of HK\$6.93 million in the annual results of the Group for the year 2020.

### ***Commercial and Industrial Buildings, Shanghai***

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, which comprised, inter alia, Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park, the commercial podium of Tomson Business Centre and the office premises on the entire 72nd Floor of Shanghai World Financial Center, provided a steady recurrent revenue of HK\$101.94 million to the Group and this accounted for approximately 10.89% of the gross proceeds from operations of the Group for the year under review. Rental concessions have been granted to appropriate tenants of some of the aforesaid properties under the impact of COVID-19, hence there was a slight decrease in the rental income. In addition, the Group recorded an unrealized net loss on fair value changes of the aforesaid investment properties of HK\$5.40 million in the annual results of the Group for the year 2020.

### ***Tomson Garden, Shanghai***

Tomson Garden is a development of a series of apartment houses of the Group in Zhangjiang Hi-Tech Park of Pudong. All residential units were sold out a long time ago. The club house previously held by the Group for leasing purpose was sold in the second half of 2020 and sale proceeds of HK\$30.34 million was recognized and this accounted for approximately 3.24% of the gross proceeds from operations of the Group.

### ***Miscellaneous Residential Developments in Shanghai***

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong since 1996 and there are now less than ten residential units and one hundred plus car parking spaces available for sale. During the year under review, gross proceeds from these projects amounted to HK\$2.45 million and this represented approximately 0.26% of the gross proceeds from operations of the Group. The revenue was mainly generated from sales of car parking spaces.

The Group received management fee of HK\$6.04 million from Tomson Riviera Garden for the year under review and this accounted for approximately 0.64% of the gross proceeds from operations of the Group. Tomson Riviera Garden is a low-density residential project of the Group adjacent to Tomson Shanghai Pudong Golf Club in Sanba River District of Pudong and the Group holds 70% interests in this project.

In addition, the Group holds less than ten car parking spaces at Xingguo Garden, the sole residential development of the Group in Puxi, for sale.

### ***Jinqiao-Zhangjiang Project, Shanghai***

As disclosed in an announcement of the Company on 10th January, 2020, the Group entered into a conditional agreement (the “Supplemental Framework Agreement”) that day with Shanghai Pudong Land Holding (Group) Co. Ltd. (“SPLH”), a state-owned enterprise established in China, to amend and vary the terms of various agreements made with SPLH between 2001 and July 2016 (collectively the “Transaction Agreements”) in relation to a property development project in Jinqiao-Zhangjiang District of Pudong and adjacent to Tomson Shanghai Pudong Golf Club. It was to cope with the proposed adjustment and change to the development plan of Zhangjiabang Wedge-shaped Green Area in Pudong, which was published by the Pudong New Area Planning and Land Authority of Shanghai on its website on 11th January, 2017, and the plan covers the portion located in Jinqiao-Zhangjiang District of Pudong and to the north of a stream named Zhangjiabang (the “Northern Portion”). Pursuant to the Supplemental Framework Agreement, it was agreed, inter alia, that (i) three land lots with aggregate site area of approximately 328,687.5 square meters located within the Northern Portion for residential purpose (the “Revised Portions”) were adjusted to the Group. As compared to the aggregate site area of the land lots for residential purpose originally planned to be delivered under the Transaction Agreements, there is a slight decrease in aggregate site area of 298.7 square meters; and (ii) a plot of land with a site area of approximately 422,174.6 square meters (the “Sports Portion”) for landscaping and sports facilities purposes, which was agreed to be acquired under the Transaction Agreements, was not delivered to the Group as certain land lots (including the Sports Portion) within the Northern Portion have been planned and varied as land for public welfare and will be resumed by the local government for development by the relevant government authorities and/or any entity authorised by the government authorities in the Mainland of China. All previous agreements under the Transaction Agreements in relation to the acquisition of the Sports Portion were cancelled.

In addition, the Company executed a guarantee (the “Guarantee”) in favour of SPLH on 10th January, 2020 to undertake, inter alia, not to transfer any rights in relation to the Revised Portions.

The transactions contemplated under the Supplemental Framework Agreement and the Guarantee (the “Transactions”) constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) between the Group and SPLH, which is a substantial shareholder of a non-wholly owned subsidiary of the Company, on normal commercial terms. The Board had approved the terms of the Supplemental Framework Agreement and the Guarantee, and the independent non-executive Directors of the Company had confirmed that they believed the terms of the Supplemental Framework Agreement and the Guarantee

were fair and reasonable, the Transactions were on normal commercial terms and the entering into of the Supplemental Framework Agreement and the Guarantee were in the interests of the Company and its shareholders as a whole. Accordingly, the Transactions were exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

Real estate ownership certificates of the Revised Portions were obtained in June 2020. It is planned that the development of the Revised Portions will be phased in over few years. The construction works of the first phase, which is a low-density residential development with a total residential gross floor area of approximately 25,900 square meters, is scheduled for completion in 2022. It is expected that the marketing plan will be launched in the third quarter of 2021.

### ***One Penha Hill, Macau***

The Group holds 70% interests in the development of a luxury residential condominium, namely One Penha Hill, at Penha Hill within a designated World Heritage Zone of Macau.

For the year ended 31st December, 2020, the project recognized sale proceeds of HK\$33.84 million and this accounted for approximately 3.62% of the gross proceeds from operations of the Group. As at 31st December, 2020, residential units with saleable area of approximately 6,900 square meters were available for sale.

## **Hospitality and Leisure Industry**

### ***Tomson Shanghai Pudong Golf Club, Shanghai***

Tomson Shanghai Pudong Golf Club, situated in Pudong of Shanghai, generated revenue of HK\$42,315,000, being approximately 4.52% of the gross proceeds from operations of the Group, and reported gross profit of HK\$21.25 million for the year ended 31st December, 2020. The revenue was mainly attributable to golfing activities of the Club and the annual membership fee was the secondary source of income. The Club was closed for operation from late January 2020 owing to the outbreak of COVID-19 and has fully resumed normal operation since the end of April 2020. After making provision for depreciation of fixed assets, the Club reported a segment loss of HK\$14,745,000 for the year 2020 (2019: HK\$22,665,000).

### ***InterContinental Shanghai Pudong, Shanghai***

InterContinental Shanghai Pudong hotel, situated in Lujiazui of Pudong, Shanghai, reported an average occupancy rate of approximately 41% in 2020. Under the impact of the outbreak of COVID-19, there was a sharp decrease in the operation revenue, especially the rental revenue and the hotel reported loss for the year under review. As a result, the Group, which holds 50% interests in the hotel, shared a net loss of HK\$2.55 million from this investment for the year 2020 (2019: net profit of HK\$17.33 million). It is expected that the hotel operations will still face challenges in 2021 subject to the travel restrictions owing to the worldwide pandemic outbreak and under the impact of the dispute between China and the USA on investment sentiments and consumer spending in the Mainland of China. The hotel management will continue to focus on controlling operating costs, increasing marketing efforts on sale of rooms and food and beverage operations to maintain the profitability of the hotel.

## **Securities Trading**

For the year under review, the Group's securities trading business in Hong Kong reported revenue of HK\$6,356,000 and this accounted for approximately 0.68% of the gross proceeds from operations of the Group. The revenue was solely derived from dividend income and a net loss on the trading securities investments held by the Group of HK\$7,070,000 (2019: net gain of HK\$828,000) was recorded.

As at 31st December, 2020, the aggregate fair value of the Group's securities investment held for trading amounted to HK\$90,302,000, representing approximately 0.44% of the Group's total assets.

## **Media and Entertainment Business**

The Group has participated in the production of live entertainment shows for years and also set up its film distribution business in 2011. For the year ended 31st December, 2020, gross revenue received and receivable from this segment amounted to HK\$3,244,000 and this accounted for approximately 0.34% of the Group's gross proceeds from operations. The revenue for the year under review was solely generated from investments in the production of live entertainment shows and a segment loss of HK\$3,526,000 (2019: HK\$2,110,000) was recorded. The Group intends to continue in participating in investments in various live performances in 2021.

## **PVC Operations**

With the intention of capitalizing on the Group's established brand and goodwill in the industry, the Group set up a wholly-owned subsidiary in Shanghai in mid-2013 to engage in export trade of PVC fittings and pipes. Market conditions for this business have been unfavourable and it was decided to close down this business in 2020 to focus the Group's resources on its property development and investment business. The trading operation reported insignificant revenue which accounted for approximately 0.04% of the gross proceeds from operations of the Group for the year under review and recorded a segment loss of HK\$113,000 (2019: HK\$324,000).

## **Investment Holding**

In addition to its own property development projects, as at 31st December, 2020, the Group held long-term equity investments in Rivera (Holdings) Limited and its associate, Shanghai Zhangjiang Micro-electronics Port Co., Ltd. and the aggregate fair value of these investments amounted to HK\$408,816,000, representing approximately 2.01% of the Group's total assets.

### ***Rivera (Holdings) Limited***

The Group holds 9.8% interests in the issued shares of Rivera (Holdings) Limited ("RHL"), a listed company in Hong Kong. RHL is principally engaged in property development and investment in Shanghai as well as securities trading and investment in Hong Kong. The Group received dividends of HK\$10,227,000 from RHL during the year under review (2019: HK\$10,227,000) and an unrealized gain on change in fair value of this investment of HK\$25.57 million was credited to the investment reserve of the Group in 2020 (2019: loss of HK\$23.01 million) pursuant to applicable accounting standards.



## ***Shanghai Zhangjiang Micro-electronics Port Co., Ltd.***

The Group holds 13.483% interests in the registered capital of Shanghai Zhangjiang Micro-electronics Port Co., Ltd. (“SZMP”), an unlisted associated company of RHL established in Shanghai, and this company is principally engaged in property development and investment in Shanghai. Dividends of HK\$15,819,000 (2019: HK\$16,907,000) were received from such investment during the year under review and an unrealized loss on change in fair value of such investment of HK\$21.61 million was charged to the investment reserve of the Group in 2020 (2019: HK\$17.70 million) pursuant to applicable accounting standards.

### ***Privatisation Proposal***

On 18th January, 2021, RHL and Step Famous Investment Limited (the “Offeror”) issued a joint announcement that a proposal for the privatisation of RHL by the Offeror (the “Proposal”) by way of a scheme of arrangement under section 673 of the Hong Kong Companies Ordinance (the “Scheme”) would be put forward to the registered holders of the shares of RHL (other than those held by the Offeror and its concert parties (excluding the Group)) (the “Scheme Share(s)”). In addition, the Offeror entered into a rollover agreement (the “Rollover Agreement”) with Best Central Developments Limited (the “Rollover Shareholder”, a wholly-owned subsidiary of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (“Zhangjiang Hi-Tech”)) that the Offeror and the Rollover Shareholder will remain as the shareholders of RHL after the Scheme becoming effective. In addition, there is a proposed transfer of approximately 10.503% interests in the registered capital of SZMP from a wholly-owned subsidiary of RHL to Zhangjiang Hi-Tech (the “SZMP Transfer”) so that Zhangjiang Hi-Tech will hold 60% interests in SZMP upon completion of the SZMP Transfer. The arrangement between the Offeror and the Rollover Shareholder under the Rollover Agreement and the SZMP Transfer (collectively the “Special Deals”) constitute special deals under Rule 25 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”).

The RHL shares held by the Group will form part of the Scheme Shares. The Proposal and the Scheme will become effective and binding on RHL and all registered holders of the Scheme Shares subject to the fulfilment or waiver (as applicable) of a number of conditions of the Proposal including, inter alia, the following conditions:

- (a) the approval of the Scheme at a meeting of the registered holders of the Scheme Shares to be convened at the direction of the High Court of Hong Kong (the “High Court”) (the “Court Meeting”);
- (b) the passing of a special resolution at a general meeting of RHL (the “General Meeting”) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of RHL by cancelling and extinguishing the Scheme Shares;
- (c) the sanction of the Scheme and the confirmation of the reduction of the issued share capital of RHL involved in the Scheme by the High Court; and
- (d) the passing of an ordinary resolution by the independent shareholders of RHL at the General Meeting to approve the Special Deals.

The Offeror is wholly owned by Madam Hsu Feng, Mr Albert Tong and Mr Tong Chi Kar Charles (collectively “Tong Family”), the executive Directors of the Company. The Company is a party presumed under the Takeovers Code to be acting in concert with the Offeror and Tong Family by virtue of the Company and the Offeror being controlled by Madam Hsu Feng and her close relatives. Hence, the Group will abstain from voting at the Court Meeting and abstain from voting on the resolutions on the Special Deals to be proposed at the General Meeting.

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of its conditions has not been fulfilled or waived, as applicable, on or before 31st December, 2021. Hence, the Proposal may or may not be implemented.

As announced by RHL and the Offeror on 5th March, 2021, it is expected that (i) the Court Meeting and the General Meeting will be held on 30th June, 2021; and (ii) the court hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of RHL will be held on 17th August, 2021.

If the Scheme becomes effective, the Scheme Shares held by the Group will be cancelled and extinguished and a cancellation price of HK\$0.65 per Scheme Share in the total sum of HK\$166 million will be paid to the Group in cash.

## **FINANCIAL REVIEW**

### **Liquidity and Financing Position**

As at 31st December, 2020, total assets of the Group increased by approximately 2.70% to HK\$20,387,155,000 (2019: HK\$19,852,038,000). Equity attributable to owners of the Company was HK\$12,888,642,000 (2019: HK\$12,259,425,000) in total, or approximately HK\$6.54 (2019: HK\$6.22) per share, representing an increase of approximately 5.13% which was mainly attributable to appreciation in value of Renminbi during the year under review.

The Group's operations and investments for the year ended 31st December, 2020 were funded by cash on hand, revenue from operating and investing activities, and bank borrowings.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK\$3,711,525,000 (2019: HK\$3,654,035,000), a slight increase of approximately 1.57%. During the year under review, the Group achieved net cash inflows of HK\$321,697,000 and HK\$166,811,000 from its operating and investing activities respectively. After taking into account net cash outflow of HK\$559,349,000 from its financing activities, the Group recorded a net decrease in cash and cash equivalents of HK\$70,841,000 for the year under review (2019: HK\$525,979,000). The net cash outflow was mainly attributable to the repayment of borrowings and the Company's dividend payment, but this was partly offset by the withdrawal of pledged bank deposits.

As at 31st December, 2020, excluding contract liabilities which represented the deposits received from sales of properties, of the liabilities of the Group of HK\$7,123,907,000 (2019: HK\$7,003,033,000), about 57.63% were taxation under current liabilities, about 17.32% were deferred tax liabilities, about 14.32% were borrowings, about 10.46% were trade and other payables and accruals and the remainder was lease liabilities.

The Group's borrowings as at 31st December, 2020 amounted to HK\$1,019,758,000 (2019: HK\$1,293,510,000), equivalent to approximately 7.91% (2019: 10.55%) of the equity attributable to owners of the Company at the same date. The Group did not employ any financial instruments for financing and treasury management. All of the borrowings were under security and subject to floating interest rates. Approximately 69.31% of the borrowings were denominated in Hong Kong Dollar while the remainder was denominated in Renminbi. Of these borrowings, approximately 72.10% were due for repayment within one year from the end of the reporting period, approximately 2.79% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 8.37% were due for repayment more than two years but not exceeding five years from the end of the reporting period, while the remaining 16.74% were repayable more than five years from the end of the reporting period.

At the end of the reporting period, the Group had commitments in relation to expenditure on properties under development of HK\$224,499,000 (2019: HK\$122,585,000) while it did not have any commitments in relation to expenditure on property, plant and equipment (2019: HK\$43,056,000). All of the commitments were contracted but not provided for. The Group anticipates that these commitments will be funded from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 31st December, 2020, the Group recorded a current ratio of 1.94 times (2019: 2.04 times) and a gearing ratio (total liabilities to equity attributable to the owners of the Company) of 55.64% (2019: 59.38%). There was no significant change in the current ratio while the improvement in the gearing ratio resulted from the repayment of borrowings.

### **Charge on Assets**

As at 31st December, 2020, assets of the Group with an aggregate carrying value of HK\$1,573,082,000 (2019: HK\$1,603,628,000) were pledged for securing borrowings of the Group of HK\$1,019,758,000 (2019: HK\$1,293,510,000).

### **Foreign Exchange Exposure**

The majority of the Group's assets and liabilities are denominated in Renminbi, and the liabilities are well covered by the assets. Should there be a depreciation in value of Renminbi, there may be an adverse impact on the Group's results and net asset value. All of the other assets and liabilities of the Group are denominated in either Hong Kong Dollar or United States Dollar. Hence, the Group anticipates that the exchange risk exposure is manageable.

### **Contingent Liabilities**

The Group had no material contingent liabilities as at 31st December, 2020 (2019: Nil).

## **PROSPECTS**

The disputes between the two biggest economies in the world and the outbreak of COVID-19 have inflicted serious blows and disruptions to economic, business and social activities worldwide. The mid-term repercussions on the operations of the Group have yet to be assessed in light of the fluidity of the evolving situation. In addition to the reform of the individual income tax regime in the Mainland of China that became effective from 2019, the tense relations between China and the USA and the outbreak of COVID-19 may further dampen foreign investment sentiments in the Mainland of China and may have a negative impact on the deployment of expatriate staff by multinational corporations and this might in turn affect the demand for quality apartments in the Mainland. On the other hand, facing the risk of pandemic outbreak in foreign countries, there are overseas Chinese returned to the Mainland and nationals deferring their overseas working and studying plans and they become potential clients of the quality apartments in the Mainland, especially the first-tier cities.

The Group has built up its reputation as a developer of high-end residential properties in the Mainland of China and remains optimistic about the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland in the long run though the recent regulatory policies may increase pressure on the sales market of the property sector in the Mainland. The Group will endeavour to maintain the momentum in its sale and leasing plans for the property portfolio in Shanghai and Macau. It is anticipated that Tomson Riviera and One Penha Hill will be the Group's

principal sources of profit in the year 2021. At the same time, the Group is actively proceeding with the construction works of Jinqiao-Zhangjiang project in Pudong, Shanghai and this project will form an important component of the Group's property development and investment segment and the major source of revenue in next few years.

In light of volatility in the Hong Kong and global financial markets and economic conditions, the management will continue to adopt a conservative approach in managing the securities trading portfolio of the Group, with an emphasis on securities with steady recurrent yield.

Whilst property development and investment will remain the focus of the Group's business and investment strategies, the Group will continue to explore and evaluate prudently other potential investment opportunities. It will be the objective of the Group to maintain an optimum balance in the allocation of its resources both geographically and in different business segments.

The overall extent to which national and global economies and financial markets would be adversely impacted by the outbreak of COVID-19 would be difficult to predict with any accuracy at this stage. However, with the commencement of vaccination all over the world, it is cautiously optimistic that the situation will be under control and the economy will be recovered gradually. The Group will continue to monitor the situation closely and any financial impact on the operations of the Group, should this happen, would be reflected in the financial statements of the Group for the financial year 2021.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31st December, 2020, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

The Board of the Company has reviewed the Company's corporate governance practices and considers that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31st December, 2020 and up to the date of this annual results announcement, except that:

- (a) Madam Hsu Feng takes up both the posts of Chairman of the Board and Managing Director of the Company. While this is a deviation from the CG Code, dual role leadership provides the Group with a strong and consistent leadership and allows for more effective operation of the business. The Board is of the view that adequate check and balance of power is in place. Responsibilities for the Company's daily business management are shared amongst Madam Hsu and other members of the Executive Committee of the Board. Besides, all major decisions are made in consultation with members of the Board or appropriate committees of the Board in accordance with the provisions of the code on risk management and internal control of the Company;
- (b) none of the existing independent non-executive Directors of the Company are appointed for a specific term, but they are subject to retirement and re-election at least once every three years at annual general meetings of the Company pursuant to the Articles of Association of the Company (the "Articles");

- (c) in accordance with the Articles, any Director of the Company appointed by the Board to fill a casual vacancy shall hold office until the next following annual general meeting of the Company instead of being subject to election by shareholders at the first general meeting of the Company after his/her appointment as stipulated in the CG Code. Such arrangement not only complies with Appendix 3 to the Listing Rules but also streamlines the mechanism of re-election of Directors so that both new Directors appointed by the Board (either for filling a casual vacancy or as an additional member) and existing Directors retiring by rotation shall be subject to re-election at the annual general meeting for the relevant year. Furthermore, extraordinary general meetings will be reserved for considering and approving notifiable/connected transactions or other corporate actions under the Listing Rules only, which should enhance efficiency in procedures for corporate matters; and
- (d) the Company has not established a nomination committee comprising a majority of independent non-executive Directors as stipulated in the CG Code. This is because when identifying individuals of the appropriate calibre and qualification to be Board members and when assessing the independence of independent non-executive Directors, it is necessary to have a thorough understanding of the structure, business strategy and daily operation of the Company. The participation of executive Directors during the process is therefore indispensable. Accordingly, the Board as a whole remains responsible for reviewing its own structure, size and composition annually, and also for considering the appointment of Directors and nomination for re-election as well as assessing the independence of independent non-executive Directors.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR 2020**

This annual results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at <https://www.hkexnews.hk> and on the Company's website at <http://www.tomson.com.hk>. The Annual Report 2020 of the Company will be despatched to the shareholders of the Company by the end of April 2021 and will be available on the above websites.

On behalf of the Board of  
**TOMSON GROUP LIMITED**  
**Hsu Feng**  
*Chairman and Managing Director*

Hong Kong, 26th March, 2021

*As at the date of this announcement, the Board of the Company comprises three executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Albert Tong (Vice-Chairman) and Mr Tong Chi Kar Charles (Vice-Chairman), and three independent non-executive Directors, Mr Cheung Siu Ping, Oscar, Mr Lee Chan Fai and Mr Sean S J Wang.*