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Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

The Board of Directors (the “Board”) of Tomson Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2021 together with comparative figures for the corresponding period of 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Notes</i>	Six months ended 30th June	
		2021	2020
		HK\$'000	HK\$'000
Gross proceeds from operations	4&5	405,618	308,760
Revenue	4	398,292	308,760
Cost of sales		(54,098)	(152,857)
Gross profit		344,194	155,903
Other income		73,630	59,315
Loss on fair value changes of investment properties		(3,470)	(41,606)
Net gain (loss) on financial assets at fair value through profit or loss		12,146	(5,930)
Selling expenses		(62,379)	(46,887)
Administrative expenses		(57,782)	(52,823)
Other gains and losses	6	5,421	(7,244)
Finance costs	7	(14,132)	(24,479)
		297,628	36,249
Share of results of associates		(327)	(357)
Share of result of a joint venture		1,307	(7,944)
Profit before taxation	8	298,608	27,948
Taxation	9	(163,580)	(18,374)
Profit for the period		135,028	9,574
Profit for the period attributable to:			
Owners of the Company		131,832	5,718
Non-controlling interests		3,196	3,856
		135,028	9,574
Earnings per share (HK cents)	11		
– Basic		6.69	0.29

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Unaudited)**

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	135,028	9,574
Other comprehensive income (expense)		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising from translation of:		
– subsidiaries	167,312	(226,772)
– a joint venture	2,458	(3,830)
– associates	120	(38)
<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	35,795	(37,650)
Other comprehensive income (expense) for the period	205,685	(268,290)
Total comprehensive income (expense) for the period	340,713	(258,716)
Total comprehensive income (expense) attributable to:		
Owners of the Company	334,972	(259,074)
Non-controlling interests	5,741	358
	340,713	(258,716)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30th June 2021 HK\$'000	(Audited) 31st December 2020 HK\$'000
	<i>Notes</i>		
Non-Current Assets			
Fixed assets			
– Investment properties		8,429,309	8,311,639
– Property, plant and equipment		243,670	258,202
Goodwill		33,288	33,288
Deferred tax assets		–	37,941
Interests in associates		14,024	14,225
Interest in a joint venture		179,505	175,740
Club debentures		515	515
Equity instruments at fair value through other comprehensive income		456,794	408,816
Pledged bank deposit		60,252	218,721
Other receivable		2,361	2,361
		9,419,718	9,461,448
Current Assets			
Properties under development		4,509,493	4,348,666
Properties held for sale		1,549,983	1,547,246
Trade and other receivables and prepayments	12	246,793	297,962
Tax recoverable		40,250	–
Financial assets at fair value through profit or loss		100,980	90,302
Inventories		4,606	4,212
Pledged bank deposits		–	912,755
Bank deposit		13,224	13,039
Cash and bank balances		3,864,448	3,711,525
		10,329,777	10,925,707
Current Liabilities			
Trade and other payables and accruals	13	707,429	732,465
Lease liabilities		7,471	7,645
Contract liabilities		2,060	46,874
Tax liabilities		4,016,265	4,105,724
Borrowings		28,853	735,263
		4,762,078	5,627,971
Net Current Assets		5,567,699	5,297,736
Total Assets Less Current Liabilities		14,987,417	14,759,184

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	(Unaudited) 30th June 2021 HK\$'000	(Audited) 31st December 2020 HK\$'000
Capital and Reserves		
Share capital	985,512	985,512
Share premium and reserves	12,129,696	11,903,130
Equity attributable to owners of the Company	13,115,208	12,888,642
Non-controlling interests	328,973	327,732
Total Equity	13,444,181	13,216,374
Non-Current Liabilities		
Other payables	20,554	12,541
Lease liability	8,357	11,745
Borrowing	288,170	284,495
Deferred tax liabilities	1,226,155	1,234,029
	1,543,236	1,542,810
	14,987,417	14,759,184

Notes:

1. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Board of the Company.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2020.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group’s condensed consolidated financial statements.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated financial statements.

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 sale 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:

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from sale of properties	244,658	185,811
Revenue from sale of goods	–	69
Revenue from rendering of services from golf club operations	26,518	14,730
Revenue from property management fee	16,939	17,551
Revenue from media and entertainment business	–	3,145
Revenue from contracts with customers	288,115	221,306
Revenue from lease payments that are fixed	110,177	87,454
Total revenue	398,292	308,760
Gross proceeds from sale of and dividend income from financial assets at FVTPL	7,326	–
Gross proceeds from operations	405,618	308,760

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 Notes 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
<u>For the six months ended</u>							
<u>30th June, 2021</u>							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	<u>127,116</u>	<u>244,658</u>	<u>–</u>	<u>26,518</u>	<u>–</u>	<u>7,326</u>	<u>405,618</u>
RESULTS							
Segment profit (loss)	<u>75,260</u>	<u>164,680</u>	<u>–</u>	<u>3,554</u>	<u>(466)</u>	<u>12,064</u>	<u>255,092</u>
Other unallocated income and gains							77,927
Unallocated expenses							(21,259)
Finance costs							(14,132)
							<u>297,628</u>
Share of results of associates							(327)
Share of result of a joint venture							1,307
							<u>298,608</u>
<u>For the six months ended</u>							
<u>30th June, 2020</u>							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	<u>105,005</u>	<u>185,811</u>	<u>69</u>	<u>14,730</u>	<u>3,145</u>	<u>–</u>	<u>308,760</u>
RESULTS							
Segment profit (loss)	<u>21,731</u>	<u>24,679</u>	<u>(333)</u>	<u>(5,302)</u>	<u>(627)</u>	<u>(6,034)</u>	<u>34,114</u>
Other unallocated income							59,315
Unallocated expenses and losses							(32,701)
Finance costs							(24,479)
							<u>36,249</u>
Share of results of associates							(357)
Share of result of a joint venture							(7,944)
							<u>27,948</u>

Except for the presentation of segment revenue which is different from the reported revenue in the condensed consolidated statement of profit or loss, the accounting policies of the operating segments are the same as the Group's accounting policies. The details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK\$398,292,000 (2020: HK\$308,760,000) are set out in Note 4.

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 income, other gains and losses and finance costs. This is the measure reported to the executive Directors of the Company for the purposes of resources allocation and performance assessment.

6. OTHER GAINS AND LOSSES

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Net impairment losses reversed on trade and other receivables	1,162	917
Net exchange gain (loss)	4,297	(8,122)
Net loss on disposal of property, plant and equipment	(38)	(39)
	<u>5,421</u>	<u>(7,244)</u>

7. FINANCE COSTS

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Interests on borrowings	13,866	24,234
Interest on lease liabilities	266	245
	<u>14,132</u>	<u>24,479</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation has been arrived at		
after charging:		
Depreciation of property, plant and equipment	13,322	11,808
Depreciation of right-of-use assets	7,088	6,409
and after crediting:		
Other income		
– Interest income	41,470	29,982
– Dividends from equity instruments at fair value through other comprehensive income		
– listed	–	10,227
– unlisted	23,209	–
	<u>23,209</u>	<u>–</u>

9. TAXATION

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
The charge (credit) comprises:		
The Mainland of the People's Republic of China (the "Mainland China") Enterprise Income Tax	71,913	38,338
Mainland China Land Appreciation Tax	120,262	96,123
Macau Complementary Tax	1,150	–
Overprovision in prior period		
– Macau Complementary Tax	–	(209)
– Mainland China Enterprise Income Tax	(34,799)	(5,028)
– Dividend Withholding Tax	–	(42,536)
	<u>158,526</u>	<u>86,688</u>
Deferred tax charge (credit)	5,054	(68,314)
Total tax charges for the period	<u>163,580</u>	<u>18,374</u>

No provision for Hong Kong Profits Tax has been made since there was no assessable profit for both periods.

The Mainland China Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and all property development expenditures.

The Mainland China Enterprise Income Tax has been provided at 25% on the estimated assessable profit of the subsidiaries in the Mainland China for both periods.

The Macau Complementary Tax is calculated at 12% on the estimated taxable income for both periods.

10. DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend for the period under review (for the six months ended 30th June, 2020: Nil).

In June 2021, an interim dividend of 5.50 HK cents per share for the year ended 31st December, 2020 (2020: interim dividend of 11 HK cents per share for 2019) amounting to approximately HK\$108,406,000 (2020: HK\$216,813,000) in aggregate was paid to shareholders.

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:

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>131,832</u>	<u>5,718</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,971,025,125</u>	<u>1,971,025,125</u>

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

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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risks.

The following is an aged analysis of trade receivables, net of impairment losses, based on invoice date which approximated the revenue recognition date:

	30th June 2021 HK\$'000	31st December 2020 HK\$'000
0 – 3 months	112	52
4 – 6 months	40	–
	<u>152</u>	<u>52</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables based on invoice date:

	30th June 2021 HK\$'000	31st December 2020 HK\$'000
0 – 3 months	6,440	8,533
4 – 6 months	45	181
7 – 12 months	14	485
Over 1 year	109,771	107,131
	<u>116,270</u>	<u>116,330</u>

GENERAL OVERVIEW

For the first half of 2021, there was an increase in both the gross proceeds from operations and gross profit of the Group which was mainly attributable to the sale and leasing of the properties. The segment revenue of the property development and investment business was HK\$371,774,000 (2020: HK\$290,816,000). Unlike the case in the corresponding period in 2020, a slight unrealized loss on fair value changes of the investment properties of the Group in Shanghai, the People's Republic of China ("China") of HK\$3,470,000 was recorded in the interim results for 2021 (2020: HK\$41,606,000).

For the period under review, the Group recorded a net gain on trading securities investment of HK\$12,146,000 (2020: net loss of HK\$5,930,000). In addition, there was an increase in the net exchange gain while the 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\$301,098,000 for the period under review (2020: HK\$77,855,000). After taking into account taxation of HK\$163,580,000 (2020: HK\$18,374,000), the Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK\$131,832,000 for the first half of 2021 (2020: HK\$5,718,000), a significant increase of approximately 22.06 times as compared with that for the corresponding period in 2020. Basic earnings per share was 6.69 HK cents (2020: 0.29 HK cent).

The Board of the Company does not recommend payment of an interim dividend for the six months ended 30th June, 2021 (interim dividend for the six months ended 30th June, 2020: Nil).

OPERATIONS REVIEW

The Group continued to maintain its principal base of operations in the Mainland of China, particularly Shanghai, for the period under review.

For the first six months of 2021, the property development and trading segment was the primary profit maker of the Group and this contributed a segment profit of HK\$164,680,000 (2020: HK\$24,679,000) which was attributable to the sale of properties in Shanghai and the Macao Special Administrative Region ("Macau") of China.

The property investment segment reported a segment profit of HK\$75,260,000 (2020: HK\$21,731,000), which was attributable to the rental and management income from the investment properties of the Group in Shanghai but this was partly offset by the unrealized loss on fair value changes of these investment properties upon revaluation at the period-end. This segment was the secondary profit contributor of the Group.

Securities trading business ranked third in terms of profit contribution amongst the operating segments of the Group and delivered a segment profit of approximately HK\$12,064,000 (2020: loss of HK\$6,034,000).

The operating results of leisure business improved and this segment reported a segment profit of approximately HK\$3,554,000 (2020: loss of HK\$5,302,000). The Group also shared a profit from its investment in the hotel operation.

The other business segment of the Group reported losses during the period 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 period under review by contributing a total profit of HK\$239,940,000 (2020: HK\$46,410,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK\$371,774,000 which accounted for approximately 91.66% of the gross proceeds from operations of the Group for the six months ended 30th June, 2021. The improvement in the revenue was mainly attributable to the sale proceeds recognized. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 86.74% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 4.92%. However, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai of HK\$3,470,000 was recorded at the period-end date.

Tomson Riviera, Shanghai

Tomson Riviera comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund. 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 30th June, 2021, 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, around 68% were leased.

For the first six months of 2021, the project recognized total revenue of HK\$291.66 million which represented approximately 71.91% 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, there were sale deposits of HK\$2.06 million credited to the Group and such amount is expected to be recognized in the annual results of the Group for 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\$3.23 million in its results for the period under review.

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\$56.23 million to the Group and this accounted for approximately 13.86% of the gross proceeds from operations of the Group for the period under review. The Group recorded an unrealized net loss on fair value changes of the aforesaid investment properties of HK\$0.24 million in its results for the period under review.

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 period under review, the project recognized revenue of HK\$2.88 million from sale of car parking spaces and leasing of the residential units which represented approximately 0.71% of the gross proceeds from operations of the Group.

The Group received management fee of Tomson Riviera Garden of HK\$1.04 million for the period under review and this accounted for approximately 0.26% of the gross proceeds from operations of the Group. Tomson Riviera Garden, which was developed by a 70%-owned subsidiary of the Company, is a low-density residential project adjacent to Tomson Shanghai Pudong Golf Club and the Group has sold out all its 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 the annual report of the Company for 2020, the Group holds three land lots with aggregate site area of approximately 328,687.5 square meters located in Jinqiao-Zhangjiang District of Pudong and to the north of a stream named Zhangjiabang for residential purpose. Real estate ownership certificates of the said land lots were obtained in June 2020. It is planned that the development of this project 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 under way. Owing to the policies of the local government, it is expected to launch the first phase for sale in the first half of 2022 and deliver the properties to the buyers in 2023. The Group is also planning to commence the development of the second phase of the project at the end of this year and it will provide total residential gross floor area of approximately 61,000 square meters.

One Penha Hill, Macau

The Group holds a 70% interest in a luxury residential condominium development project, namely One Penha Hill, at Penha Hill within a designated World Heritage Zone of Macau. For the first six months of 2021, the project recognized sale proceeds of HK\$19.95 million and this accounted for approximately 4.92% of the gross proceeds from operations of the Group. As at 30th June, 2021, residential units with saleable area of approximately 6,700 square meters were available for sale.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club in Pudong generated revenue of HK\$26,518,000, being approximately 6.54% of the gross proceeds from operations of the Group, and reported gross profit of HK\$16.07 million for the six months ended 30th June, 2021. The revenue was mainly derived from golfing activities of the Club and the annual membership fee was the secondary source of income. A segment profit for the Club of HK\$3,554,000 was recorded for the period under review (2020: loss of HK\$5,302,000) after making provision for depreciation of fixed assets.

InterContinental Shanghai Pudong, Shanghai

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel in Lujiazui of Pudong. The hotel reported an average occupancy rate of approximately 56% during the period under review and the occupancy rate is improving. The operation reported profit during the period under review and the Group shared a net profit of HK\$1,307,000 from this investment (2020: net loss of HK\$7,944,000). It is expected that the operations of the hotel will still face challenges in 2021 subject to the travel restrictions owing to the worldwide pandemic outbreak and under the impact of the disputes between China and the USA on investment sentiments and consumer spending in the Mainland of China.

Securities Trading

For the period under review, the Group's securities trading business in Hong Kong Special Administrative Region ("Hong Kong") of China reported revenue of HK\$7,326,000 and this accounted for approximately 1.80% of the gross proceeds from operations of the Group. The revenue was mainly dividend income and the rest was derived from disposal of trading securities. After taking into account an unrealized gain on changes in fair value, a net gain on the trading securities investments held by the Group of HK\$12,146,000 (2020: net loss of HK\$5,930,000) was recorded.

As at 30th June, 2021, the Group held listed trading securities investments of an aggregate fair value of HK\$100,980,000, representing approximately 0.51% of the Group's total assets. Those are mainly securities in the financial and property development industries.

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. No revenue was recognized from this segment during the first six months of 2021 owing to the COVID-19 pandemic. A segment loss of HK\$466,000 (2020: HK\$627,000) was recorded.

PVC Operations

With the intention of capitalizing on the Group's established brand and goodwill in the industry, the Group had set up a wholly-owned subsidiary in Shanghai in mid-2013 to engage in export trade of PVC fittings and pipes. Owing to unfavourable market conditions, the business was closed down in 2020 to focus the Group's resources on its property development and investment business. The operation is now under liquidation and is expected for dissolution within 2021.

Investment Holding

In addition to its own property development projects, as at 30th June, 2021, the Group held long-term equity investments in Rivera (Holdings) Limited and its associate, Shanghai Zhangjiang Micro-electronics Port Co. Ltd. ("SZMP") and the aggregate fair value of these investments amounted to HK\$456,794,000, representing approximately 2.31% of the Group's total assets.

Rivera (Holdings) Limited

As at 30th June, 2021, the Group held 9.8% interests in the issued shares of Rivera (Holdings) Limited ("RHL"), a then 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. No income was generated from this investment during the period under review (2020: dividend of HK\$10,227,000). An unrealized gain on change in fair value of this investment of HK\$10.23 million was credited to the investment reserve of the Group in 2021 (2020: loss of HK\$25.57 million) pursuant to applicable accounting standards.

As reported in the annual report of the Company for 2020, RHL and Step Famous Investment Limited (the "Offeror") issued a joint announcement on 18th January, 2021 that a proposal for the privatisation of RHL by the Offeror 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 was 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”) constituted special deals under Rule 25 of the Hong Kong Code on Takeovers and Mergers.

On 23rd July, 2021, RHL and the Offeror issued a joint announcement that on the even date, the resolution to approve the Scheme was approved at a meeting of the registered holders of the Scheme Shares convened at the direction of the High Court of Hong Kong (the “High Court”) and the ordinary resolution to approve the Special Deals was approved by the independent shareholders at a general meeting of RHL and the special resolution to give effect to the Scheme, including the reduction of the share capital of RHL, was approved by the shareholders at the general meeting.

On 19th August, 2021, RHL and the Offeror issued a joint announcement that the Scheme was sanctioned by the High Court without any modification or addition or condition on 17th August, 2021. The reduction of the share capital of RHL involved in the Scheme was also confirmed by the High Court. All of the conditions of the Scheme were fulfilled and the Scheme became effective on 19th August, 2021. The listing of the shares of RHL on The Stock Exchange of Hong Kong Limited was withdrawn at 4:00 p.m. on 20th August, 2021.

In this connection, all the RHL shares held by the Group, constituting a part of the Scheme Shares, were cancelled and extinguished on 19th August, 2021 and the Group ceased to have any interest in RHL. A total sum of HK\$166 million, representing the payment of the cancellation price of HK\$0.65 per Scheme Share under the Scheme from the Offeror, was received on the date of this announcement.

Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

The Group holds 13.483% interests in the registered capital of SZMP, an unlisted company established in Shanghai, and this company is principally engaged in property development and investment in Shanghai. A dividend income of HK\$23,209,000 (2020: Nil) was recognized during the period under review and an unrealized gain on change in fair value of such investment of HK\$34.09 million was credited to the investment reserve of the Group in 2021 (2020: loss of HK\$16.11 million) pursuant to applicable accounting standards.

FINANCIAL REVIEW

Liquidity and Financing

The Group’s operations and investments for the six months ended 30th June, 2021 were mainly funded by cash on hand, and revenue from investing and operating activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK\$3,864,448,000 (2020: HK\$3,265,173,000), an increase of approximately 18.35%. During the period under review, the Group generated net cash inflow of HK\$1,214,499,000 from its investing activities. Taking account of the net cash outflow of HK\$261,511,000 and HK\$838,905,000 from its operating and financing activities respectively, the Group recorded a net increase in cash and cash equivalents of HK\$114,083,000 (2020: net decrease of HK\$344,403,000). The net cash inflow for the period under review was mainly attributable to the withdrawal of pledged bank deposits but this was partly offset by the Group’s repayment of borrowings and the Company’s dividend payment.

As at 30th June, 2021, excluding contract liabilities which represented the deposits received from sale of properties, of the liabilities of the Group of HK\$6,303,254,000 (31st December, 2020: HK\$7,123,907,000), about 63.72% were taxation under current liabilities, about 19.45% were deferred tax liabilities, about 11.55% were trade and other payables and accruals and about 5.03% were borrowings. The remainder was lease liabilities.

The Group's borrowings as at 30th June, 2021 amounted to HK\$317,023,000 (31st December, 2020: HK\$1,019,758,000), equivalent to approximately 2.42% (31st December, 2020: 7.91%) 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 denominated in Renminbi, under security and subject to floating interest rates. Of these borrowings, approximately 9.10% were due for repayment within one year from the end of the reporting period, approximately 9.10% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 27.31% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 54.49% 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\$505,351,000 (31st December, 2020: HK\$224,499,000), which 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 30th June, 2021, the Group recorded a current ratio of 2.17 times (31st December, 2020: 1.94 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 48.08% (31st December, 2020: 55.64%). 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 30th June, 2021, assets of the Group with an aggregate carrying value of HK\$510.30 million (31st December, 2020: HK\$1,573.08 million) were pledged for securing bank facilities of the Group.

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 results and net asset value of the Group. All 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

At the end of the reporting period, the Group had no material contingent liabilities (31st December, 2020: Nil).

PROSPECTS

There are full of challenges in 2021. The disputes between the two biggest economies in the world and the COVID-19 pandemic have inflicted serious blows and disruptions to economic, business and social activities worldwide. The recent political situation of Afghanistan further increases the instability in the

world. The operations of the Group may be inevitably affected. However, the Group remains optimistic about the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland of China in the long run. 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 will be the major profit contributor in the future.

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 COVID-19 pandemic may not be alleviated in the short term. The overall extent to which national and global economies and financial markets would be adversely impacted by the pandemic would be difficult to predict with any accuracy at this stage. Though the coronavirus variants are more infectious and may weaken the vaccination protection, it is optimistic that vaccines remain effective at reducing the risk of severe illness and preventing hospitalization. It is expected that the economy and social activities would resume as normal gradually and the Group will 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 six months ended 30th June, 2021, 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period of six months ended 30th June, 2021, 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 INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

This interim 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 Interim Report 2021 of the Company will be despatched to the shareholders of the Company by the end of September 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, 27th August, 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.