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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, 2022

The Board of Directors (the “Board”) of Tomson Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2022 together with comparative figures for the corresponding period of 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Notes</i>	Six months ended 30th June	
		2022	2021
		HK\$'000	HK\$'000
Gross proceeds from operations	4 & 5	362,136	405,618
Revenue	4	301,780	398,292
Cost of sales		(120,579)	(54,098)
Gross profit		181,201	344,194
Net gain on financial assets at fair value through profit or loss		8,940	12,146
Other income		44,918	73,630
Other gains and losses	6	(13,141)	5,421
Selling expenses		(42,899)	(62,379)
Administrative expenses		(51,144)	(57,782)
Loss on fair value changes of investment properties		–	(3,470)
Finance costs	7	(8,013)	(14,132)
		119,862	297,628
Share of results of associates		(143)	(327)
Share of result of a joint venture		(12,009)	1,307
Profit before taxation	8	107,710	298,608
Taxation	9	(76,306)	(163,580)
Profit for the period		31,404	135,028
Profit for the period attributable to:			
Owners of the Company		31,346	131,832
Non-controlling interests		58	3,196
		31,404	135,028
Earnings per share (HK cents)	11		
– Basic		1.59	6.69

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	31,404	135,028
	<hr/>	<hr/>
Other comprehensive (expense) income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising from translation of:		
– subsidiaries	(549,688)	167,312
– a joint venture	(7,941)	2,458
– associates	(171)	120
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income (net of deferred tax)	5,198	35,795
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Other comprehensive (expense) income for the period	(552,602)	205,685
Total comprehensive (expense) income for the period	(521,198)	340,713
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Total comprehensive (expense) income attributable to:		
Owners of the Company	(512,703)	334,972
Non-controlling interests	(8,495)	5,741
	<hr/>	<hr/>
	(521,198)	340,713
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30th June 2022 HK\$'000	(Audited) 31st December 2021 HK\$'000
Non-Current Assets			
Fixed assets			
– Investment properties		8,216,923	8,598,847
– Property, plant and equipment		204,180	229,732
Goodwill		33,288	33,288
Interests in associates		13,648	13,962
Interest in a joint venture		163,197	183,147
Club debentures		515	515
Equity instrument at fair value through other comprehensive income		287,349	293,452
Pledged bank deposit		321,995	84,172
Other receivable		2,361	2,361
		9,243,456	9,439,476
Current Assets			
Properties under development		4,539,645	4,734,530
Properties held for sale		1,441,464	1,573,112
Trade and other receivables and prepayments	12	224,807	222,781
Financial assets at fair value through profit or loss		50,177	101,593
Inventories		3,978	3,754
Bank deposit		12,891	13,490
Cash and bank balances		3,883,335	4,445,869
		10,156,297	11,095,129
Current Liabilities			
Trade and other payables and accruals	13	684,070	709,464
Lease liability		7,651	7,536
Contract liabilities		51,118	208,603
Tax liabilities		4,003,040	4,200,054
Borrowing		28,126	29,433
		4,774,005	5,155,090
Net Current Assets		5,382,292	5,940,039
Total Assets Less Current Liabilities		14,625,748	15,379,515

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	(Unaudited) 30th June 2022 HK\$'000	(Audited) 31st December 2021 HK\$'000
Capital and Reserves		
Share capital	985,512	985,512
Share premium and reserves	11,894,329	12,515,438
Equity attributable to owners of the Company	<u>12,879,841</u>	<u>13,500,950</u>
Non-controlling interests	324,490	337,485
Total Equity	<u>13,204,331</u>	<u>13,838,435</u>
Non-Current Liabilities		
Other payables	18,820	23,194
Lease liability	706	4,209
Borrowing	252,783	264,900
Deferred tax liabilities	1,149,108	1,248,777
	<u>1,421,417</u>	<u>1,541,080</u>
	<u>14,625,748</u>	<u>15,379,515</u>

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, 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2021.

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, 2022 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) Leisure
– represents the income from golf club operations and its related services
- (iv) 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	
	2022	2021
	HK\$’000	HK\$’000
Revenue from sale of properties	164,374	244,658
Revenue from rendering of services from golf club operations	14,082	26,518
Revenue from property management fee	13,439	16,939
Revenue from media and entertainment business	367	–
Revenue from contracts with customers	192,262	288,115
Revenue from lease payments that are fixed	109,518	110,177
Total revenue	301,780	398,292
Gross proceeds from sale of and dividend income from financial assets at FVTPL	60,356	7,326
Gross proceeds from operations	362,136	405,618

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 (iv), 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	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, 2022</u>						
GROSS PROCEEDS FROM OPERATIONS						
Segment revenue	<u>122,957</u>	<u>164,374</u>	<u>14,082</u>	<u>367</u>	<u>60,356</u>	<u>362,136</u>
RESULTS						
Segment profit (loss)	<u>80,732</u>	<u>37,995</u>	<u>(8,572)</u>	<u>(430)</u>	<u>8,937</u>	<u>118,662</u>
Other unallocated income						<u>44,918</u>
Unallocated expenses						<u>(35,705)</u>
Finance costs						<u>(8,013)</u>
						<u>119,862</u>
Share of results of associates						<u>(143)</u>
Share of result of a joint venture						<u>(12,009)</u>
						<u>107,710</u>
<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>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>3,554</u>	<u>(466)</u>	<u>12,064</u>	<u>255,092</u>
Other unallocated income						<u>77,927</u>
Unallocated expenses						<u>(21,259)</u>
Finance costs						<u>(14,132)</u>
						<u>297,628</u>
Share of results of associates						<u>(327)</u>
Share of result of a joint venture						<u>1,307</u>
						<u>298,608</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\$301,780,000 (2021: HK\$398,292,000) 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	
	2022	2021
	HK\$'000	HK\$'000
Net impairment losses reversed on trade and other receivables	389	1,162
Net exchange (loss) gain	(13,530)	4,297
Net loss on disposal of property, plant and equipment	–	(38)
	<u>(13,141)</u>	<u>5,421</u>

7. FINANCE COSTS

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Interests on borrowings	7,862	13,866
Interests on lease liabilities	151	266
	<u>8,013</u>	<u>14,132</u>

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Profit before taxation has been arrived at		
after charging:		
Depreciation of property, plant and equipment	12,905	13,322
Depreciation of right-of-use assets	6,709	7,088
and after crediting:		
Other income		
– Interest income	35,725	41,470
– Dividend from equity instrument at fair value through other comprehensive income		
– unlisted	–	23,209
	<u> </u>	<u> </u>

9. TAXATION

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
The charge (credit) comprises:		
The Mainland of the People's Republic of China (the "Mainland China") Enterprise Income Tax	42,906	71,913
Mainland China Land Appreciation Tax	64,295	120,262
Macau Complementary Tax	–	1,150
Underprovision (overprovision) in prior period – Mainland China Enterprise Income Tax	5,771	(34,799)
	<u>112,972</u>	<u>158,526</u>
Deferred tax (credit) charge	(36,666)	5,054
	<u>76,306</u>	<u>163,580</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, 2021: Nil).

In June 2022, an interim dividend of 5.50 HK cents per share for the year ended 31st December, 2021 (2021: interim dividend of 5.50 HK cents per share for 2020) amounting to approximately HK\$108,406,000 (2021: HK\$108,406,000) 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	
	2022	2021
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	31,346	131,832
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,971,025,125	1,971,025,125

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	31st December
	2022	2021
	HK\$'000	HK\$'000
0 – 3 months	13,739	364

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30th June	31st December
	2022	2021
	HK\$'000	HK\$'000
0 – 3 months	13,707	24,929
4 – 6 months	150	83
7 – 12 months	339	38
Over 1 year	81,375	84,635
	95,571	109,685

GENERAL OVERVIEW

For the first half of 2022, there was a significant fall in gross profit of the Group which was resulted from a decrease in the gross proceeds from operations and a drop in gross profit margin and was mainly attributable to the sale and leasing of the properties. Under the impact of the lockdown measures imposed by the local government owing to the spreading of the COVID-19 in Shanghai, the People's Republic of China ("China"), the segment revenue of the property development and investment business reduced to HK\$287,331,000 for the six months ended 30th June, 2022 (2021: HK\$371,774,000).

Unlike the case in the corresponding period in 2021, during the period under review, the Group did not receive any dividend income from its long-term equity investment in Shanghai (2021: HK\$23,209,000) and the Group recorded a net exchange loss of HK\$13,530,000 (2021: net gain of HK\$4,297,000).

In addition, there was a net gain on trading securities investment of HK\$8,940,000 for the period under review (2021: HK\$12,146,000).

There was no change in fair value of the investment properties in Shanghai and the operating profit before taxation of the Group amounted to HK\$119,862,000 for the period under review (2021: HK\$301,098,000 excluding the loss on fair value changes of the investment properties of HK\$3,470,000). After taking into account taxation of HK\$76,306,000 (2021: HK\$163,580,000), the Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK\$31,346,000 for the first half of 2022, a significant decrease of approximately 76.22% as compared with that of HK\$131,832,000 for the corresponding period of 2021. Basic earnings per share was 1.59 HK cents (2021: 6.69 HK cents).

The Board of the Company does not recommend payment of an interim dividend for the six months ended 30th June, 2022 (interim dividend for the six months ended 30th June, 2021: 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 2022, the property investment segment was the primary profit maker of the Group and this contributed a segment profit of HK\$80,732,000 (2021: HK\$75,260,000), which was attributable to the rental and management income from the investment properties of the Group in Shanghai of China.

The property development and trading segment reported a segment profit of HK\$37,995,000 (2021: HK\$164,680,000) which was attributable to the sale of properties in Shanghai. 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 HK\$8,937,000 (2021: HK\$12,064,000).

The other business segments of the Group reported loss during the period under review.

Property Development and Investment

Property development and investment 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\$118,727,000 (2021: HK\$239,940,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK\$287,331,000 which accounted for approximately 79.34% of the gross proceeds from operations of the Group for the six months ended 30th June, 2022. All the revenue was contributed by the projects in Pudong of Shanghai, China whereas the project in the Macao Special Administrative Region (“Macao”) of China did not record any revenue. There was a decrease in the revenue under the impact of the lockdown measures imposed by the local government facing the spreading of the pandemic in Shanghai. There was no change in fair value of the investment properties of the Group in Shanghai 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, 2022, the total residential gross floor area available for sale of Towers A and C was approximately 3,200 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, around 75% were leased.

For the first six months of 2022, the project recognized total revenue of HK\$238.49 million which represented approximately 65.85% 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\$51.12 million credited to the Group and such amount is expected to be recognized in the annual results of the Group for 2022 upon delivery of the properties to the buyers.

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\$47.69 million to the Group and this accounted for approximately 13.17% of the gross proceeds from operations of the Group for the period under review. Rental concessions have been granted to appropriate tenants of some of the aforesaid properties in view of the impact of COVID-19, hence there was a decrease in the rental income.

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 around one hundred car parking spaces available for sale. During the period under review, the project recognized revenue of HK\$1.15 million from leasing of the residential units and this represented approximately 0.32% of the gross proceeds from operations of the Group.

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 2021, 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 first phase of the project is a low-density residential development with total gross floor area of approximately 25,900 square meters and the construction works are under way. Subject to the policies of and approval from the local government, it is expected to launch the first phase for sale in the second half of 2023 and deliver the properties to the buyers by the end of 2023. The Group is scheduling to commence construction of the next two phases of residential development of the project in the first half of 2023 and it will provide total gross floor area of approximately 100,000 square meters.

One Penha Hill, Macau

The Group holds a 70% interest in a luxury residential condominium development, namely One Penha Hill, at Penha Hill within a designated World Heritage Zone of Macau. The project is earmarked for sale purpose and did not record any sale proceeds for the first six months of 2022 under the impact of the pandemic. As at 30th June, 2022, 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\$14,082,000, being approximately 3.89% of the gross proceeds from operations of the Group, and reported gross profit of HK\$3.83 million for the six months ended 30th June, 2022. The revenue was mainly derived from golfing activities of the Club and the annual membership fee was the secondary source of income. The Club was closed from mid-March to the end of May 2022 owing to the COVID-19 epidemic situation and has reported a segment loss of HK\$8,572,000 for the period under review (2021: profit of HK\$3,554,000) 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 was requisitioned by the local government for provision of quarters to the medical professionals from other provinces from late March 2022 owing to the spreading of the COVID-19 and it resumed business in mid-June 2022. Hence, during the period under review, the hotel could only report an average occupancy rate of approximately 15% and the Group shared a net loss of HK\$12,009,000 from this investment (2021: net profit of HK\$1,307,000). It is expected that the operations of the hotel remain to face severe challenges in 2022 subject to the travel restrictions under the impact of the pandemic.

Securities Trading

For the period under review, the Group's securities trading business in the Hong Kong Special Administrative Region ("Hong Kong") of China reported revenue of HK\$60,356,000 and this accounted for approximately 16.67% of the gross proceeds from operations of the Group. The revenue was solely 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 amounted to HK\$8,940,000 (2021: HK\$12,146,000).

As at 30th June, 2022, the Group held listed trading securities investments of an aggregate fair value of HK\$50,177,000, representing approximately 0.26% of the Group's total assets. Those were securities in the financial industry.

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. Trivial revenue was derived from investments in the production of live entertainment shows and this accounted for approximately 0.10% of the Group's gross proceeds from operations. A segment loss of HK\$430,000 (2021: HK\$466,000) was recorded during the first six months of 2022.

Investment Holding

In addition to its own property development projects, the Group holds a 13.483% interest in the registered capital of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. ("SZMP") as a long-term equity investment. The fair value of this investment amounted to HK\$287,349,000, representing approximately 1.48% of the Group's total assets as at 30th June, 2022. SZMP is an unlisted company established in Shanghai and is principally engaged in property development and investment therein. No dividend income was received from SZMP during the period under review (2021: HK\$23,209,000). SZMP has recently approved profit appropriation and it is expected that dividend income of around HK\$22 million would be recognized in the annual results of the Group for 2022. An unrealized gain on change in fair value of such investment of HK\$6.93 million was credited to the investment reserve of the Group in 2022 (2021: HK\$34.09 million) pursuant to applicable accounting standards.

Discloseable Transaction after Reporting Period

As disclosed in an announcement on successful tender of property published by the Company on 7th August, 2022, the Group's tender for an office premises situated at the whole 13th Floor of Tower II, Admiralty Centre, Hong Kong (the "Property") at the purchase price of HK\$193 million has been accepted by the vendor (acting through the receivers) and the receivers. A total sum of HK\$19.3 million was paid as deposit for the acquisition and subject to the terms and conditions of the tender documents, completion of the acquisition of the Property is tentatively fixed in mid-September 2022.

The Property is situated in a Grade A commercial-cum-office building and is in a strategic location in the key financial and commercial district on the Hong Kong Island. It is accessible to key Hong Kong Mass Transit Railway stations that not only provide convenient transport within Hong Kong but also provide easy check-in to the Hong Kong International Airport and accessible to Western part of Kowloon Peninsula that provides transportation to the Mainland of China. The Board of the Company considers the acquisition a strategic long-term investment for the Group, as it is believed that Hong Kong will remain as a major international city and benefit from the favourable Greater Bay Area policy of the Hong Kong Government and the strong economic growth of the Mainland of China. It is expected that the acquisition will enhance the property investment portfolio of the Group, generate stable recurring rental income and further strengthen the long-term development of the Group in Hong Kong. The Property may be used as the Company's headquarter in Hong Kong at opportune time.

The acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

FINANCIAL REVIEW

Liquidity and Financing

The Group's operations and investments for the six months ended 30th June, 2022 were mainly funded by cash on hand, and revenue from operating and investing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK\$3,883,335,000 (2021: HK\$3,864,448,000), a slight increase of approximately 0.49%. Taking account of the respective net cash outflow of HK\$48,167,000, HK\$209,651,000 and HK\$124,659,000 from its operating, investing and financing activities, the Group recorded a net decrease in cash and cash equivalents of HK\$382,477,000 during the period under review (2021: net increase of HK\$114,083,000). The net cash outflow for the period under review was mainly attributable to the placement of pledged bank deposit and the Company's dividend payment.

Cash and cash equivalents of the Group are mainly denominated in the local currencies of the jurisdictions in which it operates. Hence, of the Group's cash and cash equivalents of HK\$3,883,335,000 as at 30th June, 2022, around 90.92% and 7.60% were denominated in Renminbi and Hong Kong Dollar respectively.

As at 30th June, 2022, excluding contract liabilities which represented the deposits received from sale of properties, of the liabilities of the Group of HK\$6,144,304,000 (31st December, 2021: HK\$6,487,567,000), about 65.15% were taxation under current liabilities, about 18.70% were deferred tax liabilities, about 11.44% were trade and other payables and accruals and about 4.57% were borrowing. The remainder was lease liability.

The Group's borrowing as at 30th June, 2022 amounted to HK\$280,909,000 (31st December, 2021: HK\$294,333,000), equivalent to approximately 2.18% (31st December, 2021: 2.18%) of the equity attributable to owners of the Company at the same date. The borrowing was denominated in Renminbi, under security and subject to floating interest rates. Of this borrowing, approximately 10.01% were due for repayment within one year from the end of the reporting period, approximately 10.01% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 30.04% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 49.94% were repayable more than five years from the end of the reporting period. The Group did not employ any other financial instruments for financing and treasury management.

At the end of the reporting period, the Group had commitments in relation to expenditure on properties under development of HK\$397,626,000 (31st December, 2021: HK\$428,732,000), 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, 2022, the Group recorded a current ratio of 2.13 times (31st December, 2021: 2.15 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 48.10% (31st December, 2021: 49.60%). There was no significant change in the current ratio while the slight improvement in the gearing ratio resulted from the repayment of borrowings.

Charge on Assets

As at 30th June, 2022, assets of the Group with an aggregate carrying value of HK\$761.73 million (31st December, 2021: HK\$544.17 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. 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, 2021: Nil).

PROSPECTS

The spread of COVID-19 has inflicted serious blows and disruptions to economic, business and social activities worldwide for years. The military conflicts between Russia and Ukraine and the associated economic sanctions against Russia have further led to severe uncertainties in the financial and political situation of the whole world and even food and energy crises. The recent tense relation between China and USA have further exacerbated the global political and economic situation. The Board of the Company would pay great attention to the development in the international situation when contemplating the future development of the Group, especially any new investment plans. Whilst property development and investment will remain the focus of the Group's business and investment strategies, it will be the aim of the Group to maintain an optimum balance in the allocation of its resources both geographically and in different business segments.

Though the results performance of the Group for the period under review was affected by the pandemic, the Group remains optimistic about the economic situation of the Mainland of China and has confidence in the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland 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 2022. 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 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.

The COVID-19 pandemic may not end 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. It is cautiously optimistic that the economy will be recovered along with the relaxation of the social distancing measures and travel restriction all over the world. 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2022, 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 applicable code provisions set out in Part 2 of Appendix 14 to the Listing Rules, the Corporate Governance Code (the "CG Code"), throughout the period of six months ended 30th June, 2022, 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 Group; and
- (b) The management was not able to provide the Board with monthly updates of the Group's performance and financial position in April 2022 owing to facing difficulty in collating information from various operation units in Shanghai, where is the Group's principal operation base, subject to the lockdown measures imposed by the local government under the impact of the epidemic. Other than that, monthly updates were provided regularly during the first half of 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

This interim results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company's website at www.tomson.com.hk. The Interim Report 2022 of the Company will be despatched to the shareholders of the Company by the end of September 2022 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 August, 2022

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.