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, 2017

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, 2017 together with comparative figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	Notes	**Six months ended 30th June 2017 HK$'000**	2016 HK$'000
Gross proceeds from operations	4&5	**1,142,428**	1,934,904
Revenue	4	**1,082,328**	1,932,094
Cost of sales		**(565,248)**	(905,571)
Gross profit		**517,080**	1,026,523
Other income		**46,554**	25,764
Gain on fair value changes of investment properties		**4,491**	-
Net gain (loss) in investments held for trading		**10,461**	(3,406)
Selling expenses		**(111,601)**	(196,701)
Administrative expenses		**(63,748)**	(83,402)
Other gains and losses, net	6	**11,468**	(7,021)
Gain on disposal of a joint venture	7	**523,713**	-
Finance costs	8	**(49,972)**	(148,538)
		888,446	613,219
Share of results of associates		**(612)**	(863)
Share of results of joint ventures		**3,330**	2,899
Profit before taxation	9	**891,164**	615,255
Taxation	10	**(354,385)**	(312,237)
Profit for the period		**536,779**	303,018
Profit for the period attributable to:			
Owners of the Company		**483,474**	219,775
Non-controlling interests		**53,305**	83,243
		536,779	303,018
Earnings per share (HK cents)	12		
- Basic		**27.96**	13.74

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

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**536,779**	303,018
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from translation of:		
- subsidiaries	**320,183**	(207,489)
- joint ventures	**5,656**	(21,800)
- associates	**456**	(91)
Reclassification adjustments:		
- release from foreign currencies translation reserve upon disposal of a joint venture	**33,528**	-
- release from reserve on acquisition upon sale of properties held for sale	**-**	838
Gain on changes in fair value of available-for-sale investments	**17,897**	10,227
Other comprehensive income (expense) for the period	**377,720**	(218,315)
Total comprehensive income for the period	**914,499**	84,703
Total comprehensive income attributable to:		
Owners of the Company	**834,915**	19,373
Non-controlling interests	**79,584**	65,330
	914,499	84,703

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30th June 2017 HK$'000	(Audited) 31st December 2016 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**7,579,965**	7,339,691
- Property, plant and equipment		**200,711**	203,893
Lease premium for land		**31,855**	33,368
Film distribution rights		**4,942**	4,942
Goodwill		**33,288**	33,288
Deferred tax assets		**285,317**	364,538
Interests in associates		**12,569**	12,723
Interests in joint ventures		**184,528**	175,542
Available-for-sale investments		**202,012**	184,115
Pledged bank deposits		**264,338**	163,960
		8,799,525	8,516,060
Current Assets			
Lease premium for land		**5,744**	5,566
Properties under development		**3,330,312**	3,203,593
Deposit paid for land use right		**379,828**	368,006
Properties held for sale		**2,354,508**	5,471,908
Trade and other receivables and prepayments	13	**555,052**	613,081
Investments held for trading		**-**	49,638
Inventories		**5,131**	5,135
Prepaid tax		**-**	32,937
Restricted bank balance		**-**	654,519
Pledged bank deposits		**39,751**	111,557
Cash and bank balances		**4,221,675**	2,881,962
		10,892,001	13,397,902
Interest in a joint venture held for sale		**-**	777,783
Assets classified as held for sale		**3,543,724**	-
		14,435,725	14,175,685
Current Liabilities			
Trade and other payables and accruals	14	**717,154**	1,304,631
Receipts in advance		**1,261,541**	1,735,196
Taxation		**4,113,618**	4,119,944
Borrowings		**477,835**	182,274
Amount due to a joint venture		**-**	55,779
		6,570,148	7,397,824
Liabilities associated with assets classified as held for sale		**1,025,611**	-
		7,595,759	7,397,824
Net Current Assets		**6,839,966**	6,777,861
Total Assets Less Current Liabilities		**15,639,491**	15,293,921

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	(Unaudited) 30th June 2017 HK$'000	(Audited) 31st December 2016 HK$'000
Capital and Reserves		
Share capital	**942,792**	857,530
Share premium and reserves	**11,106,763**	10,541,522
Equity attributable to owners of the Company	**12,049,555**	11,399,052
Non-controlling interests	**1,042,730**	993,146
Total Equity	**13,092,285**	12,392,198
Non-Current Liabilities		
Borrowings	**1,127,231**	1,607,876
Deferred tax liabilities	**1,419,975**	1,293,847
	2,547,206	2,901,723
	15,639,491	15,293,921

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

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 used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of the amendments to HKFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied any amendments to or new and revised HKFRSs that have been issued but are not yet effective.

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 live entertainment shows and related income

Gross proceeds from operations include the sale proceeds and dividend income received and receivable from investments held for trading under the business of securities trading, in addition to the above aggregated revenue.

Revenue and gross proceeds from each type of business for the period ended 30th June, 2017 consist of the following:

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
Revenue from sale of properties	**933,633**	1,736,741
Revenue from sale of goods	**457**	592
Revenue from rendering of services from golf club operations	**19,204**	20,345
Revenue from property rental and management fee	**127,358**	168,567
Revenue from media and entertainment business	**1,676**	5,849
Revenue	**1,082,328**	1,932,094
Gross proceeds from sale of and dividend income from investments held for trading	**60,100**	2,810
Gross proceeds from operations	**1,142,428**	1,934,904

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 dealings in investments held for trading.

	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
For the six months ended 30th June, 2017							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	**127,358**	**933,633**	**457**	**19,204**	**1,676**	**60,100**	**1,142,428**
RESULTS							
Segment profit (loss)	**95,672**	**286,937**	**(348)**	**(7,521)**	**(605)**	**10,309**	**384,444**
Other unallocated income							**580,935**
Unallocated expenses							**(26,961)**
Finance costs							**(49,972)**
							888,446
Share of results of associates							**(612)**
Share of results of a joint venture							**3,330**
Profit before taxation							**891,164**
For the six months ended 30th June, 2016							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	168,567	1,736,741	592	20,345	5,849	2,810	1,934,904
RESULTS							
Segment profit (loss)	123,780	660,233	(1,816)	(8,852)	(27)	(3,612)	769,706
Other unallocated income							19,805
Unallocated expenses							(27,754)
Finance costs							(148,538)
							613,219
Share of results of associates							(863)
Share of results of joint ventures							2,899
Profit before taxation							615,255

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. For the details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK$1,082,328,000 (2016: HK$1,932,094,000), please refer to 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 joint ventures, 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 resources allocation and performance assessment.

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
Recovery (allowance) of bad and doubtful debts, net	**800**	(1,062)
Net exchange gain (loss)	**10,668**	(5,389)
Net loss on disposal of property, plant and equipment, net of written off	-	(570)
	11,468	(7,021)

7. GAIN ON DISPOSAL OF A JOINT VENTURE

In October 2016, the Group entered into an equity transfer agreement to dispose of its whole investment in a joint venture, at a consideration of RMB1,173 million. The transaction was completed in January 2017. A gain of HK$523,713,000 from the disposal was recognised in the condensed consolidated statement of profit or loss for the six months ended 30th June, 2017.

8. FINANCE COSTS

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
Interests on borrowings	**49,972**	148,864
Less: interest capitalised	**-**	(326)
	49,972	148,538

Borrowing cost capitalised for the period ended 30th June, 2016 arose from borrowings for specific purposes.

9. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**9,173**	9,783
Amortisation of lease premium for land	**2,914**	2,967
and after crediting:		
Dividends from investments held for trading (included in net gain (loss) in investments held for trading)	-	2,191
Other income		
- Interest income	**20,945**	14,957
- Dividends from available-for-sale investments - listed	**12,784**	5,114

10. TAXATION

	Six months ended 30th June	
	2017	2016
	HK$'000	HK$'000
The charge comprises:		
The Mainland of the People's Republic of China (the "Mainland China") Enterprise Income Tax	**87,555**	126,229
Mainland China Land Appreciation Tax	**46,760**	268,890
Macau Complementary Tax	**14,773**	44,177
Underprovision in prior period		
- Mainland China Enterprise Income Tax	**35,121**	1,234
	184,209	440,530
Deferred tax charge (credit)	**170,176**	(128,293)
Total tax charges for the period	**354,385**	312,237

The Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the assessable profit for the period. No provision for Hong Kong Profits Tax has been made since the assessable profit is wholly absorbed by tax losses brought forward (2016: no assessable profit for the period). The income tax rate of the Mainland China subsidiaries for the period ended 30th June, 2017 is 25% (2016: 25%).

The Macau Complementary Tax is levied at 12% (2016: 12%) on the taxable income for the period.

11. DIVIDEND

The Directors do not recommend payment of an interim dividend for the period under review (for the six months ended 30th June, 2016: Nil).

In June 2017, an interim dividend of 43 HK cents per share for the year ended 31st December, 2016 (2016: interim dividend of 21 HK cents per share for 2015) amounting to approximately HK$737,476,000 (2016: HK$333,620,000) in aggregate was paid to shareholders. Of the dividend paid during the period, approximately HK$553,064,000 (2016: HK$239,430,000) were settled in fully paid shares under the Company's scrip dividend scheme approved by the Board on 29th March, 2017.

12. 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	
	2017	2016
	HK$'000	HK$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	**483,474**	219,775
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,729,191,407**	1,599,082,011

12. EARNINGS PER SHARE *(continued)*

No diluted earnings per share is presented as there was no dilutive ordinary share outstanding during both periods.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

The following is an aged analysis of trade receivables, net of impairment losses, based on invoice date. The analysis includes those classified as held for sale.

	30th June 2017 HK$'000	31st December 2016 HK$'000
0 – 3 months	**287**	2,979
4 – 6 months	**-**	216
7 – 12 months	**519**	2,343
	806	5,538

14. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an aged analysis of trade payables based on invoice date. The analysis includes those classified as held for sale.

	30th June 2017 HK$'000	31st December 2016 HK$'000
0 – 3 months	**28,835**	274,548
4 – 6 months	**64**	33,300
7 – 12 months	**230,454**	86,935
Over 1 year	**216,254**	178,207
	475,607	572,990

GENERAL OVERVIEW

For the first six months of 2017, the Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK$483,474,000, an increase of approximately 1.20 times over that for the corresponding period in 2016 (2016: HK$219,775,000), and basic earnings per share of 27.96 HK cents (2016: 13.74 HK cents).

This improvement in the results of the Group was principally attributable to the recognition of a one-off gain on disposal of a 51% equity interest in Tianjin Jinwan Property Co., Limited, a joint venture of the Group, which is engaged in development of a high-rise commercial-cum-office building in Tianjin of the People's Republic of China ("China"). The gain amounted to HK$523,713,000.

Unlike the first half of 2016 when a substantial amount of sale proceeds from the property projects in Tianjin and the Macau Special Administrative Region ("Macau") of China were recognized upon delivery of units sold to the buyers subsequent to completion of construction, gross proceeds from operations of the Group dropped during the period under review. Nevertheless, irrespective of the aforesaid gain on disposal of a joint venture and the effect of changes in fair value of investment properties, the Group recorded an operating profit of HK$360,242,000 for the period (2016: HK$613,219,000).

The Board does not recommend payment of an interim dividend for the six months ended 30th June, 2017 (interim dividend for the six months ended 30th June, 2016: Nil).

OPERATIONS REVIEW

The Group continued to maintain its operation base in China for the period under review.

For the first half of 2017, as a result of recognition of sale proceeds of the Group's property projects in Shanghai, Tianjin and Macau, property development and trading segment reported a profit of HK$286,937,000 (2016: HK$660,233,000) and became the primary profit contributor of the Group.

Property investment segment was the secondary profit maker of the Group and this generated a segment profit of HK$95,672,000 (2016: HK$123,780,000), which was derived from the steady recurrent rental and management income from the investment properties of the Group as well as an unrealized gain on fair value changes of those investment properties upon revaluation at the period-end.

Securities trading business in the Hong Kong Special Administrative Region ("Hong Kong") of China reported a net gain of HK$10,461,000 (2016: net loss of HK$3,406,000) and was the tertiary profit contributor of the Group.

The other business segments of the Group reported immaterial losses 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 total profit of HK$382,609,000 (2016: HK$784,013,000). One Penha Hill in Macau was the prime source of profit of the Group. In addition, an unrealized gain on fair value changes of the investment properties of the Group in Shanghai of HK$4,491,000 was recorded at the period-end date.

This business segment generated total revenue of HK$1,060,991,000 which accounted for approximately 92.87% of the gross proceeds from operations of the Group for the six months ended 30th June, 2017. The project in Tianjin remained the major source of revenue, which accounted for approximately 63.46% of the gross proceeds from operations of the Group whereas the project in Macau is the secondary source of revenue and accounted for approximately 15.27% of the gross proceeds from operations of the Group. Projects in Pudong of Shanghai are the tertiary source of revenue and accounted for approximately 14.14% of the gross proceeds from operations of the Group.

Tomson Riviera, Shanghai

Tomson Riviera comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund. Based on the business strategy of the Group, two residential towers are earmarked for sale while the other two towers are retained for leasing.

As at 30th June, 2017, the total residential gross floor area available for sale of Towers A and C was approximately 13,600 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, around 64% were leased.

For the first six months of 2017, the project recognized total revenue of HK$64.94 million which represented approximately 5.68% of the gross proceeds from operations of the Group. The revenue was principally attributable to rental income and management fee with the balance derived from sale proceeds. Sale deposits of HK$216.90 million were also credited as at the end of the period under review and such amount is expected to be recognized in the annual results of the Group for 2017.

Tomson Riviera Garden, Shanghai

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 a 70% interest in this project.

Development of the whole project has been completed in three phases and all the residential units were sold out. For the period under review, sale proceeds, rental income and management fee generated from the project in an aggregate of HK$36.91 million was recognized and this accounted for approximately 3.23% of the gross proceeds from operations of the Group. Sale deposits of a residential unit of Phase 3 of HK$19.80 million were credited as at the end of the period under review and are expected to be recognized in the annual results of the Group for 2017.

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 and the commercial podium of Tomson Business Centre, provided a steady recurrent revenue of HK$59.36 million to the Group and this accounted for approximately 5.20% of the gross proceeds from operations of the Group for the period under review. The Group also recorded an unrealized gain on fair value changes of its investment properties of HK$4.49 million in its results for the period under review.

Miscellaneous Residential Development in Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong and there are now less than 10 residential units available for sale. During the period under review, the proceeds generated from leasing were insignificant, which accounted for approximately 0.03% of the gross proceeds from operations of the Group.

Jinqiao-Zhangjiang Project, Shanghai

In September 2010, the Company acquired through a wholly-owned subsidiary the land use rights of a plot of land with a site area of approximately 300,700 square meters (the "Tomson Portion") located at Jinqiao-Zhangjiang District, Pudong and adjacent to Tomson Shanghai Pudong Golf Club. Vacant possession of over 80% of the site area of the Tomson Portion has been delivered to the Group in phases but delivery of the last phase of the Tomson Portion ("Phase 7") did not take place before the end of 2016 as planned.

Initial plans called for the Tomson Portion to be developed into a low-density residential development in phases. The first phase of the project ("Phase 1") will comprise 43 low-density residential units with total saleable gross floor area of approximately 16,000 square meters, a club house and ancillary facilities. The superstructure of the residential units had been topped out in December 2014 but completion of the construction works will be deferred pending the construction of the club house and ancillary facilities. The design proposal of the club house has been approved by the relevant government authorities and preparatory works for the construction were being planned.

In January 2013, the said wholly-owned subsidiary entered into a conditional framework agreement to acquire the land use rights of a plot of land with a site area of approximately 422,174.6 square meters (the "Sports Portion") for landscaping and sports facilities purposes and a residential development project (the "Development Project") on a plot of land with a site area of approximately 28,286.2 square meters in Jinqiao-Zhangjiang District of Pudong. As these two plots of land are intermingled with the Tomson Portion, the Group had intended to incorporate these land lots into the master development plan of the Tomson Portion. The Group entered into a supplemental agreement in July 2016 to cancel the inter-conditional requirement in respect of the completion of the transfers of the land use rights of the Sports Portion and the Development Project and the acquisition of the Development Project by the Group was completed in 2016. Construction works on the Development Project have been put on hold pending clearance of related matters.

On 11th January, 2017, Pudong New Area Planning and Land Authority of Shanghai published on its website a public notice with respect to the proposed adjustment and change to Zhangjiabang Wedge-shaped Green Space Development Plan which covers the portion located at Jinqiao-Zhangjiang District of Pudong and north of a stream named Zhangjiabang (the "Northern Portion"), within which the Tomson Portion, the Development Project and the Sports Portion are located ("Proposed Planning Changes"). Having conducted a preliminary review and analysis of the Proposed Planning Changes, the Company noted that the Proposed Planning Changes, if effected, might involve the following: (i) the original site over which Phase 7 is located would not be delivered to the Group and instead, another piece of land in the Northern Portion might be allocated to the Group in substitution and as replacement, (ii) while the location of Phase 1 and the Development Project would remain unchanged, there might be an adjustment and relocation of the other plots forming the Tomson Portion (which are originally located along the boundaries and in the centre of the Northern Portion) such that the aforesaid plots will be consolidated with Phase 1 and the Development Project to become three combined plots within the Northern Portion to be allocated to the Group for residential development ("Revised Tomson Residential Development"), (iii) if the aforesaid relocation were to materalize, the Revised Tomson Residential Development would be relocated farther away from the high voltage pylons running along the northern side of the original Tomson Portion, (iv) there might be a slight decrease of 592.2 square meters regarding the aggregate site area of the Revised Tomson Residential Development, and (v) the original Sports Portion might not be available for delivery to the Group because all the remaining areas surrounding the Revised Tomson Residential Development within the Northern Portion will be re-categorized as "public greenery and sports lands". The consultation period of the Proposed Planning Changes expired in February 2017 but the conclusions to the consultation have not been announced. The contracting parties have been collaborating closely towards dealing with the possible changes under the Proposed Planning Changes including, inter alia, the delivery of the site area of Phase 7 and the acquisition of the Sports Portion.

Phase 2 of Jinwan Plaza, Tianjin

The Group has participated in the development of phase two of Jinwan Plaza, which is situated in the central area of Heping District, Tianjin, by holding a 75% equity interest in Tianjin Jinwan Real Estate Development Co., Limited ("Jinwan Real Estate") and a 51% equity interest in Tianjin Jinwan Property Co., Limited ("Jinwan Property"). There are 3 high-rise buildings in phase two of Jinwan Plaza.

Jinwan Property is engaged in the development of a high-rise building of 70 stories with total gross floor area of approximately 209,500 square meters for commercial-cum-office uses. To realize the investment potential of the underlying assets of Jinwan Property, the Group entered into an agreement in October 2016 to dispose of the 51% equity interest in Jinwan Property to an unrelated third party at a cash consideration of RMB1,173,000,000 and the transaction was completed in January 2017. Hence, a gain on disposal of HK$523,713,000 was recognized and this became the major source of profit of the Group for the first half of 2017.

Jinwan Real Estate has completed the development of two high-rise buildings of 25 and 57 stories respectively (including a 4-level podium) for residential and commercial purposes with total gross floor area of approximately 294,900 square meters. The residential portion of these two buildings, named "Tomson Riviera Tianjin", is earmarked for sale and provides 749 units with total saleable gross floor area of approximately 155,500 square meters. As at 30th June, 2017, approximately 69% of the total saleable gross floor area were contracted for sale. Revenue of HK$724.98 million generated from sale and leasing was recognized for the period under review and this accounted for approximately 63.46% of the gross proceeds from operations of the Group. The commercial portion of these two buildings is named "One Mall" and is earmarked for leasing purpose. To realize the investment potential of Tomson Riviera Tianjin and One Mall, the Group entered into an agreement on 30th June, 2017 by which an unrelated third party had agreed to acquire a 100% equity interest in Tianjin Tomson Development Co., Limited ("Tianjin Tomson"), which holds a 75% equity interest in Jinwan Real Estate, and to provide funds to repay the loan owing from Tianjin Tomson to the Group at a total cash consideration of RMB2,360,000,000. Written approval of the transaction was obtained from a closely allied group of shareholders of the Company representing more than 50% of the voting rights at general meetings of the Company. The transaction was completed in August 2017 and it is estimated that a gain on disposal of HK$525.03 million will be recognized in the annual results of the Group for 2017.

<u>One Penha Hill, Macau</u>

The Group holds a 70% interest in the development of a luxury residential condominium at Penha Hill within a designated World Heritage Zone of Macau. The development project is named "One Penha Hill" and consists of 63 residential units in four apartment blocks with a club house, swimming pool, roof terrace and car parking spaces with total gross floor area of approximately 22,800 square meters. This project, which was the major source of profit of the Group for the period under review, generated revenue of HK$174.48 million and this accounted for approximately 15.27% of the gross proceeds from operations of the Group.

As at 30th June, 2017, approximately 40% of the residential gross floor area were contracted for sale. Sale deposits of HK$55.92 million were credited as at the end of the period under review and will be recognized in the results of the Group upon delivery of the properties.

Securities Trading

For the period under review, the Group's securities trading business in Hong Kong reported revenue of HK$60,100,000 and this accounted for around 5.26% of the gross proceeds from operations of the Group. The revenue was derived from sale proceeds of the trading securities held by the Group. A net gain in securities investments held for trading of HK$10,461,000 was reported for the six months ended 30th June, 2017 (2016: net loss of HK$3,406,000).

Hospitality and Leisure Industry

<u>Tomson Shanghai Pudong Golf Club, Shanghai</u>

Tomson Shanghai Pudong Golf Club generated revenue of HK$19,204,000, being approximately 1.68% of the gross proceeds from operations of the Group, and reported a segment loss of HK$7,521,000 for the six months ended 30th June, 2017 (2016: HK$8,852,000). The revenue of the Club was mainly derived from golfing activities but there was a drop in the sale of membership debentures possibly due to recent social and political developments and the remaining tenure of the debentures being less than ten years.

InterContinental Shanghai Pudong, Shanghai

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel and shared a net profit of HK$3.33 million from this investment for the period under review (2016: HK$5.87 million). The hotel reported an average occupancy rate of 76.47% (which was higher than budget) during the period under review. Gross operating profit for the period also met budget, but inevitably both revenue and gross operating profit were lower than the same period in 2016. Considering the hotel had been undergoing partial renovations to guest rooms on five floors since February 2017, the results were still healthy. Renovation works are scheduled for completion in the third quarter of 2017 and it is anticipated that this should benefit the operating results for the full year.

Media and Entertainment

The Group set up its film distribution business in 2011 and has also participated in the production of live entertainment shows. Gross revenue received and receivable from this segment amounted to HK$1,676,000 and this accounted for approximately 0.15% of gross proceeds from operations of the Group during the first six months of 2017. The revenue for the period under review was generated from investments in production of live entertainment shows and a segment loss of HK$605,000 (2016: HK$27,000) was recorded.

PVC Operations

Liquidation of the manufacturing operation of PVC pipes and fittings in Shanghai, in which the Group held a 58% interest, was completed during the period under review and the Group received the final distribution from this subsidiary in July 2017.

To capitalize 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. The trading operation reported insignificant revenue and a segment loss of HK$348,000 in the first half of 2017 (2016: HK$1,816,000).

Investment Holding

The Group holds a 9.8% interest in the issued shares of Rivera (Holdings) Limited ("RHL"), a listed company in Hong Kong, as a long-term investment. 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$12,784,000 from RHL during the period under review and an unrealized gain on change in fair value of the investment of HK$17,897,000 was credited to the investment reserve of the Group as at the end of the period under review pursuant to applicable accounting standards.

The Group also holds a 13.5% interest in the registered capital of an unlisted associated company of RHL established in Shanghai as a long-term investment. The company is principally engaged in property development and investment in Shanghai.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the six months ended 30th June, 2017 were mainly funded by cash on hand, and revenue from operating activities and investing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK$4,952,024,000. During the period under review, the Group generated a net cash inflow of HK$862,524,000 and HK$1,683,813,000 from its operations and investing activities respectively. Taking into account the net cash outflow of HK$558,181,000 from financing activities, the Group recorded a net cash inflow of HK$1,988,156,000 (2016: net cash outflow of HK$32,313,000). The net cash inflow for the period under review was mainly attributable to a receipt of deposit for disposal of the 100% equity interest in Tianjin Tomson and withdrawal of restricted bank deposits upon completion of disposal of the 51% equity interest in Jinwan Property.

As at 30th June, 2017, excluding receipts in advance and liabilities associated with Tianjin Tomson and its subsidiary both of which ceased to be members of the Group upon completion of the disposal in August 2017, of the liabilities of the Group of HK$7,855,813,000 (31st December, 2016: HK$8,564,351,000), about 52.36% were taxation under current liabilities, about 20.43% were borrowings, about 18.08% were deferred tax liabilities while about 9.13% were trade and other payables and accruals.

The Group's borrowings as at 30th June, 2017 amounted to HK$1,605,066,000 (31st December, 2016: HK$1,790,150,000), equivalent to 13.32% (31st December, 2016: 15.70%) 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. Of these borrowings, approximately 29.77% were due for repayment within one year from the end of the reporting period, approximately 1.43% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 11.48% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 57.32% 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$265,884,000 (31st December, 2016: HK$491,941,000) which were contracted but not provided for while there was no such commitment authorized but not contracted for (31st December, 2016: Nil). 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, 2017, the Group recorded a current ratio of 1.90 times (31st December, 2016: 1.92 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 84.18% (31st December, 2016: 90.35%). There was no significant change in the current ratio while the drop in gearing ratio was mainly attributable to repayment of borrowings and reduction in receipt in advance upon completion of disposal of the equity interest in Jinwan Property.

Charge on Assets

As at 30th June, 2017, assets of the Group with an aggregate carrying value of HK$6,744.92 million (31st December, 2016: HK$6,826.88 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. The recent change in value of Renminbi may not have adverse effects on the Group. In addition, as all of the other assets and liabilities of the Group are denominated in either Hong Kong Dollar or United States Dollar, the Group anticipates that the exchange risk exposure is manageable.

Contingent Liabilities

The Group has no material contingent liabilities as at 30th June, 2017 (31st December, 2016: Nil).

PROSPECTS

The variety of regulations and directives imposed by both the local and central governments of the Mainland of China on the real estate market appeared to be bringing a cooling effect to the upward trend in property prices. This may inevitably lead to a decrease in prices and transaction volume in the property market, thus rendering market conditions even more challenging for the Group. In addition, signs that China and other major advanced economies have been actively contemplating measures to reverse previous "quantitative easing" programmes since early 2017 are becoming clearer. The consequential contraction in liquidity and fluctuations in the financial markets will be closely monitored by the Group.

Disposal of all property projects in Tianjin is expected to contribute notable profits for the Group in 2017. While Tomson Riviera and One Penha Hill will be the Group's other principal sources of profit, it is anticipated that sale of property of both projects might be adversely affected by the changing market conditions.

It is expected that the global and Hong Kong financial markets will remain relatively volatile in the second half of 2017 owing to recent developments in the political and financial environment. Management will remain cautious in managing the securities trading portfolio of the Group, with an emphasis on securities with recurrent yield.

Whilst property development and investment will remain the Group's business focus, the Group will continue to explore and evaluate prudently other potential investment opportunities. Nevertheless, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2017, 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, 2017, 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 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 causal 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 and re-appointment of Directors 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, 2017

This interim results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and on the Company's website at http://www.tomson.com.hk. The Interim Report 2017 of the Company will be despatched to the shareholders of the Company by the end of September 2017 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, 30th August, 2017

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