Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

The Board of Directors (the "Board") of Tomson Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2018 together with comparative figures for the corresponding year of 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31st December 2018 HK$'000	2017 HK$'000
Gross proceeds from operations	4&5	**684,829**	2,167,464
Revenue	4	**678,094**	2,107,365
Cost of sales		**(190,960)**	(736,301)
Gross profit		**487,134**	1,371,064
Net gain on financial assets at fair value through profit or loss		**674**	10,461
Other income		**252,978**	162,461
Other gains and losses	6	**(790)**	30,483
Selling expenses		**(180,285)**	(185,248)
Administrative expenses		**(141,787)**	(144,022)
Gain on fair value changes of investment properties		**318,311**	154,862
Gain on disposal of a joint venture	7	**–**	523,713
Gain on disposal of subsidiaries	8	**–**	551,435
Finance costs	9	**(51,717)**	(86,180)
		684,518	2,389,029
Share of results of associates		**(560)**	(888)
Share of result of a joint venture		**16,764**	12,364
Profit before taxation	10	**700,722**	2,400,505
Taxation	11	**(313,244)**	(1,055,840)
Profit for the year		**387,478**	1,344,665
Profit (loss) for the year attributable to:			
Owners of the Company		**407,681**	1,255,486
Non-controlling interests		**(20,203)**	89,179
		387,478	1,344,665
Earnings per share (HK cents)	13		
- Basic		**20.45**	69.44

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31st December	
	2018	2017
	HK$'000	HK$'000
Profit for the year	**387,478**	1,344,665
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising from translation of:		
– subsidiaries	**(615,347)**	803,150
– a joint venture	**(9,831)**	13,600
– associates	**(403)**	766
Gain on fair value changes of available-for-sale investments	–	5,113
Reclassification adjustments from foreign currencies translation reserves:		
– release upon disposal of a joint venture	–	33,528
– release upon liquidation of a subsidiary	–	(8,618)
– release upon disposal of subsidiaries	–	(46,489)
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	**(37,931)**	–
Other comprehensive (expense) income for the year	**(663,512)**	801,050
Total comprehensive (expense) income for the year	**(276,034)**	2,145,715
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(249,389)**	2,025,314
Non-controlling interests	**(26,645)**	120,401
	(276,034)	2,145,715

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31st December 2018 HK$'000**	2017 HK$'000
Non-Current Assets			
Fixed assets			
– Investment properties		**7,980,161**	8,061,471
– Property, plant and equipment		**195,998**	226,184
Lease premium for land		**22,753**	30,410
Film distribution rights		**150**	4,942
Goodwill		**33,288**	33,288
Deferred tax assets		**273,982**	281,729
Interests in associates		**11,650**	12,608
Interest in a joint venture		**185,159**	188,973
Club debentures		**515**	–
Equity instruments at fair value through other comprehensive income		**436,031**	–
Available-for-sale investments		**–**	189,228
Pledged bank deposits		**798,733**	941,848
		9,938,420	9,970,681
Current Assets			
Lease premium for land		**5,754**	6,134
Properties under development		**3,449,254**	3,554,039
Deposits paid for land use rights		**376,104**	396,063
Properties held for sale		**2,117,661**	2,278,099
Trade and other receivables and prepayments	14	**528,963**	1,841,016
Financial assets at fair value through profit or loss		**882**	–
Inventories		**4,516**	5,047
Pledged bank deposits		**535,857**	41,450
Bank deposits		**700,000**	–
Cash and cash equivalents		**4,268,775**	3,692,955
		11,987,766	11,814,803
Current Liabilities			
Trade and other payables and accruals	15	**870,969**	817,220
Contract liabilities		**291,080**	–
Receipts in advance		**–**	220,946
Taxation		**4,549,148**	4,851,723
Borrowings		**483,682**	451,435
		6,194,879	6,341,324
Net Current Assets		**5,792,887**	5,473,479
Total Assets Less Current Liabilities		**15,731,307**	15,444,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31st December	
	2018	2017
	HK$'000	HK$'000
Capital and Reserves		
Share capital	**1,040,918**	942,792
Share premium and reserves	**11,986,139**	12,281,336
Equity attributable to owners of the Company	**13,027,057**	13,224,128
Non-controlling interests	**256,316**	296,461
Total Equity	**13,283,373**	13,520,589
Non-Current Liabilities		
Borrowings	**944,673**	345,780
Deferred tax liabilities	**1,503,261**	1,577,791
	2,447,934	1,923,571
	15,731,307	15,444,160

Notes:

1. The Audit Committee of the Board of the Company has reviewed the consolidated financial statements of the Group for the year ended 31st December, 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The Group has applied the following new HKFRSs and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"

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

Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the other new HKFRSs and amendments to HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to financial instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to financial instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 were recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

For available-for-sale equity investments reclassified to fair value through other comprehensive income ("FVTOCI"), the Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$188,713,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$48,091,000 related to unlisted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of HK$317,688,000 related to those unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment reserve as at 1st January, 2018. In addition, the corresponding deferred tax liability of HK$79,515,000 was adjusted to the investment reserve and impairment losses previously recognised of HK$32,215,000 were transferred from retained earnings to investment reserve as at 1st January, 2018. The cumulative fair value gains of HK$92,299,000 relating to those investments previously carried at fair value continued to accumulate in investment reserve.

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

The following table shows the adjustments of the Group recognised for each individual line item and line items that were not affected by the changes have not been included:

	31st December 2017	Impacts of HKFRS 9	1st January 2018
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	188,713	(188,713)	–
Equity instruments at fair value through other comprehensive income	–	506,401	506,401
Total Non-Current Assets	9,970,681	317,688	10,288,369
Share premium and reserves	12,281,336	238,173	12,519,509
Equity attributable to owners of the Company	13,224,128	238,173	13,462,301
Total Equity	13,520,589	238,173	13,758,762
Deferred tax liabilities	1,577,791	79,515	1,657,306
Total Non-Current Liabilities	1,923,571	79,515	2,003,086

As at 1st January, 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The impact of impairment under expected credit loss model is insignificant.

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 applies to all contracts with the Group's customers except for leases within the scope of HKAS 17 "Leases".

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application was recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated.

Summary of effects arising from initial application of HKFRS 15

As at 1st January, 2018, advances from customers of HK$220,946,000 in respect of contracts previously included in receipts in advance were reclassified to contract liabilities.

The following table shows the adjustments of the Group recognised for each individual line item and line items that were not affected by the changes have not been included:

	31st December 2017	Impacts of HKFRS 15	1st January 2018
	HK$'000	HK$'000	HK$'000
Receipts in advance	220,946	(220,946)	–
Contract liabilities	–	220,946	220,946

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

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle [1]

[1] Effective for annual periods beginning on or after 1st January, 2019.
[2] Effective for annual periods beginning on or after 1st January, 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual periods beginning on or after 1st January, 2020.
[5] Effective for annual periods beginning on or after 1st January, 2020.

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront lease premium for land as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront lease premium for land will continue to be presented as investing or operating cash flows in accordance with the nature as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-to-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

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

Furthermore, extensive disclosures are required by HKFRS 16.

A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,532,000 and refundable rental deposits received of HK$79,143,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except for the new HKFRSs mentioned above, the Directors of the Company anticipate that the application of all other new HKFRSs and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

(i) Property investment
– represents revenue from property management and rental income

(ii) Property development and trading
– represents gross revenue received and receivable from sales of properties

(iii) PVC operations
– represents the gross revenue from sale of PVC pipes and fittings

(iv) Leisure
– represents the income from golf club operations and its related services

(v) Media and entertainment
– represents the gross revenue received and receivable from investment in the production of live entertainment shows, film distribution and related income

Gross proceeds from operations include the gross proceeds 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.

4. **GROSS PROCEEDS FROM OPERATIONS AND REVENUE** - continued

Revenue and gross proceeds from each type of business for the year ended 31st December, 2018 consist of the following:

	2018	2017
	HK$'000	HK$'000
Revenue from sale of properties	**366,585**	1,803,193
Revenue from sale of goods	**1,296**	1,114
Revenue from rendering of services from golf club operations	**40,344**	42,674
Revenue from property management fee	**37,910**	37,276
Revenue from media and entertainment business	**8,147**	4,695
Revenue from contracts with customers	**454,282**	1,888,952
Revenue from property rental	**223,812**	218,413
Total revenue	**678,094**	2,107,365
Gross proceeds from sale of and dividend income from financial assets at FVTPL	**6,735**	60,099
Gross proceeds from operations	**684,829**	2,167,464

5. **SEGMENT INFORMATION**

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

2018

	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**
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	**261,722**	**366,585**	**1,296**	**40,344**	**8,147**	**6,735**	**684,829**
RESULTS							
Segment profit (loss)	**491,359**	**78,985**	**(430)**	**(26,877)**	**(6,836)**	**322**	**536,523**
Other unallocated income							**250,967**
Unallocated expenses							**(51,255)**
Finance costs							**(51,717)**
							684,518
Share of results of associates							**(560)**
Share of result of a joint venture							**16,764**
Profit before taxation							**700,722**

5. SEGMENT INFORMATION - continued

2017

	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
GROSS PROCEEDS FROM OPERATIONS – SEGMENT REVENUE	255,689	1,803,193	1,114	42,674	4,695	60,099	2,167,464
RESULTS							
Segment profit (loss)	328,102	965,497	(587)	(33,734)	(1,724)	10,061	1,267,615
Other unallocated income							1,266,113
Unallocated expenses							(58,519)
Finance costs							(86,180)
							2,389,029
Share of results of associates							(888)
Share of result of a joint venture							12,364
Profit before taxation							2,400,505

Except for the presentation of segment revenue which is different from the reported revenue in the consolidated statement of profit or loss, the accounting policies of the operating segments are the same as the Group's accounting policies. For details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK$678,094,000 (2017: HK$2,107,365,000), 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 a joint venture, other non-recurring income and expenses and finance costs. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment.

Geographical Information

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

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

	2018 HK$'000	2017 HK$'000
Hong Kong	**8,147**	4,695
Macau	**1,500**	338,657
Mainland China	**668,447**	1,764,013
	678,094	2,107,365

The Group's non-current assets, excluding deferred tax assets, amounts due from associates and a joint venture, club debentures, pledged bank deposits and equity instruments at FVTOCI/available-for-sale investments, amounted to HK$8,417,863,000 (2017: HK$8,546,585,000). By geographical location, the assets and operation of the associates and a joint venture are substantially situated in the Mainland China.

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

6. OTHER GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Net impairment losses on trade and other receivables reversed	**673**	1,979
Net gain on disposal/write off of property, plant and equipment	**199**	9
Net exchange (loss) gain	**(1,662)**	19,712
Gain on liquidation of a subsidiary	–	8,783
	(790)	30,483

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 on the disposal was recognised in the consolidated statement of profit or loss for the year ended 31st December, 2017.

8. GAIN ON DISPOSAL OF SUBSIDIARIES

In August 2017, the Group completed the disposal of its wholly-owned subsidiary, Tianjin Tomson Development Co., Ltd. and its subsidiary at a consideration of RMB2,015.62 million. A gain of HK$551,435,000 on the disposal was recognised in the consolidated statement of profit or loss for the year ended 31st December, 2017.

9. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest expenses	**51,717**	86,180

10. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**32,001**	19,769
Amortisation of lease premium for land (included in administrative expenses)	**5,754**	6,134
Impairment of film distribution rights (included in cost of sales)	**4,792**	–
and after crediting:		
Other income		
– Interest income	**89,846**	53,183
– Dividends from available-for-sale investments		
– listed	–	12,784
– unlisted	–	73,714
– Dividends from equity instruments at FVTOCI		
– listed	**11,505**	–
– unlisted	**78,888**	–

11. TAXATION

	2018 HK$'000	2017 HK$'000
The charge comprises:		
Mainland China Enterprise Income Tax	**106,122**	316,060
Mainland China Land Appreciation Tax	**169,666**	391,454
Macau Complementary Tax	–	29,196
Dividend withholding tax	**97,789**	627
Underprovision (overprovision) in prior years		
– Mainland China Enterprise Income Tax	**3,918**	35,121
– Dividend withholding tax	–	(376)
	377,495	772,082
Deferred tax (credit) charge	**(64,251)**	283,758
Total tax charges for the year	**313,244**	1,055,840

The Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%). No provision for Hong Kong Profits Tax has been made since there is no assessable profit for the year (2017: the assessable profit was wholly absorbed by tax losses brought forward).

The Macau Complementary Tax is levied at 12% (2017: 12%) on the taxable income for the year.

The income tax rate of the subsidiaries in the Mainland China for the year ended 31st December, 2018 is 25% (2017: 25%).

12. DIVIDEND

Subsequent to the end of reporting period, the Directors have declared payment of an interim dividend of 18 HK cents per share (2017: 43 HK cents per share) amounting to approximately HK$374,731,000 (2017: HK$810,801,000) for the year ended 31st December, 2018.

Of the dividend paid during 2018, approximately HK$624,946,000 (2017: HK$553,064,000) were settled in fully paid shares under the Company's scrip dividend scheme approved by the Board on 27th March, 2018 in respect of the interim dividend for the year ended 31st December, 2017.

13. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**407,681**	1,255,486
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,993,657,884**	1,808,030,689

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

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Included in trade and other receivables and prepayments are trade receivables, net of allowance for credit losses, of HK$5,256,000 (2017: HK$2,355,000) and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
0 – 3 months	**4,112**	1,689
4 – 6 months	**7**	147
7 – 12 months	**1,137**	519
	5,256	2,355

15. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$126,105,000 (2017: HK$140,123,000) and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
0 – 3 months	**4,171**	4,131
4 – 6 months	**15**	58
7 – 12 months	**26**	126
Over 1 year	**121,893**	135,808
	126,105	140,123

INTERIM DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2018

The Board of the Company has declared an interim dividend of 18 HK cents per share for the year ended 31st December, 2018 (2017: 43 HK cents per share) to shareholders whose names appear on the register of members of the Company on Thursday, 30th May, 2019. Dividend is payable in cash and dividend warrants are expected to be despatched on Tuesday, 11th June, 2019.

CLOSURE OF REGISTER OF MEMBERS

The Board of the Company has resolved to convene the annual general meeting of the Company for Thursday, 30th May, 2019 (the "2019 AGM").

For the purpose of determining the shareholders who are entitled to attend and vote at the 2019 AGM and qualify for the interim dividend for 2018, the register of members of the Company will be closed from Monday, 27th May, 2019 to Thursday, 30th May, 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the 2019 AGM and qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the Company's share registrar in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("China"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 24th May, 2019 for registration.

GENERAL OVERVIEW

For the year ended 31st December, 2018, the Group recorded a consolidated profit after taxation attributable to shareholders of the Company of HK$407,681,000 (2017: HK$1,255,486,000). This represents a decrease of approximately 67.53% as compared with the year 2017. Basic earnings per share amounted to 20.45 HK cents (2017: 69.44 HK cents).

Unlike the case in 2017 when results were enhanced by the recognition of a one-off gain on disposals of a joint venture and subsidiaries of the Group in an aggregate amount of HK$1,075,148,000 in respect of the Group's investments in property projects in Tianjin of China, operating profit and revenue of the Group decreased for the year 2018. Nevertheless, the Group received dividends of HK$90,393,000 (2017: HK$86,498,000) from its listed and unlisted long-term equity investments for the year under review.

As a result, the Group reported an operating profit before taxation of HK$366,207,000 for the year under review (2017: HK$2,234,167,000) after excluding an unrealized gain on fair value changes of investment properties of the Group in Shanghai, China of HK$318,311,000 (2017: HK$154,862,000) arising from market valuation as at the end of the year under review pursuant to applicable accounting standards.

OPERATIONS REVIEW

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

The property investment segment of the Group in Shanghai was the Group's primary profit maker by contributing a segment profit of HK$491,359,000 (2017: HK$328,102,000), which was derived from the steady recurrent rental and management income from the investment properties of the Group as well as the unrealized gain on fair value changes of those investment properties upon revaluation at the year-end.

As a result of recognition of gross proceeds from the property projects of the Group in Shanghai and the Macau Special Administrative Region ("Macau") of China, the property development and trading segment was the secondary profit contributor of the Group and this generated a segment profit of HK$78,985,000 (2017: HK$965,497,000).

On the other hand, apart from the securities trading business in Hong Kong making an insignificant profit, the other business segments of the Group reported losses during the year under review.

Property Development and Investment

Property development and investment in Shanghai and Macau remained the core business and the principal source of profit of the Group for the year ended 31st December, 2018 by contributing a total profit of HK$570,344,000 (2017: HK$1,293,599,000). Tomson Riviera was the prime source of operating profit of the Group.

There was a decrease in sale proceeds that could be recognized during the year under review, subsequent to completion of the disposal of subsidiaries in Tianjin in the second half of 2017. This business segment generated total revenue of HK$628,307,000 which accounted for approximately 91.75% of the gross proceeds from operations of the Group for the year 2018. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 91.53% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 0.22%. In addition, an unrealized gain on fair value changes of the investment properties of the Group in Shanghai of HK$318,311,000 was recorded at the year-end date.

Tomson Riviera, Shanghai

Tomson Riviera is a notable high-rise residential development along the riverfront of Lujiazui of Pudong and right opposite the Bund. There are four residential towers, and 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 31st December, 2018, the total residential gross floor area available for sale of Towers A and C amounted to approximately 9,000 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, about 63% were leased.

For the year 2018, total revenue of HK$480.17 million was recognized and this accounted for approximately 70.11% 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. The Group also recorded an unrealized gain on fair value changes of this property of HK$164.39 million as at the year-end date. In addition, sale deposits of HK$272.58 million were credited to the Group and such amount is expected to be recognized in 2019.

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$126.25 million to the Group and this accounted for approximately 18.44% of the gross proceeds from operations of the Group for the year 2018. The Group also recorded an unrealized gain on fair value changes of the aforesaid investment properties of HK$153.92 million in the annual results of the Group for the year 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 since 1996 and there are now less than 10 residential units and one hundred plus car parking spaces available for sale. During the year under review, the gross proceeds from these projects amounted to HK$10.83 million and this accounted for approximately 1.58% of the gross proceeds from operations of the Group. The revenue was mainly generated from sale of residential units and car parking spaces while the remainder was the rental income.

The Group also holds less than 10 car parking spaces at Xingguo Garden, the sole residential development of the Group in Puxi, for sale.

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.

All residential units were sold out and the Group retains a club house for leasing purpose. The property project generated revenue of HK$9.56 million for the year 2018, which was derived from rental income and management fee, and this accounted for approximately 1.40% 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 in Jinqiao-Zhangjiang District of 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 as agreed.

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 in order to facilitate the acquisition of the Development Project by the Group which was subsequently completed in 2016.

Initial plans were for the Tomson Portion to be developed into a low-density residential development in phases. Construction works on the first phase of the Tomson Portion (“Phase 1”) and the Development Project had been put on hold pending clearance of related planning matters due to subsequent zoning and planning adjustments.

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 in 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 materialize, 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 in 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”. In August 2017, the municipal government of Shanghai issued its consent in principle to the Proposed Planning Changes. The Group and the contracting party have been collaborating closely in negotiations with relevant government authorities, with the aim of putting into effect the adjustments under the Proposed Planning Changes in the best interests of all parties concerned.

One Penha Hill, Macau

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

This project generated insignificant revenue to the Group for the year under review and this accounted for approximately 0.22% of the gross proceeds from operations of the Group. Sale deposits of HK$11.63 million were credited to the Group and are expected to be recognized in the annual results of the Group for 2019. As at 31st December, 2018, residential gross floor area of approximately 10,600 square meters were available for sale.

Securities Trading

For the year under review, the Group's securities trading business in Hong Kong reported revenue of HK$6,735,000 and this accounted for approximately 0.98% of the gross proceeds from operations of the Group. The revenue was mainly derived from sale proceeds of the trading securities held by the Group and a net gain in securities investments held for trading of HK$674,000 (2017: HK$10,461,000) was recorded.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club, situated in Pudong of Shanghai, generated revenue of HK$40,344,000, being approximately 5.89% of the gross proceeds from operations of the Group, for the year 2018. The revenue was mainly attributable to golfing activities and the annual membership fee income was the secondary source. The drop in revenue was possibly due to government policies regulating the golfing activities in the Mainland of China and the remaining tenor of the debentures being less than ten years. As a result, the Club reported a segment loss of HK$26,877,000 for the year 2018 (2017: HK$33,734,000).

InterContinental Shanghai Pudong, Shanghai

InterContinental Shanghai Pudong hotel, situated in Lujiazui of Pudong, Shanghai, reported an average occupancy rate of approximately 78.70% in 2018. After completion of the renovation works in guest rooms on five floors in 2017, both revenue and gross operating profit improved during the year under review. The Group, which holds a 50% interest in the hotel, shared a net profit of HK$16.76 million from this investment for the year 2018 (2017: HK$12.36 million). To maintain the profitability of the hotel, the hotel management will continue to focus on controlling operating costs, increasing marketing efforts on the food and beverage operations and expanding source of clientele to further raise the occupancy rate.

Media and Entertainment Business

The Group set up its film distribution business in 2011 and has also participated in the production of live entertainment shows. For the year ended 31st December, 2018, gross revenue received and receivable from this segment amounted to HK$8,147,000 and this accounted for approximately 1.19% of the Group's gross proceeds from operations. The revenue for the year under review was mainly generated from investments in the production of live entertainment shows, principally local pop concerts. A segment loss of HK$6,836,000 (2017: HK$1,724,000) was recorded after taking account of an impairment provision in respect of the film distribution rights. The Group intends to continue in participating in investments in various live performances in 2019.

PVC Operations

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. Market conditions for this business continued to be challenging and the trading operation reported insignificant revenue which accounted for approximately 0.19% of the gross proceeds from operations of the Group for the year under review. The operation recorded a segment loss of HK$430,000 for the year 2018 (2017: HK$587,000) after recovery of bad debts.

Investment Holding

In addition to its own property development projects, 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 equity 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$11,505,000 (2017: HK$12,784,000) from RHL during the year under review and an unrealized gain on change in fair value of the investment of HK$7.67 million was credited to the investment reserve of the Group during the year 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 equity investment, and that company is principally engaged in property development and investment in Shanghai. Dividends of HK$78,888,000 (2017: HK$73,714,000) were received from such investment during the year under review.

FINANCIAL REVIEW

Liquidity and Financing Position

As at 31st December, 2018, total assets of the Group slightly increased by approximately 0.65% to HK$21,926,186,000. Equity attributable to owners of the Company was HK$13,027,057,000 in total, a decrease of approximately 1.49% while equity per share was HK$6.26, representing a decrease of approximately 10.70% from 2017 which was mainly attributable to depreciation in value of Renminbi and the issue of new shares under the Company's scrip dividend scheme for the interim dividend for 2017 during the year under review.

The Group's operations and investments for the year ended 31st December, 2018 were funded by cash on hand, and revenue from operating activities, investing activities and financing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK$4,268,775,000, an increase of approximately 15.59%. During the year under review, the Group achieved net cash inflows of HK$16,758,000 and HK$278,416,000 from its operating and investing activities respectively. After taking into account the net cash inflow of HK$428,007,000 from its financing activities, the Group recorded a net increase in cash and cash equivalents of HK$723,181,000 for the year under review (2017: HK$616,608,000). The net cash inflow was mainly attributable to the clearance of bills receivable in relation to the balance of proceeds from the disposal of subsidiaries in Tianjin of China in 2017 and new borrowings raised, but this was partly offset by placement of pledged bank deposits and repayment of borrowings during the year under review.

As at 31st December, 2018, excluding contract liabilities/receipts in advance which represented the deposits received from the sale of properties, of the liabilities of the Group of HK$8,351,733,000 (2017: HK$8,043,949,000), about 54.47% were taxation under current liabilities, about 18.00% were deferred tax liabilities, about 17.10% were borrowings while about 10.43% were trade and other payables and accruals.

The Group's borrowings as at 31st December, 2018 amounted to HK$1,428,355,000 (2017: HK$797,215,000), equivalent to approximately 10.96% (2017: 6.03%) of the equity attributable to owners of the Company at the same date. The Group did not employ any financial instruments for financing and treasury management. All of the borrowings were under security and subject to floating interest rates. Approximately 77% of the borrowings were denominated in Hong Kong Dollar while the remainder was denominated in Renminbi. Of these borrowings, approximately 33.86% were due for repayment within one year from the end of the reporting period, approximately 10.76% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 40.05% were due for repayment more than two years but not more than five years from the end of the reporting period, while the remaining 15.33% were due for repayment 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$126,800,000 (2017: HK$153,182,000) 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 31st December, 2018, the Group recorded a current ratio of 1.94 times (2017: 1.86 times) and a gearing ratio (total liabilities to equity attributable to the owners of the Company) of 66.35% (2017: 62.50%). There was no significant change in the current ratio while the rise in the gearing ratio was mainly attributable to raising of new borrowings.

Charge on Assets

As at 31st December, 2018, assets of the Group with an aggregate carrying value of HK$1,759,080,000 (2017: HK$7,306,461,000) were pledged for securing bank facilities of the Group of HK$1,428,355,000 (2017: HK$797,215,000).

Foreign Exchange Exposure

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

Contingent Liabilities

The Group had no material contingent liabilities as at 31st December, 2018 (2017: Nil).

PROSPECTS

The tightening measures imposed by the central and local governments on the real estate market in the Mainland and Macau of China remained in place, although signs of relaxation on a city-by-city basis have been reported recently. Uncertainties in the global economy emanating from the commencement of ending of quantitative easing and threatened and implemented trade wars between the biggest economies and trading blocs would impact unfavourably on the behaviour of potential purchasers of property and the consuming public as a whole. However, signs of easing of tension are emerging in the China-USA trade tariff negotiations and fiscal incentives recently announced by the central government of the Mainland should help steady an otherwise probable decline in consumer confidence. On the other hand, recent reforms of the individual income tax regime in the Mainland may have a negative impact on the deployment of expatriate staff by the multinational corporations and this might in turn affect the demand for quality apartments in the Mainland.

Noticeable efforts have been directed by the Mainland government towards the development of properties earmarked for the residential leasing market and it is therefore anticipated that with the resultant allocation of resources by government and corporate entities, this sector should see greater growth in the Mainland in the near future.

The Group has built up its reputation as a developer of high-end residential properties in the Mainland and remains optimistic about the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland. The Group will endeavour to maintain the momentum in its sale and leasing plans for the property portfolio in Shanghai and Macau. It is anticipated that Tomson Riviera and One Penha Hill will be the Group's principal sources of profit in the year 2019. In addition, investment in Jinqiao-Zhangjiang project in Pudong, Shanghai represents an important component of the Group's strategy.

In light of evolving volatility in the Hong Kong and global financial markets, 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 still be the focus of the Group's business and investment strategies, the Group will continue to explore and evaluate prudently other potential investment opportunities. However, 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 year ended 31st December, 2018, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has reviewed the Company's corporate governance practices and considers that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December, 2018 and up to the date of this annual results announcement, except that:

(a) Madam Hsu Feng takes up both the posts of Chairman of the Board and Managing Director of the Company. While this is a deviation from the CG Code, dual role leadership provides the Group with a strong and consistent leadership and allows for more effective operation of the business. The Board is of the view that adequate check and balance of power is in place. Responsibilities for the Company's daily business management are shared amongst Madam Hsu and other members of the Executive Committee of the Board. Besides, all major decisions are made in consultation with members of the Board or appropriate committees of the Board in accordance with the provisions of the code on risk management and internal control of the Company;

(b) none of the existing independent non-executive Directors of the Company are appointed for a specific term, but they are subject to retirement and re-election at least once every three years at annual general meetings of the Company pursuant to the Articles of Association of the Company (the "Articles");

(c) in accordance with the Articles, any Director of the Company appointed by the Board to fill a casual vacancy shall hold office until the next following annual general meeting of the Company instead of being subject to election by shareholders at the first general meeting of the Company after his/her appointment as stipulated in the CG Code. Such arrangement not only complies with Appendix 3 to the Listing Rules but also streamlines the mechanism of re-election of Directors so that both new Directors appointed by the Board (either for filling a 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 of Directors and nomination for re-election as well as assessing the independence of independent non-executive Directors.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR 2018

This annual 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 Annual Report 2018 of the Company will be despatched to the shareholders of the Company by the end of April 2019 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, 25th March, 2019

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.