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, 2019

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, 2019 together with comparative figures for the corresponding period of 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	Notes	**Six months ended 30th June** **2019** **HK$'000**	2018 HK$'000
Gross proceeds from operations	4&5	**474,323**	358,328
Revenue	4	**473,319**	358,328
Cost of sales		**(196,136)**	(138,459)
Gross profit		**277,183**	219,869
Other income		**68,021**	62,862
Gain on fair value changes of investment properties		**8,186**	264,623
Net gain on financial assets at fair value through profit or loss		**122**	–
Selling expenses		**(71,769)**	(56,028)
Administrative expenses		**(85,750)**	(66,338)
Other gains and losses, net	6	**15,508**	1,117
Finance costs	7	**(31,995)**	(13,877)
		179,506	412,228
Share of results of associates		**(224)**	(272)
Share of result of a joint venture		**8,547**	5,957
Profit before taxation	8	**187,829**	417,913
Taxation	9	**(120,915)**	(188,839)
Profit for the period		**66,914**	229,074
Profit for the period attributable to:			
Owners of the Company		**59,970**	227,241
Non-controlling interests		**6,944**	1,833
		66,914	229,074
Earnings per share (HK cents)	11		
– Basic		**2.93**	11.93

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

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Profit for the period	**66,914**	229,074
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from translation of:		
– subsidiaries	**(35,074)**	(143,402)
– a joint venture	**(569)**	(2,390)
– associates	**(48)**	(130)
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	**(25,610)**	5,113
Other comprehensive expense for the period	**(61,301)**	(140,809)
Total comprehensive income for the period	**5,613**	88,265
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(997)**	88,023
Non-controlling interests	**6,610**	242
	5,613	88,265

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30th June 2019 HK$'000	(Audited) 31st December 2018 HK$'000
Non-Current Assets			
Fixed assets			
– Investment properties		**7,966,572**	7,980,161
– Property, plant and equipment		**219,093**	195,998
Lease premium for land		**–**	22,753
Film distribution rights		**150**	150
Goodwill		**33,288**	33,288
Deferred tax assets		**273,396**	273,982
Interests in associates		**11,380**	11,650
Interest in a joint venture		**193,137**	185,159
Club debentures		**515**	515
Equity instruments at fair value through other comprehensive income		**408,086**	436,031
Pledged bank deposits		**609,687**	798,733
		9,715,304	9,938,420
Current Assets			
Lease premium for land		**–**	5,754
Properties under development		**3,442,691**	3,449,254
Deposit paid for land use right		**375,077**	376,104
Properties held for sale		**1,963,625**	2,117,661
Trade and other receivables and prepayments	12	**533,063**	528,963
Financial assets at fair value through profit or loss		**–**	882
Inventories		**4,630**	4,516
Pledged bank deposits		**568,505**	535,857
Bank deposits		**11,829**	700,000
Cash and bank balances		**4,344,286**	4,268,775
		11,243,706	11,987,766
Current Liabilities			
Trade and other payables and accruals	13	**803,227**	870,969
Lease liabilities		**8,012**	–
Contract liabilities		**203,777**	291,080
Taxation		**4,613,048**	4,549,148
Borrowings		**508,429**	483,682
		6,136,493	6,194,879
Net Current Assets		**5,107,213**	5,792,887
Total Assets Less Current Liabilities		**14,822,517**	15,731,307

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	(Unaudited) 30th June 2019 HK$'000	(Audited) 31st December 2018 HK$'000
Capital and Reserves		
Share capital	**985,514**	1,040,918
Share premium and reserves	**11,352,010**	11,986,139
Equity attributable to owners of the Company	**12,337,524**	13,027,057
Non-controlling interests	**262,926**	256,316
Total Equity	**12,600,450**	13,283,373
Non-Current Liabilities		
Borrowings	**803,473**	944,673
Deferred tax liabilities	**1,418,594**	1,503,261
	2,222,067	2,447,934
	14,822,517	15,731,307

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 ("HKAS") 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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2018.

In current interim period, the Group has applied for the first time, the new HKFRSs and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group's condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Except as disclosed below, the application of other new HKFRSs and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these condensed consolidated financial statements.

Summary of effects arising from initial application of HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

The Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$12,468,000 and right-of-use assets of HK$40,975,000 at 1st January, 2019.

	1st January 2019 HK$'000
Operating lease commitments disclosed as at 31st December, 2018	12,591
Lease liabilities discounted at relevant incremental borrowing rates	12,522
Less: Recognition exemption – short-term leases	(54)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1st January, 2019	12,468
Analysed as	
Current	8,171
Non-current	4,297
	12,468

The carrying amount of right-of-use assets as at 1st January, 2019 comprised the right-of-use assets relating to operating leases recognised upon application of HKFRS 16 of HK$12,468,000 and reclassification of current and non-current portions of lease premium for land of HK$5,754,000 and HK$22,753,000 respectively to right-of-use assets. Lease premium for land represented the upfront payments for leasehold land in the Mainland of the People's Republic of China (the "Mainland China") as at 31st December, 2018.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Summary of effects arising from initial application of HKFRS 16 "Leases" *(continued)*

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

	31st December 2018 HK$'000	Impacts of HKFRS 16 HK$'000	1st January 2019 HK$'000
Non-Current Assets			
Fixed assets			
– Property, plant and equipment	195,998	40,975	236,973
Lease premium for land	22,753	(22,753)	–
Current Assets			
Lease premium for land	5,754	(5,754)	–
Current Liabilities			
Lease liabilities	–	8,171	8,171
Non-Current Liabilities			
Lease liabilities	–	4,297	4,297

Impacts on change in accounting policy with respect to the repurchase of the Company's own equity instruments

With effect from 1st January, 2019, the Group changed its accounting policy to transfer the same amount deducted directly in share capital for par value from share premium instead of retained earnings to capital redemption reserve. This change in accounting policy has been accounted for retrospectively. Consequently, the comparative figures as at 1st January, 2018 has been restated and HK$16,608,000 in respect of repurchase of the Company's own equity instruments previously deducted in retained earnings were transferred to share premium.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

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

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

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

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

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

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE *(continued)*

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

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

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Revenue from sale of properties	**333,800**	193,598
Revenue from sale of goods	**668**	973
Revenue from rendering of services from golf club operations	**19,147**	18,242
Revenue from property management fee	**16,600**	19,538
Revenue from media and entertainment business	**2,796**	5,055
Revenue from contracts with customers	**373,011**	237,406
Revenue from property rental	**100,308**	120,922
Total revenue	**473,319**	358,328
Gross proceeds from sale of financial assets at FVTPL	**1,004**	–
Gross proceeds from operations	**474,323**	358,328

5. SEGMENT INFORMATION

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

	Property Investment HK$'000	Property Development and Trading HK$'000	PVC Operations HK$'000	Leisure HK$'000	Media and Entertainment HK$'000	Securities Trading HK$'000	Total HK$'000
For the six months ended 30th June, 2019							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	**116,908**	**333,800**	**668**	**19,147**	**2,796**	**1,004**	**474,323**
RESULTS							
Segment profit (loss)	**77,297**	**83,781**	**(409)**	**(6,583)**	**(750)**	**2**	**153,338**
Other unallocated income							**83,994**
Unallocated expenses							**(25,831)**
Finance costs							**(31,995)**
							179,506
Share of results of associates							**(224)**
Share of result of a joint venture							**8,547**
Profit before taxation							**187,829**

5. SEGMENT INFORMATION *(continued)*

	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, 2018							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	140,460	193,598	973	18,242	5,055	–	358,328
RESULTS							
Segment profit (loss)	360,697	40,284	81	(8,602)	(4,249)	(127)	388,084
Other unallocated income							62,815
Unallocated expenses							(24,794)
Finance costs							(13,877)
							412,228
Share of results of associates							(272)
Share of result of a joint venture							5,957
Profit before taxation							417,913

Except for the presentation of segment revenue which is different from the reported revenue in the condensed consolidated statement of profit or loss, the accounting policies of the operating segments are the same as the Group's accounting policies. The details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK$473,319,000 (2018: HK$358,328,000) are set out in Note 4.

Segment profit (loss) represents the results by each segment without allocation of central administration costs, Directors' salaries, share of results of associates and a joint venture, other income 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 **2019** **HK$'000**	2018 HK$'000
Net impairment losses (recognised) reversed on trade and other receivables	**(465)**	1,164
Net exchange gain (loss)	**15,976**	(269)
Net (loss) gain on disposal of property, plant and equipment	**(3)**	222
	15,508	1,117

7. FINANCE COSTS

	Six months ended 30th June **2019** **HK$'000**	2018 HK$'000
Interests on borrowings	**29,826**	13,877
Other finance charges	**2,169**	–
	31,995	13,877

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Profit before taxation has been arrived at		
after charging:		
Depreciation of property, plant and equipment	**13,738**	11,457
Depreciation of right-of-use assets	**7,323**	–
Amortisation of lease premium for land	**–**	3,021
Impairment of film distribution rights	**–**	3,546
and after crediting:		
Other income		
– Interest income	**45,449**	40,524
– Dividends from listed equity instruments at fair value through other comprehensive income	**10,227**	11,505

9. TAXATION

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
The charges comprise:		
Mainland China Enterprise Income Tax	**70,868**	51,419
Mainland China Land Appreciation Tax	**132,776**	85,809
Macau Complementary Tax	**3,046**	–
Withholding Tax	**6**	107,712
(Overprovision) underprovision in prior period		
– Mainland China Enterprise Income Tax	**(6,394)**	2,626
	200,302	247,566
Deferred tax credit	**(79,387)**	(58,727)
Total tax charges for the period	**120,915**	188,839

The Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the assessable profit for the period. No provision for Hong Kong Profits Tax has been made since there is no assessable profit for both periods.

The income tax rate of the subsidiaries in the Mainland China for the period ended 30th June, 2019 is 25% (2018: 25%).

The Macau Complementary Tax is levied at 12% (2018: 12%) on the taxable income for the period.

10. DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend for the period under review (for the six months ended 30th June, 2018: Nil).

In June 2019, an interim dividend of 18 HK cents per share for the year ended 31st December, 2018 (2018: interim dividend of 43 HK cents per share for 2017) amounting to approximately HK$354,785,000 (2018: HK$810,801,000) in aggregate was paid to shareholders. Of the dividend paid during 2018, approximately HK$624,946,000 were settled in fully paid shares under the Company's scrip dividend scheme approved by the Board on 27th March, 2018.

11. EARNINGS PER SHARE

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

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	**59,970**	227,241
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,047,344,749**	1,904,017,110

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit term of the Group given to trade customers is 60 days. A longer credit period may be granted to customers with long business relationship. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risks.

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

	30th June 2019 HK$'000	31st December 2018 HK$'000
0 – 3 months	**2,069**	4,112
4 – 6 months	**–**	7
7 – 12 months	**3,450**	1,137
	5,519	5,256

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30th June 2019 HK$'000	31st December 2018 HK$'000
0 – 3 months	**2,790**	4,171
4 – 6 months	**170**	15
7 – 12 months	**106**	26
Over 1 year	**119,849**	121,893
	122,915	126,105

GENERAL OVERVIEW

For the first half of 2019, the Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK$59,970,000 (2018: HK$227,241,000), a decrease of approximately 73.61% as compared with that for the corresponding period in 2018. Basic earnings per share was 2.93 HK cents (2018: 11.93 HK cents).

The reduction in the results of the Group for the period under review was mainly attributable to lower fair value changes of the investment properties of the Group in Shanghai, the People's Republic of China ("China") arising from market valuation pursuant to applicable accounting standards. Unlike the case in the corresponding period in 2018 when there was an unrealized gain on fair value changes of the investment properties of the Group of HK$264,623,000, the gain on fair value changes only amounted to HK$8,186,000 for the period under review in view of the current market sentiment. Excluding the changes in revaluation of the investment properties, the Group reported an operating profit before taxation of HK$171,320,000 for the period under review (2018: HK$147,605,000), an increase of approximately 16.07% as compared with that for the corresponding period in 2018. Both the gross proceeds from operations and gross profit of the Group showed improvement.

The Board of the Company does not recommend payment of an interim dividend for the six months ended 30th June, 2019 (interim dividend for the six months ended 30th June, 2018: Nil).

OPERATIONS REVIEW

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

For the first six months of 2019, property development and trading segment was the primary profit maker of the Group and this generated a segment profit of HK$83,781,000 (2018: HK$40,284,000) which was attributable to the sale of properties in Shanghai and the Macao Special Administrative Region ("Macau") of China.

Property investment segment reported a segment profit of HK$77,297,000 (2018: HK$360,697,000), which was attributable to the rental and management income from the investment properties of the Group in Shanghai as well as the unrealized gain on fair value changes of these investment properties upon revaluation at the period-end. This segment became the secondary profit contributor of the Group.

In addition, apart from the securities trading business in the Hong Kong Special Administrative Region ("Hong Kong") of China which reported an insignificant profit, the other business segments of the Group reported losses during the period under review.

Property Development and Investment

Property development and investment in Shanghai and Macau remained the core business and the principal source of profit of the Group for the period under review by contributing a total profit of HK$161,078,000 (2018: HK$400,981,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK$450,708,000 which accounted for approximately 95.02% of the gross proceeds from operations of the Group for the six months ended 30th June, 2019. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 83.96% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 11.06%. In addition, an unrealized gain on fair value changes of the investment properties of the Group in Shanghai of HK$8,186,000 was recorded at the period-end date.

Tomson Riviera, Shanghai

Tomson Riviera comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund. 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, 2019, the total residential gross floor area available for sale of Towers A and C was approximately 6,700 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, around 58% were leased.

For the first six months of 2019, the project recognized total revenue of HK$337.09 million which represented approximately 71.07% of the gross proceeds from operations of the Group. The revenue was principally attributable to sale proceeds with the rest derived from rental income and management fee. In addition, there were sale deposits of HK$187.34 million credited to the Group and such amount will be recognized in the results of the Group upon delivery of the properties to the buyers.

Commercial and Industrial Buildings, Shanghai

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, which comprised, inter alia, Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park, the commercial podium of Tomson Business Centre and the office premises on the entire 72nd Floor of Shanghai World Financial Center, provided a steady recurrent revenue of HK$55.57 million to the Group and this accounted for approximately 11.71% 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 the aforesaid investment properties of HK$8.19 million in its results for the period under review.

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.

The Group derived income from the residential project of an aggregate of HK$4.61 million for the period under review which was attributable to the property management and the leasing of a club house and this accounted for approximately 0.97% of the gross proceeds from operations of the Group.

The Group agreed to sell the club house, the remaining gross floor area available for sale of the project, after the period under review and it is expected that the transaction will be completed in the third quarter of 2019.

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 ten residential units and one hundred plus car parking spaces available for sale. During the period under review, the project recognized revenue of HK$0.98 million from leasing of the residential units which represented approximately 0.21% of the gross proceeds from operations of the Group.

Jinqiao-Zhangjiang Project, Shanghai

In September 2010, the Company acquired through its 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 to facilitate the acquisition of the Development Project by the Group and this acquisition 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 have 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 a luxury residential condominium development project, namely One Penha Hill, at Penha Hill within a designated World Heritage Zone of Macau. For the first six months of 2019, the project recognized sale proceeds of HK$52.46 million and this accounted for approximately 11.06% of the gross proceeds from operations of the Group. As at 30th June, 2019, residential gross floor area of approximately 10,200 square meters were available for sale. Sale deposits of HK$10.65 million were credited to the Group 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$1,004,000 and this accounted for around 0.21% of the gross proceeds from operations of the Group. The revenue was solely derived from sale proceeds of the trading securities held by the Group. A net gain on securities investments held for trading of HK$122,000 was reported for the six months ended 30th June, 2019 (2018: Nil).

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club generated revenue of HK$19,147,000, being approximately 4.04% of the gross proceeds from operations of the Group, and reported gross profit of HK$5.69 million for the six months ended 30th June, 2019. The revenue of the Club was mainly derived from golfing activities. A segment loss of HK$6,583,000 was resulted for the period under review (2018: HK$8,602,000) after making provision for depreciation of fixed assets.

InterContinental Shanghai Pudong, Shanghai

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel. The hotel reported an average occupancy rate of approximately 76% during the period under review. The operating profit improved during the period under review and was better than budget. The Group shared a net profit of HK$8.55 million from this investment for the period under review (2018: HK$5.96 million). It is expected that operations of the hotel may face challenges in 2019 under the impact of the trade dispute between China and USA on investment sentiments and consumer spending in the Mainland of China.

Media and Entertainment Business

The Group has participated in the production of live entertainment shows for years and also set up its film distribution business in 2011. Gross revenue received and receivable from this segment amounted to HK$2,796,000 and this accounted for approximately 0.59% of gross proceeds from operations of the Group during the first six months of 2019. The revenue for the period under review was mainly generated from investments in production of live entertainment shows and a segment loss of HK$750,000 (2018: HK$4,249,000) was recorded.

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 have been unfavourable and in the first half of 2019, the trading operation reported insignificant revenue, which accounted for approximately 0.14% of the gross proceeds from operations of the Group, and recognized a segment loss of HK$409,000 (2018: segment profit of HK$81,000).

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 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$10,227,000 from RHL during the period under review (2018: HK$11,505,000). An unrealized loss on change in fair value of such investment of HK$20.45 million was charged to the investment reserve of the Group in 2019 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. The company is principally engaged in property development and investment in Shanghai.

FINANCIAL REVIEW

Liquidity and Financing

The Group's operations and investments for the six months ended 30th June, 2019 were mainly funded by cash on hand, and revenue from investing, financing and operating activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK$4,344,286,000 (2018: HK$4,064,910,000). During the period under review, the Group generated net cash inflows of HK$31,010,000 and HK$896,151,000 from its operating and investing activities respectively. Taking into account the net cash outflow of HK$838,837,000 from financing activities, the Group recorded a net increase in cash and cash equivalents of HK$88,324,000 (2018: HK$407,675,000). The net cash inflow for the period under review was mainly attributable to withdrawal of time deposits with original maturity over three months and pledged bank deposits, and new borrowings raised but this was partly offset by repayment of borrowings and the Company's dividend payment and buy-back of its own shares.

As at 30th June, 2019, excluding contract liabilities which represented the deposits received from the sale of properties, of the liabilities of the Group of HK$8,154,783,000 (31st December, 2018: HK$8,351,733,000), about 56.57% were taxation under current liabilities, about 17.39% were deferred tax liabilities, about 16.09% were borrowings and about 9.85% were trade and other payables and accruals. The remainder was lease liabilities.

The Group's borrowings as at 30th June, 2019 amounted to HK$1,311,902,000 (31st December, 2018: HK$1,428,355,000), equivalent to 10.63% (31st December, 2018: 10.96%) 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 75.07% of the borrowings were denominated in Hong Kong Dollar while the remainder was denominated in Renminbi. Of these borrowings, approximately 38.76% were due for repayment within one year from the end of the reporting period, approximately 38.39% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 6.24% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 16.61% 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$125,098,000 (31st December, 2018: HK$126,800,000) which were contracted but not provided for. The Group anticipates that these commitments will be funded from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 30th June, 2019, the Group recorded a current ratio of 1.83 times (31st December, 2018: 1.94 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 67.75% (31st December, 2018: 66.35%). There was no significant change in the current ratio and gearing ratio.

Charge on Assets

As at 30th June, 2019, assets of the Group with an aggregate carrying value of HK$1,601.63 million (31st December, 2018: HK$1,759.08 million) were pledged for securing bank facilities of the Group.

Foreign Exchange Exposure

The majority of the Group's assets and liabilities are denominated in Renminbi, and the liabilities are well covered by the assets. The depreciation in value of Renminbi may have an adverse impact on the results and net asset value of the Group. 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

At the end of the reporting period, the Group had no material contingent liabilities (31st December, 2018: Nil).

PROSPECTS

Uncertainties in the global economy emanating from the threatened and implemented trade wars between the biggest economies and trading blocs have an unfavourable impact on the behaviour of potential purchasers of properties and the consuming public as a whole. The prolonged China-USA trade tariff negotiations further dampen investment sentiments. In addition, the reform of the individual income tax regime in the Mainland of China may have a negative impact on the deployment of expatriate staff by multinational corporations and this might in turn affect the demand for quality apartments in the Mainland.

The Group remains optimistic about the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland though 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. 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, the investment in Jinqiao-Zhangjiang project in Pudong, Shanghai represents an important component of the Group's property development and investment segment.

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

In light of volatility in the Hong Kong and global financial markets and economic conditions, the Group will be conservative in its securities trading business with an emphasis on investment in securities with steady recurrent yield.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2019, the Company repurchased a total of 110,808,000 issued shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (before transaction cost) of HK$333,011,060. All the repurchased shares were cancelled during the six months ended 30th June, 2019.

Particulars of the repurchases are as follows:

Month of repurchases	Number of shares repurchased	Price paid per share		Aggregate consideration (before transaction cost)
		Highest	Lowest	
		HK$	HK$	HK$
March	6,680,000	2.86	2.68	18,537,240
April	62,350,000	3.20	2.95	189,843,640
May	41,778,000	3.14	2.78	124,630,180
	110,808,000			333,011,060

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2019.

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 (the "Listing Rules") throughout the period of six months ended 30th June, 2019, 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 INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

This interim results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at https://www.hkexnews.hk and on the Company's website at http://www.tomson.com.hk. The Interim Report 2019 of the Company will be despatched to the shareholders of the Company by the end of September 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, 28th August, 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.