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, 2020

The Board of Directors (the "Board") of Tomson Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2020 together with comparative figures for the corresponding period of 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	Notes	**Six months ended 30th June** **2020** **HK$'000**	2019 HK$'000
Gross proceeds from operations	4&5	**308,760**	474,323
Revenue	4	**308,760**	473,319
Cost of sales		**(152,857)**	(196,136)
Gross profit		**155,903**	277,183
Other income		**59,315**	68,021
(Loss) gain on fair value changes of investment properties		**(41,606)**	8,186
Net (loss) gain on financial assets at fair value through profit or loss		**(5,930)**	122
Selling expenses		**(46,887)**	(71,769)
Administrative expenses		**(52,823)**	(85,750)
Other gains and losses, net	6	**(7,244)**	15,508
Finance costs	7	**(24,479)**	(31,995)
		36,249	179,506
Share of results of associates		**(357)**	(224)
Share of result of a joint venture		**(7,944)**	8,547
Profit before taxation	8	**27,948**	187,829
Taxation	9	**(18,374)**	(120,915)
Profit for the period		**9,574**	66,914
Profit for the period attributable to:			
Owners of the Company		**5,718**	59,970
Non-controlling interests		**3,856**	6,944
		9,574	66,914
Earnings per share (HK cents)	11		
– Basic		**0.29**	2.93

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

	Six months ended 30th June	
	2020	2019
	HK$'000	HK$'000
Profit for the period	**9,574**	66,914
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising from translation of:		
– subsidiaries	**(226,772)**	(35,074)
– a joint venture	**(3,830)**	(569)
– associates	**(38)**	(48)
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income (net of tax)	**(37,650)**	(25,610)
Other comprehensive expense for the period	**(268,290)**	(61,301)
Total comprehensive (expense) income for the period	**(258,716)**	5,613
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(259,074)**	(997)
Non-controlling interests	**358**	6,610
	(258,716)	5,613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) 30th June 2020 HK$'000**	(Audited) 31st December 2019 HK$'000
Non-Current Assets			
Fixed assets			
– Investment properties		**7,644,579**	7,846,533
– Property, plant and equipment		**253,800**	202,375
Goodwill		**33,288**	33,288
Deferred tax assets		**34,971**	35,503
Interests in associates		**10,867**	11,259
Interest in a joint venture		**172,542**	184,316
Club debentures		**515**	515
Equity instruments at fair value through other comprehensive income		**342,232**	389,399
Pledged bank deposits		**35,873**	627,778
Other receivables		**2,524**	–
		8,531,191	9,330,966
Current Assets			
Properties under development		**3,994,567**	3,388,166
Deposit paid for land use right		**–**	368,994
Properties held for sale		**1,690,143**	1,828,696
Trade and other receivables and prepayments	12	**211,250**	519,034
Tax recoverable		**–**	187,179
Financial assets at fair value through profit or loss		**97,798**	–
Inventories		**4,319**	4,046
Pledged bank deposits		**843,373**	559,284
Bank deposits		**11,395**	11,638
Cash and bank balances		**3,265,173**	3,654,035
		10,118,018	10,521,072
Current Liabilities			
Trade and other payables and accruals	13	**671,804**	766,198
Lease liabilities		**8,286**	4,297
Contract liabilities		**92,004**	277,192
Taxation		**3,523,753**	3,605,848
Borrowings		**719,956**	508,208
		5,015,803	5,161,743
Net Current Assets		**5,102,215**	5,359,329
Total Assets Less Current Liabilities		**13,633,406**	14,690,295

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	(Unaudited) 30th June 2020 HK$'000	(Audited) 31st December 2019 HK$'000
Capital and Reserves		
Share capital	**985,512**	985,512
Share premium and reserves	**10,798,026**	11,273,913
Equity attributable to owners of the Company	**11,783,538**	12,259,425
Non-controlling interests	**312,746**	312,388
Total Equity	**12,096,284**	12,571,813
Non-Current Liabilities		
Other payables	**12,514**	14,166
Lease liabilities	**15,388**	–
Borrowings	**288,828**	785,302
Deferred tax liabilities	**1,220,392**	1,319,014
	1,537,122	2,118,482
	13,633,406	14,690,295

Notes:

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those presented in the Group's annual financial statements for the year ended 31st December, 2019.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied "the Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group's condensed consolidated financial statements.

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

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

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

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

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

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

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

Gross proceeds from operations include the gross proceeds 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	
	2020	2019
	HK$'000	HK$'000
Revenue from sale of properties	**185,811**	333,800
Revenue from sale of goods	**69**	668
Revenue from rendering of services from golf club operations	**14,730**	19,147
Revenue from property management fee	**17,551**	16,600
Revenue from media and entertainment business	**3,145**	2,796
Revenue from contracts with customers	**221,306**	373,011
Revenue from lease payments that are fixed	**87,454**	100,308
Total revenue	**308,760**	473,319
Gross proceeds from sale of financial assets at FVTPL	–	1,004
Gross proceeds from operations	**308,760**	474,323

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, 2020							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	**105,005**	**185,811**	**69**	**14,730**	**3,145**	**–**	**308,760**
RESULTS							
Segment profit (loss)	**21,731**	**24,679**	**(333)**	**(5,302)**	**(627)**	**(6,034)**	**34,114**
Other unallocated income							**59,315**
Unallocated expenses							**(32,701)**
Finance costs							**(24,479)**
							36,249
Share of results of associates							**(357)**
Share of result of a joint venture							**(7,944)**
Profit before taxation							**27,948**
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

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$308,760,000 (2019: HK$473,319,000) 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	
	2020	2019
	HK$'000	HK$'000
Net impairment losses reversed (recognised) on trade and other receivables	**917**	(465)
Net exchange (loss) gain	**(8,122)**	15,976
Net loss on disposal of property, plant and equipment	**(39)**	(3)
	(7,244)	15,508

7. FINANCE COSTS

	Six months ended 30th June	
	2020	2019
	HK$'000	HK$'000
Interests on borrowings	**24,234**	29,826
Other finance charges	**245**	2,169
	24,479	31,995

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2020	2019
	HK$'000	HK$'000
Profit before taxation has been arrived at		
after charging:		
Depreciation of property, plant and equipment	**11,808**	13,738
Depreciation of right-of-use assets	**6,409**	7,323
and after crediting:		
Other income		
– Interest income	**29,982**	45,449
– Dividends from listed equity instruments at fair value through other comprehensive income	**10,227**	10,227

9. TAXATION

	Six months ended 30th June	
	2020	2019
	HK$'000	HK$'000
The charges comprise:		
The Mainland of the People's Republic of China (the "Mainland China") Enterprise Income Tax	**38,338**	70,868
Mainland China Land Appreciation Tax	**96,123**	132,776
Macau Complementary Tax	**–**	3,046
Withholding Tax	**–**	6
Overprovision in prior period		
– Macau Complementary Tax	**(209)**	–
– Mainland China Enterprise Income Tax	**(5,028)**	(6,394)
– Dividend Withholding Tax	**(42,536)**	–
	86,688	200,302
Deferred tax credit	**(68,314)**	(79,387)
Total tax charges for the period	**18,374**	120,915

The Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the assessable profit for the period. No provision for Hong Kong Profits Tax has been made since there was no assessable profit for both periods.

The income tax rate of the subsidiaries in the Mainland China for the period ended 30th June, 2020 is 25% (2019: 25%).

The Macau Complementary Tax is levied at 12% (2019: 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, 2019: Nil).

In June 2020, an interim dividend of 11 HK cents per share for the year ended 31st December, 2019 (2019: interim dividend of 18 HK cents per share for 2018) amounting to approximately HK$216,813,000 (2019: HK$354,785,000) in aggregate was paid to shareholders.

11. EARNINGS PER SHARE

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

	Six months ended 30th June	
	2020	2019
	HK$'000	HK$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**5,718**	59,970
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,971,025,125**	2,047,344,749

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 2020	31st December 2019
	HK$'000	HK$'000
0 – 3 months	**1,594**	1,025
4 – 6 months	**–**	–
7 – 12 months	**693**	10
	2,287	1,035

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	30th June 2020	31st December 2019
	HK$'000	HK$'000
0 – 3 months	**3,333**	8,292
4 – 6 months	**–**	81
7 – 12 months	**29**	–
Over 1 year	**102,035**	102,815
	105,397	111,188

GENERAL OVERVIEW

For the first half of 2020, the Group reported a consolidated profit after taxation attributable to shareholders of the Company of HK$5,718,000 (2019: HK$59,970,000), a significant decrease of approximately 90.47% as compared with that for the corresponding period in 2019. Basic earnings per share was 0.29 HK cent (2019: 2.93 HK cents).

There was a decrease in both the gross proceeds from operations and gross profit of the Group for the period under review. It was mainly attributable to a drop in the revenue generated from sale and leasing of the properties of the Group. Gross proceeds from property development and investment business amounted to HK$290,816,000 (2019: HK$450,708,000). The results were further affected by an unrealized loss on fair value changes of the investment properties of the Group in Shanghai, the People's Republic of China ("China") of HK$41,606,000 (2019: gain of HK$8,186,000) arising from market valuation pursuant to applicable accounting standards. Excluding the changes in revaluation of the investment properties, the Group reported an operating profit before taxation of HK$77,855,000 for the period under review (2019: HK$171,320,000), a decrease of approximately 54.56% as compared with that for the corresponding period in 2019.

The Board of the Company does not recommend payment of an interim dividend for the six months ended 30th June, 2020 (interim dividend for the six months ended 30th June, 2019: Nil).

OPERATIONS REVIEW

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

For the first six months of 2020, the property development and trading segment was the primary profit maker of the Group and this contributed a segment profit of HK$24,679,000 (2019: HK$83,781,000) which was attributable to the sale of properties in Shanghai and the Macao Special Administrative Region ("Macau") of China.

The property investment segment reported a segment profit of HK$21,731,000 (2019: HK$77,297,000), which was attributable to the rental and management income from the investment properties of the Group in Shanghai but it was partly offset by an unrealized loss on fair value changes of these investment properties upon revaluation at the period-end. This segment was the secondary profit contributor of the Group.

All 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$46,410,000 (2019: HK$161,078,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK$290,816,000 which accounted for approximately 94.19% of the gross proceeds from operations of the Group for the six months ended 30th June, 2020. There was a decrease in the revenue, especially in terms of the recognized sale proceeds, during the period under review. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 93.67% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 0.52%. However, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai of HK$41,606,000 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, 2020, the total residential gross floor area available for sale of Towers A and C was approximately 6,400 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, around 61% were leased.

For the first six months of 2020, the project recognized total revenue of HK$236.56 million which represented approximately 76.62% 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$92.00 million credited to the Group and such amount is expected to be recognized in the annual results of the Group for 2020 upon delivery of the properties to the buyers. The Group also recorded an unrealized loss on fair value changes of the project of HK$24.85 million in its results for the period under review.

Commercial and Industrial Buildings, Shanghai

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, which comprised, inter alia, Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park, the commercial podium of Tomson Business Centre and the office premises on the entire 72nd Floor of Shanghai World Financial Center, provided a steady recurrent revenue of HK$48.88 million to the Group and this accounted for approximately 15.83% of the gross proceeds from operations of the Group for the period under review. A rental concessions plan was set up to alleviate the burden of certain appropriate tenants under the impact of the outbreak of COVID-19. The Group also recorded an unrealized loss on fair value changes of the aforesaid investment properties of HK$16.76 million in its results for the period under review.

Miscellaneous Residential Developments in Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong since 1996 and there are now less than ten residential units and one hundred plus car parking spaces available for sale. During the period under review, the project recognized revenue of HK$0.36 million from leasing of the residential units which represented approximately 0.11% of the gross proceeds from operations of the Group.

In addition, the Group derived income of HK$3.42 million from the property management of Tomson Riviera Garden for the period under review and this accounted for approximately 1.11% of the gross proceeds from operations of the Group. Tomson Riviera Garden, which was developed by a 70%-owned subsidiary of the Company, is a low-density residential project adjacent to Tomson Shanghai Pudong Golf Club and the Group has sold out all the residential units, the commercial area and the club house of the project.

Jinqiao-Zhangjiang Project, Shanghai

As disclosed in an announcement of the Company on 10th January, 2020, the Group entered into a conditional agreement (the "Supplemental Framework Agreement") that day with Shanghai Pudong Land Holding (Group) Co. Ltd. ("SPLH"), a state-owned enterprise established in China, to amend and vary the terms of various agreements made with SPLH between 2001 and July 2016 (collectively the "Transaction Agreements") in relation to a property development project in Jinqiao-Zhangjiang District of Pudong and adjacent to Tomson Shanghai Pudong Golf Club in order to cope with the proposed adjustment and change to the development plan of Zhangjiabang Wedge-shaped Green Area in Pudong, which was published by the Pudong New Area Planning and Land Authority of Shanghai on its website on 11th January, 2017 and covers the portion located in Jinqiao-Zhangjiang District of Pudong and north of a stream named Zhangjiabang (the "Northern Portion"). Pursuant to the Supplemental Framework Agreement, it was agreed, inter alia, that (i) three land lots with aggregate site area of approximately 328,687.5 square meters located within the Northern Portion for residential purpose (the "Revised Portions") were adjusted to the Group. As compared to the aggregate site area of the land lots for residential purpose originally planned to be delivered under the Transaction Agreements, there is a slight decrease in aggregate site area of 298.7 square meters; and (ii) a plot of land with a site area of approximately 422,174.6 square meters (the "Sports Portion") for landscaping and sports facilities purposes, which was agreed to be acquired under the Transaction Agreements, was not delivered to the Group as certain land lots (including the Sports Portion) within the Northern Portion have been planned and varied as land for public welfare and will be resumed by the local government for development by the relevant government authorities and/or any entity authorised by the government authorities in the Mainland of China. All previous agreements under the Transaction Agreements in relation to the acquisition of the Sports Portion were cancelled.

In addition, the Company executed a guarantee (the "Guarantee") in favour of SPLH on 10th January, 2020 to undertake, inter alia, not to transfer any rights in relation to the Revised Portions.

The transactions contemplated under the Supplemental Framework Agreement and the Guarantee (the "Transactions") constituted connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") between the Group and SPLH, which is a substantial shareholder of a non-wholly owned subsidiary of the Company, on normal commercial terms. The Board had approved the terms of the Supplemental Framework Agreement and the Guarantee, and the independent non-executive Directors of the Company had confirmed that they believed the terms of the Supplemental Framework Agreement and the Guarantee were fair and reasonable, the Transactions were on normal commercial terms and the entering into of the Supplemental Framework Agreement and the Guarantee were in the interests of the Company and its shareholders as a whole. Accordingly, the Transactions were exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

Real estate ownership certificates of the Revised Portions were obtained in June 2020. The Group is proceeding with preparatory works for the development of the Revised Portions. It is planned that the Revised Portions will be developed in three phases and the construction works of the first phase will commence by the end of 2020.

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 2020, the project recognized sale proceeds of HK$1.60 million and this accounted for approximately 0.52% of the gross proceeds from operations of the Group. As at 30th June, 2020, residential gross floor area of approximately 10,000 square meters were available for sale.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club in Pudong generated revenue of HK$14,730,000, being approximately 4.77% of the gross proceeds from operations of the Group, and reported gross profit of HK$5.63 million for the six months ended 30th June, 2020. The revenue was mainly derived from golfing activities of the Club and the annual membership fee was the secondary source of income. The Club was closed for operation from late January 2020 owing to the outbreak of COVID-19 and has fully resumed normal operation since the end of April 2020. A segment loss for the Club of HK$5,302,000 was recorded for the period under review (2019: HK$6,583,000) after making provision for depreciation of fixed assets.

<u>InterContinental Shanghai Pudong, Shanghai</u>

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel in Lujiazui of Pudong. The hotel reported an average occupancy rate of approximately 21% during the period under review under the impact of the outbreak of COVID-19. The operation reported loss during the period under review and the Group shared a net loss of HK$7.94 million from this investment (2019: profit of HK$8.55 million). It is expected that the operations of the hotel will face challenges in 2020 under the impact of the dispute between China and the USA on investment sentiments and consumer spending in the Mainland of China and the travel restriction owing to the pandemic outbreak.

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$3,145,000 and this accounted for approximately 1.02% of gross proceeds from operations of the Group during the first six months of 2020. The revenue for the period under review was solely generated from investments in production of live entertainment shows and a segment loss of HK$627,000 (2019: HK$750,000) was recorded.

PVC Operations

With the intention of capitalizing 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. In the first half of 2020, the trading operation reported insignificant revenue, which accounted for approximately 0.02% of the gross proceeds from operations of the Group, and recorded a segment loss of HK$333,000 (2019: HK$409,000). Market conditions have been unfavourable and the management has planned to close down this business to focus the Group’s resources on its property development and investment business.

Securities Trading

For the period under review, the Group did not recognize any gross proceeds from disposal of or dividend income from its securities trading business in the Hong Kong Special Administrative Region (“Hong Kong”) of China. An unrealized net loss on securities investments held for trading of HK$5,930,000 (2019: gain of HK$122,000) was reported. As at 30th June, 2020, the Group held listed trading securities investments of an aggregate fair value of HK$97,798,000, representing approximately 0.52% of the total assets of the Group.

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 (2019: HK$10,227,000). An unrealized loss on change in fair value of such investment of HK$25.57 million was charged to the investment reserve of the Group in 2020 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. An unrealized loss on change in fair value of such investment of HK$16.11 million was charged to the investment reserve of the Group in 2020 pursuant to applicable accounting standards.

As at 30th June, 2020, the aggregate fair value of the above equity investments amounted to HK$341.93 million, representing approximately 1.83% of the Group's total assets.

FINANCIAL REVIEW

Liquidity and Financing

The Group's operations and investments for the six months ended 30th June, 2020 were mainly funded by cash on hand, revenue from investing and operating activities, and bank borrowings.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK$3,265,173,000 (2019: HK$4,344,286,000). During the period under review, the Group generated net cash inflows of HK$271,466,000 from its investing activities. Taking account of the net cash outflow of HK$91,037,000 and HK$524,832,000 from its operating and financing activities respectively, the Group recorded a net decrease in cash and cash equivalents of HK$344,403,000 (2019: increase of HK$88,324,000). The net cash outflow for the period under review was mainly attributable to the Group's repayment of borrowings and the Company's dividend payment but this was partly offset by withdrawal of pledged bank deposits and new borrowings raised.

As at 30th June, 2020, excluding contract liabilities which represented the deposits received from sale of properties, of the liabilities of the Group of HK$6,460,921,000 (31st December, 2019: HK$7,003,033,000), about 54.54% were taxation under current liabilities, about 18.89% were deferred tax liabilities, about 15.61% were borrowings and about 10.59% were trade and other payables and accruals. The remainder was lease liabilities.

The Group's borrowings as at 30th June, 2020 amounted to HK$1,008,784,000 (31st December, 2019: HK$1,293,510,000), equivalent to 8.56% (31st December, 2019: 10.55%) 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 borrowings were under security and subject to floating interest rates. Approximately 70.07% of the borrowings were denominated in Hong Kong Dollar while the remainder was denominated in Renminbi. Of these borrowings, approximately 71.37% were due for repayment within one year from the end of the reporting period, approximately 2.61% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 7.82% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 18.20% 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$135,773,000 (31st December, 2019: HK$122,585,000) while it had no commitments in relation to property, plant and equipment (31st December, 2019: HK$43,056,000). All these commitments 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, 2020, the Group recorded a current ratio of 2.02 times (31st December, 2019: 2.04 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 55.61% (31st December, 2019: 59.38%). There was no significant change in the current ratio and gearing ratio.

Charge on Assets

As at 30th June, 2020, assets of the Group with an aggregate carrying value of HK$1,287.28 million (31st December, 2019: HK$1,603.63 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. All the other assets and liabilities of the Group are denominated in either Hong Kong Dollar or United States Dollar. Hence, the Group anticipates that the exchange risk exposure is manageable.

Contingent Liabilities

At the end of the reporting period, the Group had no material contingent liabilities (31st December, 2019: Nil).

PROSPECTS

The recent disputes between the two biggest economies in the world and the outbreak of COVID-19 have inflicted serious blows and disruptions to economic, business and social activities world-wide. The mid-term repercussions on the operations of the Group have yet to be assessed in light of the fluidity of the evolving situation. In addition to the reform of the individual income tax regime in the Mainland of China that became effective from 2019, the tense relations between China and the USA may dampen foreign investment sentiments in the Mainland of China and 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 outbreak of COVID-19 may further increase pressure on the leasing and sales markets of the property sector in the Mainland owing to the global travel restriction and the adverse effects on business activities.

The Group remains optimistic about the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland of China in the long run. The Group will endeavour to maintain the momentum in its sale and leasing plans for the property portfolio in Shanghai and Macau. It is anticipated that Tomson Riviera and One Penha Hill will be the Group's principal sources of profit in the year 2020. At the same time, the Group is actively preparing the commencement of the construction works of the first phase of Jinqiao-Zhangjiang project in Pudong, Shanghai within 2020 and it is anticipated that this project will form an important component of the Group's property development and investment segment.

In light of volatility in the Hong Kong and global financial markets and economic conditions, the management will continue to adopt a conservative approach in managing the securities trading portfolio of the Group, with an emphasis on securities with steady recurrent yield. Whilst property development and investment will remain the focus of the Group's business and investment strategies, the Group will continue to explore and evaluate prudently other potential investment opportunities. It will be the objective of the Group to maintain an optimum balance in the allocation of its resources both geographically and in different business segments.

The scope and intensity of the outbreak of COVID-19 worldwide has created disruptions and uncertainties in economic and business activities of populations in the countries affected. The extent to which national and global economies and financial markets would be adversely impacted would be difficult to predict with any accuracy at this stage. The Group will continue to monitor the situation closely and any financial impact on the operations of the Group, should this happen, would be reflected in the annual financial statements of the Group for the year 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2020, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company considers that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the period of six months ended 30th June, 2020, 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, 2020

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 2020 of the Company will be despatched to the shareholders of the Company by the end of September 2020 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, 2020

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