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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, 2021

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, 2021 together with comparative figures for the corresponding year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31st December	
		2021	2020
		HK\$'000	HK\$'000
Gross proceeds from operations	4&5	787,012	936,303
Revenue	4	779,066	929,947
Cost of sales		(102,602)	(426,591)
Gross profit		676,464	503,356
Net gain (loss) on financial assets at fair value through profit or loss		12,838	(7,070)
Other income		163,245	235,062
Other gains and losses	6	10,960	16,817
Selling expenses		(120,368)	(143,393)
Administrative expenses		(129,619)	(145,012)
Loss on fair value changes of investment properties		(3,540)	(12,329)
Finance costs	7	(22,270)	(40,716)
		587,710	406,715
Share of results of associates		(552)	2,598
Share of result of a joint venture		1,342	(2,552)
Profit before taxation	8	588,500	406,761
Taxation	9	(297,027)	(226,639)
Profit for the year		291,473	180,122
Profit for the year attributable to:			
Owners of the Company		283,448	174,993
Non-controlling interests		8,025	5,129
		291,473	180,122
Earnings per share (HK cents)	11		
– Basic		14.38	8.88

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	Year ended 31st December	
	2021	2020
	HK\$'000	HK\$'000
Profit for the year	291,473	180,122
	<hr/>	<hr/>
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising from translation of:		
– subsidiaries	401,881	659,685
– a joint venture	6,065	10,378
– associates	284	375
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income (net of deferred tax)	35,264	10,814
	<hr/>	<hr/>
Other comprehensive income for the year	443,494	681,252
	<hr/>	<hr/>
Total comprehensive income for the year	734,967	861,374
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:		
Owners of the Company	720,714	846,030
Non-controlling interests	14,253	15,344
	<hr/>	<hr/>
	734,967	861,374
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31st December	
		2021 HK\$'000	2020 HK\$'000
Non-Current Assets			
Fixed assets			
– Investment properties		8,598,847	8,311,639
– Property, plant and equipment		229,732	258,202
Goodwill		33,288	33,288
Deferred tax assets		–	37,941
Interests in associates		13,962	14,225
Interest in a joint venture		183,147	175,740
Club debentures		515	515
Equity instruments at fair value through other comprehensive income		293,452	408,816
Pledged bank deposit		84,172	218,721
Other receivable		2,361	2,361
		9,439,476	9,461,448
Current Assets			
Properties under development		4,734,530	4,348,666
Properties held for sale		1,573,112	1,547,246
Trade and other receivables and prepayments	12	222,781	297,962
Financial assets at fair value through profit or loss		101,593	90,302
Inventories		3,754	4,212
Pledged bank deposits		–	912,755
Bank deposit		13,490	13,039
Cash and bank balances		4,445,869	3,711,525
		11,095,129	10,925,707
Current Liabilities			
Trade and other payables and accruals	13	709,464	732,465
Lease liabilities		7,536	7,645
Contract liabilities		208,603	46,874
Tax liabilities		4,200,054	4,105,724
Borrowings		29,433	735,263
		5,155,090	5,627,971
Net Current Assets		5,940,039	5,297,736
Total Assets Less Current Liabilities		15,379,515	14,759,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31st December	
	2021	2020
	HK\$'000	HK\$'000
Capital and Reserves		
Share capital	985,512	985,512
Share premium and reserves	12,515,438	11,903,130
Equity attributable to owners of the Company	13,500,950	12,888,642
Non-controlling interests	337,485	327,732
Total Equity	13,838,435	13,216,374
Non-Current Liabilities		
Other payables	23,194	12,541
Lease liabilities	4,209	11,745
Borrowings	264,900	284,495
Deferred tax liabilities	1,248,777	1,234,029
	1,541,080	1,542,810
	15,379,515	14,759,184

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, 2021.

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")

In the current year, the Group has applied the following 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, 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16
Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

COVID-19 – Related Rent Concessions
Interest Rate Benchmark Reform – Phase 2

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

In addition, the Group applied the agenda decision of the International Financial Reporting Standards Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs and the Committee’s agenda decision in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30th June, 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1st April, 2021.

² Effective for annual periods beginning on or after 1st January, 2022.

³ Effective for annual periods beginning on or after 1st January, 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of all above new HKFRS 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 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 from sale of and dividend income received and receivable from financial assets at fair value through profit or loss (“FVTPL”) under the business of securities trading, in addition to the above aggregated revenue.

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

	2021 HK\$'000	2020 HK\$'000
Revenue from sale of properties	435,487	647,698
Revenue from sale of goods	–	353
Revenue from rendering of services from golf club operations	63,487	42,315
Revenue from property management fee	40,723	37,008
Revenue from media and entertainment business	829	3,244
	-----	-----
Revenue from contracts with customers	540,526	730,618
Revenue from lease payments that are fixed	238,540	199,329
	-----	-----
Total revenue	779,066	929,947
Gross proceeds from sale of and dividend income from financial assets at FVTPL	7,946	6,356
	-----	-----
Gross proceeds from operations	787,012	936,303
	=====	=====

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.

	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
2021							
GROSS PROCEEDS FROM OPERATIONS							
– SEGMENT REVENUE	<u>279,263</u>	<u>435,487</u>	<u>–</u>	<u>63,487</u>	<u>829</u>	<u>7,946</u>	<u>787,012</u>
RESULTS							
Segment profit (loss)	<u>178,676</u>	<u>277,287</u>	<u>–</u>	<u>12,892</u>	<u>(622)</u>	<u>12,580</u>	<u>480,813</u>
Other unallocated income							173,507
Unallocated expenses							(44,340)
Finance costs							(22,270)
							<u>587,710</u>
Share of results of associates							(552)
Share of result of a joint venture							1,342
							<u>588,500</u>
2020							
GROSS PROCEEDS FROM OPERATIONS							
– SEGMENT REVENUE	<u>236,337</u>	<u>647,698</u>	<u>353</u>	<u>42,315</u>	<u>3,244</u>	<u>6,356</u>	<u>936,303</u>
RESULTS							
Segment profit (loss)	<u>128,969</u>	<u>139,885</u>	<u>(113)</u>	<u>(14,745)</u>	<u>(3,526)</u>	<u>(7,350)</u>	243,120
Other unallocated income							257,555
Unallocated expenses							(53,244)
Finance costs							(40,716)
							<u>406,715</u>
Share of results of associates							2,598
Share of result of a joint venture							(2,552)
							<u>406,761</u>

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\$779,066,000 (2020: HK\$929,947,000), please refer to Note 4.

5. SEGMENT INFORMATION (continued)

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 of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities are not presented as the chief operating decision makers review the consolidated financial position of the Group as a whole to assess their performance. The management focuses more on the results of the Group.

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 based on the location of the operations and information about its non-current assets (excluding deferred tax assets, amounts due from associates and a joint venture, club debentures, other receivable, pledged bank deposits and equity instruments at fair value through other comprehensive income ("FVTOCI")) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	829	3,244	52,733	59,629
Macau	19,949	33,840	–	–
The Mainland China	758,288	892,863	8,996,229	8,722,171
	<u>779,066</u>	<u>929,947</u>	<u>9,048,962</u>	<u>8,781,800</u>

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

6. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Net impairment losses on trade and other receivables reversed (recognised)	182	(822)
Net gain (loss) on disposal/write off of property, plant and equipment	516	(4,854)
Net exchange gain	10,262	22,493
	<u>10,960</u>	<u>16,817</u>

7. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on borrowings	21,791	40,204
Interest on lease liabilities	479	512
	<u>22,270</u>	<u>40,716</u>

8. PROFIT BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	42,346	45,044
and after crediting:		
Other income		
– Interest income	76,865	165,267
– Dividends from equity instruments at FVTOCI		
– listed	–	10,227
– unlisted	23,209	15,819
	<u>23,209</u>	<u>15,819</u>

9. TAXATION

	2021 HK\$'000	2020 HK\$'000
The charge (credit) comprises:		
Mainland China Enterprise Income Tax (“EIT”)	132,544	122,357
Mainland China Land Appreciation Tax	198,781	301,892
Macau Complementary Tax	820	1,459
Dividend withholding tax	3,659	820
Overprovision in prior years		
– Mainland China EIT	(35,658)	(5,028)
– Macau Complementary Tax	–	(500)
– Dividend withholding tax	–	(42,536)
	<u>300,146</u>	<u>378,464</u>
Deferred tax credit	(3,119)	(151,825)
	<u>297,027</u>	<u>226,639</u>

9. TAXATION (continued)

The Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%). No provision for Hong Kong Profits Tax has been made since the assessable profit is wholly absorbed by tax losses brought forward (2020: there was no assessable profit for the year).

The Macau Complementary Tax is levied at 12% (2020: 12%) on the taxable income for the year.

The income tax rate of the subsidiaries in the Mainland China is 25% (2020: 25%).

10. DIVIDEND

In 2021, a dividend of approximately HK\$108,406,000 (2020: HK\$216,813,000) in aggregate was paid to shareholders in respect of the interim dividend for the year ended 31st December, 2020 (2020: interim dividend for the year ended 31st December, 2019).

Subsequent to the end of reporting period, the Directors have declared payment of an interim dividend of 5.50 HK cents per share (2020: 5.50 HK cents per share) amounting to approximately HK\$108,406,000 (2020: HK\$108,406,000) for the year ended 31st December, 2021.

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:

	2021 HK\$'000	2020 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<u>283,448</u>	<u>174,993</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,971,025,125</u>	<u>1,971,025,125</u>

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

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.

Included in trade and other receivables and prepayments are trade receivables, net of allowance for credit losses and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
0 – 3 months	<u>364</u>	<u>52</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
0 – 3 months	24,929	8,533
4 – 6 months	83	181
7 – 12 months	38	485
Over 1 year	84,635	107,131
	<hr/>	<hr/>
	109,685	116,330
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2021

The Board of the Company has declared an interim dividend of 5.50 HK cents per share for the year ended 31st December, 2021 (2020: 5.50 HK cents per share) to shareholders whose names appear on the register of members of the Company on Monday, 13th June, 2022. The dividend is payable in cash and dividend warrants are expected to be despatched on Wednesday, 22nd June, 2022.

CLOSURE OF REGISTER OF MEMBERS

The Board of the Company has resolved to convene the annual general meeting of the Company for Friday, 17th June, 2022 (the “2022 AGM”).

For the purpose of determining the shareholders who are entitled to attend and vote at the 2022 AGM and qualify for the interim dividend for 2021, the register of members of the Company will be closed from Monday, 13th June, 2022 to Friday, 17th June, 2022, 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 2022 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 10th June, 2022 for registration.

GENERAL OVERVIEW

There was an increase in consolidated net profit of the Group for the year ended 31st December, 2021 as compared with that of the corresponding period in 2020. The improvement in results was mainly attributable to an increase in segment profit generated from property development and investment business to HK\$455,963,000 for the year under review (2020: HK\$268,854,000). A higher gross profit was generated from both of sale and leasing of the properties. In addition, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai, China of HK\$3,540,000 was recorded, lesser than that of HK\$12,329,000 for the year 2020, upon market valuation as at year end pursuant to applicable accounting standards.

For the year under review, the Group recorded a net gain on trading securities investment of HK\$12,838,000 (2020: net loss of HK\$7,070,000) while dividend receipts from the long-term equity investments of the Group amounted to HK\$23,209,000 (2020: HK\$26,046,000).

During the year 2021, there were decreases in the interest income and net exchange gain recognized while the administrative expenses and finance costs were also reduced.

As a result, excluding the changes in revaluation of the investment properties, the Group reported operating profit before taxation of HK\$591,250,000 for the year under review (2020: HK\$419,044,000). Taking account of taxation of HK\$297,027,000 (2020: HK\$226,639,000), it was reported a consolidated profit after taxation attributable to shareholders of the Company of HK\$283,448,000 (2020: HK\$174,993,000). Basic earnings per share amounted to 14.38 HK cents, an increase of approximately 62% as compared with that of 8.88 HK cents for the corresponding period in 2020.

OPERATIONS REVIEW

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

For the year ended 31st December, 2021, the property development and trading segment was the Group's primary profit maker by contributing a segment profit of HK\$277,287,000 (2020: HK\$139,885,000) which was attributable to the properties sales in Shanghai and the Macao Special Administrative Region ("Macau") of China.

The property investment segment was the secondary profit contributor of the Group and this generated a segment profit of HK\$178,676,000 (2020: HK\$128,969,000), which was derived from the rental and management income from the investment properties of the Group in Shanghai, however, it was partly offset by the unrealized loss on fair value changes of these investment properties upon revaluation at year end.

The operating results of leisure business improved and this segment ranked third in terms of profit contribution amongst the operating segments of the Group by delivering a segment profit of HK\$12,892,000 (2020: loss of HK\$14,745,000). The Group also shared a profit from its investment in the hotel operation.

Securities trading business reported a segment profit of HK\$12,580,000 (2020: loss of HK\$7,350,000).

The other business segment of the Group reported loss 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, 2021 by contributing a total profit of HK\$455,963,000 (2020: HK\$268,854,000). Tomson Riviera was the prime source of operating profit of the Group.

This business segment generated total revenue of HK\$714,750,000 which accounted for approximately 90.82% of the gross proceeds from operations of the Group for the year 2021. Projects in Pudong of Shanghai were the primary source of revenue and accounted for approximately 88.29% of the gross proceeds from operations of the Group whereas the project in Macau accounted for approximately 2.53%. However, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai of HK\$3,540,000 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 in order to maximize the return on investment, two residential towers are earmarked for sale while the other two towers are for leasing.

As at 31st December, 2021, the total residential gross floor area available for sale of Towers A and C was approximately 3,200 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, about 78% were leased.

For the year 2021, total revenue of HK\$573.65 million was recognized and this accounted for approximately 72.89% 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, sale deposits of HK\$208.60 million have been received by the Group and such amount is expected to be recognized in 2022 upon delivery of the properties to the buyers. Nevertheless, the Group recorded an unrealized loss on fair value changes of this project of HK\$3.30 million in the annual results of the Group for the year 2021.

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\$115.36 million to the Group and this accounted for approximately 14.66% of the gross proceeds from operations of the Group for the year under review. The Group recorded an unrealized net loss on fair value changes of the aforesaid investment properties of HK\$0.24 million in the annual results of the Group for the year 2021.

Miscellaneous Residential Developments in Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong since 1996 and there are now less than ten residential units and around one hundred car parking spaces available for sale. During the year under review, the project recognized revenue of HK\$4.69 million from sale of car parking spaces and leasing of the residential units and this represented approximately 0.60% of the gross proceeds from operations of the Group.

The Group received management fee of Tomson Riviera Garden of HK\$1.10 million for the year under review and this accounted for approximately 0.14% 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 its interests in this project.

In addition, the Group holds less than ten car parking spaces at Xingguo Garden, the sole residential development of the Group in Puxi, for sale.

Jinqiao-Zhangjiang Project, Shanghai

As disclosed in the interim report of the Company for 2021, the Group holds three land lots with aggregate site area of approximately 328,687.5 square meters located in Jinqiao-Zhangjiang District of Pudong and to the north of a stream named Zhangjiabang for residential purpose. Real estate ownership certificates of the said land lots were obtained in June 2020. It is planned that the development of this project will be phased in over few years.

The first phase of the project is a low-density residential development with total gross floor area of approximately 25,900 square meters and the construction works are under way. Subject to the policies of and approval from the local government, it is expected to launch the first phase for sale by end of 2022 or early 2023 and deliver the properties to the buyers in 2023. Construction of the next two phases of

residential development of the project with total gross floor area of approximately 100,000 square meters is scheduled to commence within 2022.

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.

For the year ended 31st December, 2021, the project recognized sale proceeds of HK\$19.95 million and this accounted for approximately 2.53% of the gross proceeds from operations of the Group. As at 31st December, 2021, residential units with saleable area of approximately 6,700 square meters were available for sale.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club, situated in Pudong of Shanghai, generated revenue of HK\$63,487,000, being approximately 8.07% of the gross proceeds from operations of the Group, and reported gross profit of HK\$38.53 million for the year ended 31st December, 2021. The revenue was mainly attributable to golfing activities of the Club and the annual membership fee was the secondary source of income. After making provision for depreciation of fixed assets, the Club reported a segment profit of HK\$12,892,000 for the year under review (2020: loss of HK\$14,745,000).

InterContinental Shanghai Pudong, Shanghai

InterContinental Shanghai Pudong hotel, situated in Lujiazui of Pudong, Shanghai, reported an average occupancy rate of approximately 51% in 2021. Owing to the alleviation of the COVID-19 pandemic in the Mainland of China, there was improvement in the occupancy rate and operation profit during the year under review though the results were below budget. As a result, the Group, which holds a 50% interest in the hotel, shared a net profit of HK\$1,342,000 from this investment for the year 2021 (2020: net loss of HK\$2,552,000). It is expected that the hotel operations remain to face challenges in 2022 subject to the travel restrictions imposed under the impact of the worldwide pandemic spreading. The hotel management will continue to focus on controlling operating costs, increasing marketing efforts on guest rooms operations and food and beverage operations to maintain the profitability of the hotel.

Securities Trading

For the year under review, the Group's securities trading business in Hong Kong reported revenue of HK\$7,946,000 and this accounted for approximately 1.01% of the gross proceeds from operations of the Group. The revenue was mainly attributable to the dividend income from trading securities while gross proceeds from sale of those securities was the secondary source. After taking into account an unrealized gain on changes in fair value, a net gain on the trading securities investments held by the Group of HK\$12,838,000 (2020: net loss of HK\$7,070,000) was recorded.

As at 31st December, 2021, the aggregate fair value of the Group's securities investments held for trading amounted to HK\$101,593,000, representing approximately 0.49% of the Group's total assets. Those were mainly securities in the financial industry.

Media and Entertainment Business

The Group has participated in the production of live entertainment shows for years and also set up its film distribution business in 2011. Suffering from the COVID-19 pandemic, gross revenue received and receivable from this segment for the year ended 31st December, 2021 only amounted to HK\$829,000 and this accounted for approximately 0.10% of the Group's gross proceeds from operations. The revenue for the year under review was solely derived from investments in the production of live entertainment shows and a segment loss of HK\$622,000 (2020: HK\$3,526,000) was recorded. The Group intends to continue in participating in investments in various live performances under appropriate condition in the future.

PVC Operations

With the intention of capitalizing on the Group's established brand and goodwill in the industry, the Group had set up a wholly-owned subsidiary in Shanghai in mid-2013 to engage in export trade of PVC fittings and pipes. Owing to unfavourable market conditions, this business was closed down in 2020 to focus the Group's resources on its property development and investment business. No profit was recorded in 2021 (2020: loss of HK\$113,000) and the subsidiary was dissolved in the second half of 2021.

Investment Holding

In addition to its own property development projects, as at 31st December, 2021, the Group held interests in Shanghai Zhangjiang Micro-electronics Port Co. Ltd. as a long-term equity investment and the fair value of this investment amounted to HK\$293,452,000, representing approximately 1.43% of the Group's total assets.

Shanghai Zhangjiang Micro-electronics Port Co. Ltd.

The Group holds a 13.483% interest in the registered capital of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. ("SZMP"), an unlisted company established in Shanghai, and this company is principally engaged in property development and investment in Shanghai. Dividends of HK\$23,209,000 (2020: HK\$15,819,000) were received from SZMP during the year under review and an unrealized gain on change in fair value of such investment of HK\$26.56 million was credited to the investment reserve of the Group in 2021 (2020: loss of HK\$21.61 million) pursuant to applicable accounting standards.

Rivera (Holdings) Limited

As at 1st January, 2021, the Group held a 9.8% interest in the issued shares of Rivera (Holdings) Limited ("RHL"), a then listed company in Hong Kong. As stated in the interim report of the Company for the year 2021, RHL and Step Famous Investment Limited (the "Offeror") issued a joint announcement on 18th January, 2021 that a proposal for the privatisation of RHL by the Offeror (the "Proposal") by way of a scheme of arrangement under section 673 of the Hong Kong Companies Ordinance (the "Scheme") would be put forward to the registered holders of the shares of RHL (other than those held by the Offeror and its concert parties (excluding the Group)) (the "Scheme Share(s)"). On 18th January, 2021, the Offeror entered into a rollover agreement (the "Rollover Agreement") with Best Central Developments Limited (the "Rollover Shareholder", a wholly-owned subsidiary of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. ("Zhangjiang Hi-Tech")) that the Offeror and the Rollover Shareholder agreed to remain as the shareholders of RHL after the Scheme becoming effective. In addition, there was a proposed transfer of approximately 10.503% interests in the registered capital of SZMP held by a wholly-owned subsidiary of RHL to Zhangjiang Hi-Tech (the "SZMP Transfer"). The arrangement between the Offeror and the Rollover Shareholder under the Rollover Agreement and the SZMP Transfer (collectively

the “Special Deals”) constituted special deals under the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”).

RHL and the Offeror issued a composite document containing details of the Proposal, the Scheme and the Special Deals on 30th June, 2021.

On 23rd July, 2021, RHL and the Offeror issued a joint announcement that on the even date, a resolution was duly passed to approve the Scheme at a meeting of the registered holders of the Scheme Shares (the “Court Meeting”) which was convened at the direction of the High Court of Hong Kong (the “High Court”) and an ordinary resolution was passed by the then independent shareholders of RHL to approve the Special Deals at a general meeting of RHL and a special resolution to give effect to the Scheme, including the reduction of the share capital of RHL, was approved by the shareholders of RHL at such general meeting. The Offeror is wholly owned by Madam Hsu Feng, Mr Albert Tong and Mr Tong Chi Kar Charles (collectively “Tong Family”), the executive Directors and substantial shareholders of the Company. The Company was presumed under the Takeovers Code to be acting in concert with the Offeror and Tong Family, by virtue of the Company and the Offeror being controlled by Madam Hsu Feng and her close relatives. Hence, the Group abstained from voting at the Court Meeting and abstained from voting on the resolution on the Special Deals at the said general meeting of RHL.

On 19th August, 2021, RHL and the Offeror issued a joint announcement. The Scheme was sanctioned by the High Court without any modification or addition or condition on 17th August, 2021 and the reduction of the share capital of RHL involved in the Scheme was also confirmed by the High Court on the same day. All of the conditions of the Scheme were fulfilled and the Scheme became effective on 19th August, 2021. In this connection, all the RHL shares held by the Group, constituting a part of the Scheme Shares, were cancelled and extinguished on 19th August, 2021 and the Group ceased to have any interest in RHL. A total sum of HK\$166,190,000, representing the payment of the cancellation price of HK\$0.65 per Scheme Share under the Scheme from the Offeror, was received and a profit of HK\$85,652,000 was recognized and credited to the retained earnings of the Group during the year under review.

Apart from the said cancellation price, no income was generated from the equity investment in RHL during the year under review (2020: dividend of HK\$10,227,000).

FINANCIAL REVIEW

Liquidity and Financing Position

As at 31st December, 2021, total assets of the Group increased by approximately 0.72% to HK\$20,534,605,000 (2020: HK\$20,387,155,000). Equity attributable to owners of the Company was HK\$13,500,950,000 (2020: HK\$12,888,642,000) in total, or approximately HK\$6.85 (2020: HK\$6.54) per share, representing an increase of approximately 4.74% which was mainly attributable to appreciation in value of Renminbi during the year under review.

The Group’s operations and investments for the year ended 31st December, 2021 were funded by cash on hand, revenue from operating and investing activities, and bank borrowings.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK\$4,445,869,000 (2020: HK\$3,711,525,000), an increase of approximately 19.79%. During the year under review, the Group achieved net cash inflows of HK\$83,596,000 and HK\$1,435,748,000 from its operating and investing activities respectively. After taking into account net cash outflow of HK\$879,690,000 from its financing activities, the Group recorded a net increase in cash and cash equivalents of HK\$639,654,000 (2020: net decrease of HK\$70,841,000). The net cash inflow for the year under review was mainly attributable to the withdrawal of pledged bank deposits and the receipt of the cancellation price for the cancellation and extinguishment of the RHL shares held by the Group

pursuant to the Scheme, but this was partly offset by the repayment of borrowings and the Company's dividend payment.

As at 31st December, 2021, excluding contract liabilities which represented the deposits received from sale of properties, of the liabilities of the Group of HK\$6,487,567,000 (2020: HK\$7,123,907,000), about 64.74% were taxation under current liabilities, about 19.25% were deferred tax liabilities, about 11.29% were trade and other payables and accruals, about 4.54% were borrowings and the remainder was lease liabilities.

The Group's borrowings as at 31st December, 2021 amounted to HK\$294,333,000 (2020: HK\$1,019,758,000), equivalent to approximately 2.18% (2020: 7.91%) 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 in Renminbi, under security and subject to floating interest rates. Of these borrowings, approximately 10% were due for repayment within one year from the end of the reporting period, approximately 10% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 30% were due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 50% 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\$428,732,000 (2020: HK\$224,499,000) 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, 2021, the Group recorded a current ratio of 2.15 times (2020: 1.94 times) and a gearing ratio (total liabilities to equity attributable to the owners of the Company) of 49.60% (2020: 55.64%). There was no significant change in the current ratio while the improvement in the gearing ratio resulted from the repayment of borrowings.

Charge on Assets

As at 31st December, 2021, assets of the Group with an aggregate carrying value of HK\$544,173,000 (2020: HK\$1,573,082,000) were pledged for securing bank facilities of the Group of HK\$294,333,000 (2020: HK\$1,019,758,000).

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. Should there be a depreciation in value of Renminbi, there may be an adverse impact on the Group's results and net asset value. 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, 2021 (2020: Nil).

PROSPECTS

The continuance of COVID-19 has inflicted serious blows and disruptions to economic, business and social activities worldwide. The recent military conflicts between Russia and Ukraine and the associated

economic sanctions against Russia have further led to severe uncertainties in the financial and political situation of the whole world and even food crisis. The mid-term repercussions on the operations of the Group have yet to be assessed in light of the fluidity of the evolving situation. However, the Group remains optimistic about the economic situation of the Mainland of China and have confidence in the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland in the long run.

The Group has built up its reputation as a developer of high-end residential properties in the Mainland of China. The Group will endeavour to maintain the momentum in its sale and leasing plans for the property portfolio in Shanghai and Macau. It is anticipated that Tomson Riviera and One Penha Hill will be the Group's principal sources of profit in the year 2022. At the same time, the Group is actively proceeding with the construction works of Jinqiao-Zhangjiang project in Pudong, Shanghai and this project will form an important component of the Group's property development and investment segment and will be the major profit contributor in next few years.

In light of volatility in the Hong Kong and global financial markets and economic conditions, the management will continue to adopt a conservative approach in managing the securities trading portfolio of the Group, with an emphasis on securities with steady recurrent yield.

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 COVID-19 pandemic may not be alleviated in the short term. The overall extent to which national and global economies and financial markets would be adversely impacted by the pandemic would be difficult to predict with any accuracy at this stage. Though the coronavirus variants are more infectious, it is cautiously optimistic that the economy will be recovered and the social activities will resume normal gradually with the development of various medication and increase in the vaccination rate all over the world. The Group will continue to monitor the situation closely and any financial impact on the operations of the Group, should this happen, would be reflected in the financial statements of the Group for the financial year 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2021, 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 throughout the year ended 31st December, 2021, 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") in force during the year, 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) save as disclosed below, the Company has not established a nomination committee comprising a majority of independent non-executive Directors as stipulated in the CG Code. The Board has considered the participation of executive Directors indispensable when identifying individuals of the appropriate calibre and qualification to be Board members and when assessing the independence of independent non-executive Directors, because it is necessary to have a thorough understanding of the structure, business strategy and daily operation of the Company. In 2021, the Board as a whole was responsible for reviewing its own structure, size and composition and for considering the nomination of Directors for re-election as well as assessing the independence of independent non-executive Directors.

A nomination committee of the Board (the “Nomination Committee”) has been established with effect from 31st December, 2021. Details of establishment of the Nomination Committee were set out in the announcement of the Company dated 31st December, 2021. The terms of reference setting out the authority of the Nomination Committee and its duties are available 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>.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR 2021

This annual results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited and on the Company’s website. The Annual Report 2021 of the Company will be despatched to the shareholders of the Company by the end of April 2022 and will be available on the above websites.

On behalf of the Board of
TOMSON GROUP LIMITED
Hsu Feng
Chairman and Managing Director

Hong Kong, 25th March, 2022

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