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, 2007

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 (altogether the "Group") for the six months ended 30th June, 2007 together with the comparative figures of 2006 as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	4	**252,459**	192,773
Cost of sales		**(114,535)**	(57,615)
Gross profit		**137,924**	135,158
Other income	5	**148,352**	28,612
Selling expenses		**(42,774)**	(41,905)
Administrative expenses		**(47,575)**	(41,668)
Other expenses		**(3,964)**	(24,258)
Finance costs	6	**(5,971)**	(2,855)
		185,992	53,084
Share of results of associates		**1,329**	917
Share of results of jointly controlled entities		**10,902**	12,059
Profit before taxation	7	**198,223**	66,060
Taxation	8	**(37,740)**	(13,336)
Profit for the period		**160,483**	52,724
Attributable to:			
Shareholders of the Company		**160,507**	52,174
Minority interests		**(24)**	550
		160,483	52,724
Earnings per share (HK cents)	10		
– Basic		**12.18**	4.12
– Diluted		**12.16**	4.11

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30th June 2007 HK$'000	(Audited) 31st December 2006 HK$'000
Non-Current Assets			
Fixed assets			
– Investment properties		**1,108,930**	1,108,930
– Property, plant and equipment		**316,696**	313,840
Lease premium for land		**929,678**	908,607
Properties under development		**1,052,872**	835,374
Intangible assets		**4,612**	–
Goodwill		**33,288**	33,288
Deferred tax assets		**52,119**	37,396
Interests in associates		**7,487**	6,557
Interests in jointly controlled entities		**166,394**	148,045
Available-for-sale investments		**185,045**	229,215
Pledged deposits		**–**	6,958
		3,857,121	3,628,210
Current Assets			
Lease premium for land		**28,201**	27,282
Properties under development		**503,522**	442,972
Properties held for sale		**119,599**	142,430
Trade and other receivables and prepayments	11	**217,727**	199,471
Investments held for trading		**32,445**	32,791
Inventories		**18,537**	15,930
Prepaid income tax		**6,212**	221
Cash and bank balances		**1,277,857**	1,007,115
		2,204,100	1,868,212
Current Liabilities			
Trade and other payables	12	**650,147**	626,627
Received in advance		**246,334**	41,630
Provision for taxation		**11,564**	18,017
Current portion of long-term bank borrowings		**215,827**	208,851
Amount due to a jointly controlled entity		**–**	16,872
		1,123,872	911,997
Net Current Assets		**1,080,228**	956,215
Total Assets Less Current Liabilities		**4,937,349**	4,584,425
Capital and Reserves			
Share capital		**658,736**	658,736
Reserves		**3,647,755**	3,339,685
Equity attributable to shareholders of the Company		**4,306,491**	3,998,421
Minority interests		**163,499**	158,231
Total Equity		**4,469,990**	4,156,652
Non-Current Liabilities			
Long-term bank borrowings		**349,435**	348,086
Deferred tax liabilities		**117,924**	79,687
		467,359	427,773
		4,937,349	4,584,425

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 set out in 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 ("HKICPA").

3. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as appropriate. The accounting policies adopted are consistent with those set out in the consolidated financial statements of the Group for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs"), which are effective for the Group's financial year beginning on 1st January, 2007.

The adoption of the new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st March, 2007.
3 Effective for annual periods beginning on or after 1st January, 2008.

4. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

Turnover represents the aggregate of revenue under the following headings:

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

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

(iii) Industrial operations
- represents the gross revenue from sale of manufactured PVC pipes

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

(v) Securities trading
- represents the gross revenue received and receivable from investments held for trading

Business segments

The Group's primary format for reporting segment information is business segment.

For the six months ended 30th June, 2007

	Property Investment *HK$'000*	Property Development and Trading *HK$'000*	Industrial Operations *HK$'000*	Leisure *HK$'000*	Securities Trading *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE								
External sales	31,321	74,933	24,229	65,074	56,902	–	–	252,459
Inter-segment sales	169	–	15	–	–	–	(184)	–
	31,490	74,933	24,244	65,074	56,902	–	(184)	252,459

Inter-segment sales are charged at prevailing market prices.

	Property Investment *HK$'000*	Property Development and Trading *HK$'000*	Industrial Operations *HK$'000*	Leisure *HK$'000*	Securities Trading *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
RESULTS								
Segment results	20,138	13,045	(1,269)	21,441	12,893	–	–	66,248
Other income	1,415	8,136	195	1,959	1,372	135,275	–	148,352
Unallocated corporate expenses								(22,637)
Finance costs								(5,971)
								185,992
Share of results of associates	–	–	–	(1,026)	–	2,355	–	1,329
Share of results of jointly controlled entities	–	18	–	10,884	–	–	–	10,902
Profit before taxation								198,223
Taxation								(37,740)
Profit for the period								160,483

For the six months ended 30th June, 2006

	Property Investment *HK$'000*	Property Development and Trading *HK$'000*	Industrial Operations *HK$'000*	Leisure *HK$'000*	Securities Trading *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE								
External sales	27,000	97,294	20,887	41,304	6,288	–	–	192,773
Inter-segment sales	460	–	77	–	–	–	(537)	–
	27,460	97,294	20,964	41,304	6,288	–	(537)	192,773

Inter-segment sales are charged at prevailing market prices.

	Property Investment *HK$'000*	Property Development and Trading *HK$'000*	Industrial Operations *HK$'000*	Leisure *HK$'000*	Securities Trading *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
RESULTS								
Segment results	16,398	35,655	858	9,596	525	–	–	63,032
Other income	2,381	4,851	174	8,190	492	12,524	–	28,612
Unallocated corporate expenses								(35,705)
Finance costs								(2,855)
								53,084
Share of results of associates	–	–	–	(114)	–	1,031	–	917
Share of results of jointly controlled entities	–	(30)	–	12,089	–	–	–	12,059
Profit before taxation								66,060
Taxation								(13,336)
Profit for the period								52,724

5. OTHER INCOME

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Other income included:		
Interest income	**8,861**	8,023
Net gain on disposal of property, plant and equipment, net of written off	**111**	275
Gain on disposal of available-for-sale investments	**94,577**	225
Gain on changes in fair value of investments held for trading	**1,359**	–
Net exchange gain	**6,085**	2,384
Dividends from available-for-sale investments	**32,765**	6,105
Income from distribution of broadcasting right	**1,970**	–

6. FINANCE COSTS

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**16,955**	5,388
Less: interest capitalised	**(10,984)**	(5,388)
	5,971	–
Finance costs of convertible bonds due 2009	**–**	2,855
	5,971	2,855

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
After charging:		
Depreciation	**10,096**	10,117
Amortisation of lease premium for land	**3,110**	2,643
Loss on changes in fair value of investments held for trading	**–**	367
Amortisation of broadcasting right	**1,642**	–
Land Appreciation Tax (included in cost of sales)	**13,231**	–

8. TAXATION

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
The People's Republic of China ("PRC") (other than Hong Kong) tax calculated at tax rates prevailing in the respective jurisdictions where the relevant individual group companies operates	**14,357**	12,087
Hong Kong Profits Tax	**85**	–
Underprovision in prior periods		
– PRC (other than Hong Kong) profits tax	**122**	514
	14,564	12,601
Increase in opening deferred tax balances resulting from an increase in the applicable tax rate	**29,811**	–
Deferred tax (credit) charge for current period	**(6,635)**	735
	37,740	13,336

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% (2006: 17.5%) for those subsidiaries that are subject to Hong Kong Profits Tax.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 15% (2006: 15%) for the six months ended 30th June, 2007.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. For enterprises currently benefiting from a 15% preferential tax rate, the New Law's transition rule provides for a "gradual" increase to the 25% over the five year periods from 1st January, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period under review (2006: nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Six months ended 30th June	
	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to shareholders of the Company for the purposes of basic earnings per share and diluted earnings per share	**160,507**	52,174
Number of shares		
Number/weighted average number of ordinary shares for the purposes of basic earnings per share	**1,317,471,940**	1,267,785,541
Effect of dilutive potential ordinary shares		
– exercise of share options	**2,407,139**	2,355,580
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,319,879,079**	1,270,141,121

The computation of diluted earnings per share for the six months ended 30th June, 2006 did not assume the conversion of the Company's convertible bonds due 2009 because assuming such conversion would result in an increase in earnings per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit terms of the Group given to trade customers range from cash on delivery to one month. 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 impairment losses and their aged analysis as at the balance sheet date is as follows:

	30th June	31st December
	2007	2006
	HK$'000	*HK$'000*
Aged analysis of trade receivables:		
0 – 3 months	**21,506**	32,361
4 – 6 months	**4,906**	7,481
7 – 12 months	**12,333**	5,042
over 1 year	**564**	167
	39,309	45,051

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their aged analysis as at the balance sheet date is as follows:

	30th June 2007 *HK$'000*	31st December 2006 *HK$'000*
Aged analysis of trade payables:		
0 – 3 months	**6,192**	7,780
4 – 6 months	**256**	182
7 – 12 months	**4,609**	996
over 1 year	**25,423**	45,562
	36,480	54,520

GENERAL OVERVIEW

The Group is pleased to report a consolidated net profit attributable to shareholders of the Company of approximately HK$160.51 million for the first half of 2007 (2006: HK$52.17 million). The basic earnings per share for the period under review was 12.18 HK cents (2006: 4.12 HK cents). A rise in profit for the six months ended 30th June, 2007 as compared with that for the corresponding period in 2006 was principally attributable to a gain on disposal of and a receipt of dividends from long-term equity investments of the Group which altogether contributed approximately HK$127.34 million to the Group.

On the other hand, the Group recorded a turnover for the first six months in 2007 amounting to approximately HK$252.46 million, of which property development and investment remained the principal contributor.

The Board does not recommend a payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

OPERATIONS REVIEW

Mainland China, in particular Shanghai, is the principal operations base of the Group.

Apart from the return from the Group's long-term equity investments, in the first half of 2007, hospitality and leisure activities became the most profitable business segment of the Group. Operation of golf club made a contribution of approximately HK$23.40 million to the Group and the Group shared a profit of HK$10.88 million from its interest in a hotel operation. On the other hand, a steady and improving recurrent income from the property investment generated an operating profit of approximately HK$21.55 million. Property development and trading ran as the third profit generator and reported an operating profit of approximately HK$21.18 million owing to the fact that the sales of Tomson Riviera have not yet been recognised and the Group's latest property development project is under construction, hence stock of completed projects available for sale is limited. Taking benefit of the prosperity of the securities market in Hong Kong, securities trading contributed approximately HK$14.27 million to the Group during the period under review.

Property Development and Investment

As a whole, property development and investment in Shanghai continue to be the core business of the Group and made up approximately 42% of the turnover of the Group for the six months ended 30th June, 2007.

Tomson Golf Villas

Sales of Tomson Golf Villas, a series of villas developed around the periphery of Tomson Shanghai Pudong Golf Club in Pudong, accounted for around 68% of the revenue from property development and trading and 12% of the operating profit of the Group during the period under review. Up to 30th June, 2007, Tomson Golf Villas has nearly sold out all the saleable area of its seven phases of development with only approximately 3% of the saleable area of the latest three phases for sale.

Xingguo Garden

Xingguo Garden was another major source of sale proceeds of the Group for the first half of 2007. It is a residential development in Puxi and all but one unit was sold as at 30th June, 2007.

Tomson Riviera

Tomson Riviera, a prime residential development project of the Group along the riverside of Pudong and overlooking the Bund, has just been issued with its real estate ownership in August this year, hence its sale results will only be recognised in the annual results for 2007. Up till now, sale proceeds of over HK$200 million were received. Of the four residential towers, two are earmarked for sale and another two are retained for investment purpose. It is planning to launch one of the residential towers with 74 units for leasing in the third quarter of this year.

湯臣湖庭花園(Tomson Huting Garden)

Construction of phase 1 of Tomson Huting Garden, a low-rise residential development project on a site adjacent to Tomson Shanghai Pudong Golf Club, is under way and targeted for completion in 2008. Phase 1 will provide 172 units of detached or semi-detached houses with a total residential gross floor of around 72,000 square meters. It is scheduled to launch the project to market for pre-sale within these two months.

Commercial and Industrial Buildings

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, comprising Tomson Financial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park and the commercial podium of Tomson Business Centre, provided a steady revenue to the Group and accounted for approximately 11% of the operating profit of the Group for the period under review.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Operation of Tomson Shanghai Pudong Golf Club accounted for approximately a quarter of the turnover and was the principal source of profit of the Group for the six months ended 30th June, 2007. It delivered a profit of approximately HK$23.40 million, being approximately 13% of the operating profit of the Group for the period. Sale of membership debentures had a remarkable progress during the period under review by achieving almost double the sale amount for the last corresponding period while revenues from golfing activities also recorded a sound improvement.

Hotel Inter-Continental Pudong Shanghai

Though there was a regression in operating results of the hotel operation, in which the Group holds a 50% interest, during the period under review, the Group shared a profit of approximately HK$10.88 million and the average occupancy rate of the hotel was around 78% for the first half of 2007.

Industrial Operations

The industrial operations of the Group reported a slight loss of HK$1.07 million during the six months ended 30th June, 2007 owing to a reduction in gross profit margin and a provision for bad and doubtful debts.

Securities Trading

In the first half of 2007, securities trading activities of the Group increased substantially in view of the market boom in Hong Kong and a total net income of approximately HK$12.89 million was generated. In addition, an unrealised gain on changes in fair value of securities investment held for trading of approximately HK$1.36 million was credited to the consolidated income statement for the six months ended 30th June, 2007.

Investment Holding

In addition to its own property development projects, the Group holds a 9.8% interest in the issued capital of Rivera (Holdings) Limited ("RHL"), a listed company in Hong Kong, and a 13.5% interest in the registered capital of an associated company of RHL established in the Mainland China. Both two companies are principally engaged in property development and investment in Zhangjiang Hi-Tech Park, Pudong. Dividends of a total sum of approximately HK$32.77 million were received in 2007.

Besides, the Group disposed of a long-term equity investment in Poly (Hong Kong) Investments Limited, a listed company in Hong Kong, and a gain of approximately HK$94.58 million was recognised in the period under review.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the period ended 30th June, 2007 were mainly funded by cash on hand, operating revenue and income from investing activities.

At the balance sheet date, the cash and cash equivalents of the Group amounted to approximately HK$1,277.86 million. During the period under review, the Group generated a net cash inflow of approximately HK$196.83 million from its operations and achieved a net cash inflow of approximately HK$74.62 million from its investing activities. After taking account of a net cash outflow of approximately HK$29.59 million from its financing activities, the Group recorded a net cash inflow of approximately HK$241.86 million for the period under review (2006: a net cash outflow of HK$135.95 million). The increase in the cash inflow for the period was mainly attributable to the disposal of the long-term equity investment in Hong Kong and receipt of sale proceeds from property development projects in Shanghai.

The Group's borrowings as at 30th June, 2007 amounted to approximately HK$565.26 million (31st December, 2006: HK$573.81 million), equivalent to 13.13% (31st December, 2006: 14.35%) of the equity attributable to the shareholders of the Company at the same date. Of those borrowings, all was financed by bank loans under security and 38% were repayable within one year from the balance sheet date while the remaining was due for repayment more than two years but within five years from the balance sheet date.

At the balance sheet date, the Group had capital commitments contracted but not provided for in relation to expenditure on properties under development amounting to approximately HK$1,114.84 million (31st December, 2006: HK$1,028.81 million). The Group anticipates funding those commitments from its future operating revenue, bank borrowings and other sources of finance where appropriate.

The Group recorded a current ratio of 1.96 times (31st December, 2006: 2.05 times) and a gearing ratio (total liabilities to equity attributable to the shareholders of the Company) of 36.95% as at 30th June, 2007 (31st December, 2006: 33.51%). The drop in the current ratio and the rise in the gearing ratio in 2007 were mainly attributable to a classification of pre-sale proceeds from the Group's properties under development as current liabilities.

Charge on Assets

As at 30th June, 2007, assets of the Group with an aggregate carrying value of approximately HK$2,869.53 million (31st December, 2006: HK$2,548.41 million) were pledged to banks for securing general banking facilities of the Group. A deposit of approximately HK$6.96 million has been pledged to banks on 31st December, 2006 to secure mortgage finance granted to buyers of properties developed by the Group and the charge was released.

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 management therefore expects that the change in value of Renminbi will not have any adverse effect to the Group since Renminbi has generally been perceived as having appreciation in value relative to Hong Kong Dollars. On the other hand, all of the other assets and liabilities of the Group are denominated in either Hong Kong Dollars or United States Dollars, hence, the Group does not anticipate any material foreign exchange exposure.

Contingent Liabilities

As at 30th June, 2007, the Group had a contingent liability of US$3 million in respect of a provision of a guarantee to indemnify the management company of Hotel Inter-Continental Pudong Shanghai a part of the fund for hotel renovation and system upgrading. The Board is of the opinion that it would be unlikely for the Group to suffer any material financial loss as a result of giving the aforesaid guarantee.

PROSPECTS

The promulgation of various macro-economic measures by the government of the Mainland China has an impact on the source of fund entering into the property market but the market sentiment is good and the management has confidence in the long-term growth of the property market in the Mainland China. The Group will devote its effort to the marketing of Tomson Huting Garden and Tomson Riviera in the coming months while it will also explore other investment opportunities as well to diversify its business portfolio.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2007, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited then in force throughout the period of six months ended 30th June, 2007, except that:

(a) Madam Hsu Feng takes up both the posts of Chairman of the Board and Managing Director of the Company but the Board is of the view that there is an adequate balance of power. The Company's daily business management is shared amongst Madam Hsu and other members of the executive committee of the Board which was set up with specific written terms of reference. Besides, all major decisions are made in consultation with members of the Board and appropriate committees of the Board;

(b) none of the existing independent non-executive Directors of the Company are appointed for a specific term and the Articles of Association of the Company do not prescribe to have the Directors of the Company retired by rotation at least once every three years. However, one-third (or the number nearest thereto) of all the Directors of the Company (including the independent non-executive Directors) for the time being shall retire by rotation at the Company's annual general meetings and shall be eligible for re-election in accordance with the Articles of Association of the Company; and

(c) the Chairman of the Board was not available to attend the Annual General Meeting of the Company for 2007, however, Mr Tong Albert, Vice-Chairman of the Board and executive Director of the Company, was present to answer questions on the business of the Group at the meeting.

PUBLICATION OF INTERIM RESULTS

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkex.com.hk and the interim report for 2007 of the Company will also be published on the aforesaid website in due course.

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

Hong Kong, 4th September, 2007

As at the date of this announcement, the Board of the Company comprises three executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Tong Albert (Vice-Chairman) and Mr Chuang Hsiao-Chen, and three independent non-executive Directors, Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai.

Please also refer to the published version of this announcement in The Standard.