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, 2007

The board of directors (the "Board") of Tomson Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (altogether the "Group") for the year ended 31st December, 2007 together with comparative figures for the corresponding year in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Gross proceeds from operations	5	**785,270**	446,627
Revenue	5	**684,288**	397,439
Cost of sales		**(154,964)**	(124,449)
Gross profit		**529,324**	272,990
Net gain in investments held for trading		**6,796**	7,884
Other income		**170,521**	47,303
Selling expenses		**(138,679)**	(94,634)
Administrative expenses		**(170,940)**	(99,347)
Other expenses	6	**(11,136)**	(30,605)
Gain on fair value changes of investment properties		**3,358,055**	59,585
Release of reserve on acquisition upon revaluation surplus of investment properties		**(100,570)**	–
Finance costs	8	**(19,491)**	(7,881)
		3,623,880	155,295
Share of results of associates		**1,239**	3,511
Share of results of jointly controlled entities		**20,939**	26,054
Profit before taxation	7	**3,646,058**	184,860
Taxation	9	**(1,060,842)**	(238,244)
Profit (loss) for the year		**2,585,216**	(53,384)
Attributable to:			
Shareholders of the Company		**2,588,314**	(55,506)
Minority interests		**(3,098)**	2,122
		2,585,216	(53,384)
Earnings (loss) per share (HK cents)	11		
– Basic		**196.46**	(4.29)
– Diluted		**195.46**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st December 2007 HK$'000	2006 HK$'000
Non-Current Assets			
Fixed assets			
– Investment properties		**5,754,180**	1,108,930
– Property, plant and equipment		**382,271**	313,840
Lease premium for land		**502,057**	908,607
Properties under development		**34,732**	835,374
Intangible asset		**4,612**	–
Goodwill		**33,288**	33,288
Deferred tax assets		**2,027**	603
Interests in associates		**34,759**	6,557
Interests in jointly controlled entities		**182,889**	148,045
Available-for-sale investments		**151,807**	229,215
Pledged deposits		**–**	6,958
		7,082,622	3,591,417
Current Assets			
Lease premium for land		**21,979**	27,282
Properties under development		**491,342**	442,972
Properties held for sale		**959,319**	142,430
Trade and other receivables and prepayments	12	**230,170**	199,471
Investments held for trading		**78,413**	32,791
Inventories		**18,980**	15,930
Tax recoverable		**17**	221
Cash and bank balances		**1,647,321**	1,007,115
		3,447,541	1,868,212
Current Liabilities			
Trade and other payables	13	**733,146**	381,067
Receipts in advance		**869,024**	41,630
Tax payables		**353,531**	226,784
Current portion of long-term bank borrowings		**10,678**	208,851
Amount due to a jointly controlled entity		**–**	16,872
		1,966,379	875,204
Net Current Assets		**1,481,162**	993,008
Total Assets Less Current Liabilities		**8,563,784**	4,584,425
Capital and Reserves			
Share capital		**658,710**	658,736
Reserves		**6,383,594**	3,339,685
Equity attributable to shareholders of the Company		**7,042,304**	3,998,421
Minority interests		**166,636**	158,231
Total Equity		**7,208,940**	4,156,652
Non-Current Liabilities			
Long-term bank borrowings		**363,054**	348,086
Deferred tax liabilities		**991,790**	79,687
		1,354,844	427,773
		8,563,784	4,584,425

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, 2007.

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

   The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

   In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial years beginning on 1st January, 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirement under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The Group is in the process of assessing the impact of these new and revised standards, amendment or interpretations in the period of initial application.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]

HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

The Group anticipates that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4. CHANGES IN PRESENTATION OF FINANCIAL STATEMENTS

(a) Net gain in investments held for trading

In the current year, the presentation of turnover, cost of sales and changes in fair value of investments held for trading adopted on the consolidated income statement has been changed to disclose the trading results of investments held for trading in a more appropriate manner.

In the current year, the following terms have been included in a new line item "net gain in investments held for trading":

	2007	2006
	HK$'000	*HK$'000*
Sale proceeds from disposal of investments held for trading (previously included in turnover)	**100,982**	49,188
Cost of investments held for trading (previously included in cost of sales)	**(84,063)**	(45,703)
(Loss) gain on changes in fair value of investments held for trading	**(10,123)**	4,399
	6,796	7,884

(b) Land appreciation tax ("LAT") in the People's Republic of China (the "PRC")

In previous year, the Group classified LAT as part of cost of sales, with the related LAT payables included in trade and other payables.

In September, 2007, the HKICPA's Financial Report Standards Committee has clarified that the LAT is a form of income tax and is within the scope of Hong Kong Accounting Standard 12 "Income Taxes". Accordingly, LAT charge has been reclassified from cost of sales to taxation on the consolidated income statement and the related LAT payables shall group under tax payables on the face of the consolidated balance sheet.

The change in classification has been adjusted retrospectively by restating the comparative information for the year. The effect of the change described above on the results of the current and prior year are as follows:

The following is an analysis in profit for the years ended 31st December, 2007 and 31st December, 2006 by line items presented according to their function:

	2007	2006
	HK$'000	*HK$'000*
Decrease in cost of sales	**(124,798)**	(245,796)
Increase in taxation	**124,798**	245,796
Impact in the consolidated income statement	**–**	–

The following balance sheet line items have also been reclassified:

	31st December 2006	Reclassification	31st December 2006
	HK$'000	*HK$'000*	*HK$'000*
	(originally stated)		*(Restated)*
Deferred tax assets	37,396	(36,793)	603
Trade and other payables	(626,627)	245,560	(381,067)
Tax payables	(18,017)	(208,767)	(226,784)
Total effect on assets and liabilities	(607,248)	–	(607,248)

5. GROSS PROCEEDS FROM OPERATIONS, REVENUE AND BUSINESS SEGMENTS

Gross proceeds from operations and revenue

Revenue represents the aggregate of revenue under the following headings:

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

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

(iii) 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

Gross proceeds from operations include the gross proceeds received and receivable from investments held for trading under the business of securities trading, in addition to the above aggregated revenue.

Gross proceeds from operations for the year ended 31st December, 2007 consist of the followings:

	2007 HK$'000	2006 HK$'000
Revenue from sale of goods and properties	**461,058**	236,943
Revenue from rendering of services	**158,433**	105,418
Revenue from property rental and management fee	**64,797**	55,078
Total revenue	**684,288**	397,439
Gross proceeds from sale of securities	**100,982**	49,188
Gross proceeds from operations	**785,270**	446,627

Business segments

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
GROSS PROCEEDS FROM OPERATIONS	64,797	407,866	53,192	158,433	100,982	–	–	785,270
REVENUE								
External sales	64,797	407,866	53,192	158,433	–	–	–	684,288
Inter-segment sales	6,506	–	25	–	–	–	(6,531)	–
	71,303	407,866	53,217	158,433	–	–	(6,531)	684,288

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	3,285,467	231,517	(4,944)	39,269	6,001	–	–	3,557,310
Other income	3,397	16,835	241	7,462	(22)	142,608	–	170,521
Unallocated corporate expenses								(84,460)
Finance costs								(19,491)
								3,623,880
Share of results of associates	–	–	–	(1,172)	–	2,411	–	1,239
Share of results of jointly controlled entities	–	32	–	20,907	–	–	–	20,939
Profit before taxation								3,646,058
Taxation								(1,060,842)
Profit for the year								2,585,216

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
GROSS PROCEEDS FROM OPERATIONS	55,078	185,036	51,907	105,418	49,188	–	–	446,627
REVENUE								
External sales	55,078	185,036	51,907	105,418	–	–	–	397,439
Inter-segment sales	691	–	13	–	–	–	(704)	–
	55,769	185,036	51,920	105,418	–	–	(704)	397,439

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	95,559	35,496	3,604	34,569	7,884	–	–	177,112
Other income	–	–	–	–	–	47,303	–	47,303
Unallocated corporate expenses								(61,239)
Finance costs								(7,881)
								155,295
Share of results of associates	–	–	–	809	–	2,702	–	3,511
Share of results of jointly controlled entities	–	1,889	–	24,165	–	–	–	26,054
Profit before taxation								184,860
Taxation								(238,244)
Loss for the year								(53,384)

Geographical segments

The Group's operations and assets are substantially situated in mainland China. Accordingly, no geographical analysis of information is presented.

6. OTHER EXPENSES

	2007	2006
	HK$'000	*HK$'000*
Bad debts written off and allowance for bad and doubtful debts	**9,494**	3,973
Loss arising from changes in fair value of convertible bond embedded conversion option	**–**	21,932
Allowance for properties held for sale	**–**	4,700
Amortisation of broadcasting right	**1,642**	–
	11,136	30,605

7. PROFIT BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**31,602**	20,789
Amortisation of lease premium for land	**6,496**	5,991
and after crediting:		
Interest income from bank deposits	**23,455**	18,237
Net gain on disposal of property, plant and equipment, net of written off	**78**	422
Gain on disposal of available-for-sale investments	**90,631**	2,252
Recycling of gain (loss) from equity on disposal of available-for-sale investments	**3,946**	(1,138)
Net exchange gain	**11,622**	7,418
Written back of provision for levy on land use rights	**–**	8,228
Dividends from available-for-sale investments	**32,765**	6,105
Income from distribution of broadcasting right	**1,970**	–

8. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**33,003**	20,742
Less: interest capitalized	**(13,512)**	(15,716)
	19,491	5,026
Finance cost of convertible bonds due 2009	**–**	2,855
	19,491	7,881

Borrowing cost capitalised during the year arose from specific borrowings.

9. TAXATION

	2007	2006
	HK$'000	*HK$'000*
The charge (credit) comprises:		
PRC (other than Hong Kong) tax calculated at tax rates prevailing in the respective jurisdictions where the relevant individual group companies operate	**28,703**	(12,136)
PRC LAT	**124,798**	245,796
Hong Kong Profits Tax	**13**	128
Underprovision in prior years – PRC (other than Hong Kong) profits tax	**114**	90
	153,628	233,878
Increase in opening deferred tax balances resulting from an increase in the applicable tax rate	**52,724**	–
Deferred tax charge	**854,490**	4,366
Total tax charges for the year	**1,060,842**	238,244

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The domestic income tax rate is the income tax rate of the jurisdiction where the major operations of the Group are based. The major PRC subsidiaries have their operations located in Pudong New Area, Shanghai, the PRC, and are subject to a tax rate of 15%. 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. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% 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.

10. DIVIDEND

The directors recommend a payment of final dividend of HK$0.055 per share for the year ended 31st December, 2007 (2006: Nil) which is subject to approval by the shareholders in the forthcoming annual general meeting.

In June 2006, a dividend of HK$0.05 per share amounting to approximately HK$65,874,000 in aggregate was paid to shareholders as the final dividend for 2005.

11. EARNINGS (LOSS) PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings (loss)		
Profit (loss) for the year attributable to shareholders of the Company for the purposes of basic earnings (loss) per share and diluted earnings (loss) per share	**2,588,314**	(55,506)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**1,317,470,088**	1,292,832,931
Effect of dilutive potential ordinary shares – exercise of share options	**6,763,896**	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,324,233,984**	

For the year ended 31st December, 2006, no diluted loss per share was presented as the exercise of share options and the conversion of the Company's convertible bonds due 2009 would result in a decrease in loss per share.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit terms of the Group given to trade customers range from cash on delivery to 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 minimize credit risk.

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:

	2007	2006
	HK$'000	*HK$'000*
Aged analysis of trade receivables:		
0 – 3 months	**38,816**	32,361
4 – 6 months	**104**	7,481
7 – 12 months	**6,794**	5,042
over 1 year	**606**	167
	46,320	45,051

13. 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:

	2007	2006
	HK$'000	*HK$'000*
Aged analysis of trade payables:		
0 – 3 months	**228,633**	7,780
4 – 6 months	**10**	182
7 – 12 months	**4,863**	996
over 1 year	**26,352**	45,562
	259,858	54,520

FINAL DIVIDEND

The Board recommends a payment of a final dividend of 5.5 HK cents per share for the year ended 31st December, 2007 (2006: Nil) to shareholders whose names appear on the register of members of the Company on Friday, 23rd May, 2008. Dividend warrants are expected to be despatched in early June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21st May, 2008 to Friday, 23rd May, 2008, both days inclusive, during which period no transfer of shares of the Company will be effected.

In order to qualify for the 2007 final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 20th May, 2008 for registration.

GENERAL OVERVIEW

The Group made an enormous progress in the annual results for the year ended 31st December, 2007. A consolidated profit after taxation attributable to shareholders of the Company of approximately HK$2,588.31 million (2006: loss of HK$55.51 million) and a basic earnings per share of HK$1.96 (2006: loss per share of 4.29 HK cents) were recorded for the year under review. The improvement in results for the year 2007 was principally attributable to a net gain on fair value changes of investment properties of the Group (including two residential towers of Tomson Riviera, a prime residential development project of the Group in Shanghai) of approximately HK$3,257.49 million. If the changes in fair value of investment properties were disregarded, the Group's profit before taxation would amount to approximately HK$388.57 million (2006: HK$125.28 million).

In addition, gross proceeds from operations of the Group for the year ended 31st December, 2007 increased substantially to approximately HK$785.27 million (2006: HK$446.63 million) and recognition of sale proceeds from Tomson Riviera upon completion of construction in 2007 was the major source of the gross proceeds and also a key factor of the good results of the Group for the year. During the year under review, investment in long-term equity securities of the Group was another major source of profit and brought in a gain of approximately HK$127.34 million by way of disposal and receipts of dividends.

The Group also shared a profit of its associates and jointly controlled entities of approximately HK$22.18 million for the year 2007.

On the other hand, owing to an increase in the enterprise income tax rate applicable to subsidiaries of the Group in the mainland China from 15% to 25% with effect from 1st January, 2008 and a substantial increase in the fair value of Tomson Riviera, the Group made a provision for deferred tax of approximately HK$907.21 million in its consolidated financial statements for the year under review.

OPERATIONS REVIEW

The Group maintained its operation base in mainland China, in particular Shanghai, in 2007 and its investment in the property sector in Shanghai was the major source of profit for the year under review.

During the year 2007, property development and trading was the principal revenue generator of the Group and delivered a profit of approximately HK$248.35 million. Property investment was the largest profit contributor to the Group and recorded a contribution of approximately HK$3,288.86 million to the Group's annual results. In addition, leisure activities reported an operating profit of approximately HK$46.73 million to the Group in addition to a share of profit of approximately HK$20.91 million from its hotel operation for 2007. Taking benefit of the boom in the securities market in Hong Kong last year, securities trading activities of the Group have increased and made an operating profit of approximately HK$5.98 million. On the other hand, the Group recorded a gain of approximately HK$127.34 million from its long-term equity investments.

Property Development and Investment

Property development and investment in Shanghai, being the key business of the Group, generated total revenue of approximately HK$472.66 million, being 60% of the gross proceeds from operations of the Group for the year ended 31st December, 2007 and sale of Tomson Riviera was the greatest revenue generator.

Tomson Riviera

Tomson Riviera, a prime residential development project of the Group along the riverfront of Pudong and overlooking the Bund, was granted with a real estate ownership certificate in August 2007. The project comprises four residential towers of a total residential gross floor area of approximately 117,400 square meters. Of the four residential towers, two are earmarked for sale and another two are retained for investment purpose.

According to the accounting standards, the two blocks of investment properties were measured at their fair value and a net gain on fair value changes of approximately HK$3,252.54 million was recorded in 2007. It is scheduled to launch one tower of the investment properties for leasing this month.

In addition, sale proceeds derived from the development accounted for nearly 30% of the gross proceeds from operations and approximately 38% of the gross profit of the Group for 2007.

Tomson Golf Villas and Garden

The Group has developed around the periphery of Tomson Shanghai Pudong Golf Club in Pudong altogether seven phases of Tomson Golf Villas in addition to a development of apartment houses, namely Tomson Golf Garden.

There are now only a few units of Tomson Golf Garden and of the latest three phases of Tomson Golf Villas available for sale. During the year ended 31st December, 2007, this residential property project accounted for about 17% of the gross proceeds from operations and approximately 18% of the gross profit of the Group.

Xingguo Garden

All the residential gross floor area of Xingguo Garden, the sole residential property project of the Group in Puxi, of a total gross floor area of approximately 10,000 square meters was sold out.

Tomson Riviera Garden

Tomson Riviera Garden, formerly known as Tomson Huting Garden, is the latest residential development project of the Group which holds a 70% interest. It is a series of detached or semi-detached town houses being developed by phases on a site near Tomson Shanghai Pudong Golf Club. Construction of the first phase commenced in July 2006 and is scheduled for completion in mid 2008. The first phase comprise 172 residential units of a total saleable gross floor area for value of around 52,900 square meters and has launched for pre-sale by two stages since October 2007 and March 2008 respectively. Up till the date of this announcement, a sale of around 90% of the first phase was recorded and it is expected that the pre-sale proceeds would be recognized in the annual results of the Group for the year ended 31st December, 2008.

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 recurrent revenue to the Group and accounted for approximately 8% of the gross proceeds from operations of the Group for the year under review. On the other hand, a net gain on changes in fair value of these properties of approximately HK$4.95 million was recognized in the annual results of the Group for 2007.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Tomson Shanghai Pudong Golf Club was the second major revenue generator of the Group for the year ended 31st December, 2007 and generated revenue of approximately HK$158.43 million, being 20% of the gross proceeds from operations of the Group for the year under review. The Golf Club reported an operating profit of approximately HK$46.73 million for the year 2007. Sale of membership debentures was the principal source of operating revenue of the Golf Club and made a remarkable progress during 2007 by achieving an increase of more than 70% over the sales amount for the last corresponding year while revenue from golfing activities also recorded a sound improvement.

BMW Asian Open will be held its fifth time in the Golf Club in late April 2008 since 2004. The success in organisation of the tournament has not only enhanced the popularity of the Golf Club but also helped to catalyse its sale of memberships; hence, the operation of the Golf Club was benefited.

Hotel Inter-Continental Pudong Shanghai

For the year ended 31st December, 2007, the Group shared a profit of approximately HK$20.91 million from Hotel Inter-Continental Pudong Shanghai in which it holds a 50% interest. The hotel operation achieved an average occupancy rate of 78% in 2007.

Securities Trading

The Group has invested in various listed securities in Hong Kong to diversify its business portfolio and maximize its return to cash balance. Securities trading of the Group accounted for approximately 13% of the gross proceeds from operations of the Group for the year under review. A net gain of approximately HK$6.80 million was derived from the securities investment of the Group held for trading and credited to the Group's consolidated income statement for the year 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 mainland China. Both 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 Company, through a wholly-owned subsidiary, has acquired shares in the capital of Poly (Hong Kong) Investments Limited ("Poly HK"), a listed company in Hong Kong, since June 2006 and became a substantial shareholder of Poly HK under Part XV of the Securities and Futures Ordinance in September 2006. The Group has therefore decided to hold such interest as a long-term equity investment. To realise a gain on its investment to capitalise on the rise in the share price and in consideration of a substantial dilution of the Group's interest in Poly HK upon a completion of a subscription of a huge number of new shares of Poly HK by investors unrelated with the Group which had been announced by Poly HK in March 2007, the Group subsequently disposed of the shares of Poly HK during a period from October 2006 to May 2007. The disposal of the long-term equity investment was completed in May 2007 and all the sales were effected on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at market prices then quoted. The Group has recognized a gain of approximately HK$0.9 million and HK$94.6 million in 2006 and 2007 respectively, making up a total profit of approximately HK$95.5 million from the disposal.

Industrial Operations

To complement its principal investment in property sector, the Group holds a 58% interest in an operation of manufacturing PVC pipes and fittings in Shanghai. Owing to a reduction in gross profit margin and a provision for bad and doubtful debts, the operation reported an operating loss of approximately HK$4.70 million during the year under review.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the year ended 31st December, 2007 were 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$1,647.32 million. During the year under review, the Group generated a net cash inflow of approximately HK$603.41 million from its operations and achieved a net cash inflow of approximately HK$214.35 million from its investing activities. After taking into account a net cash outflow of approximately HK$241.26 million from its financing activities, the Group recorded a net cash inflow of approximately HK$576.50 million for the year under review (2006: HK$159.99 million). The net cash inflow was mainly attributable to receipts of pre-sale deposit of Tomson Riviera Garden and proceeds on disposal of long-term equity investments during the year.

The Group's borrowings as at 31st December, 2007 amounted to approximately HK$373.73 million (2006: 573.81 million), equivalent to 5.31% (2006: 14.35%) of the equity attributable to the shareholders of the Company at the same date. All of the borrowings were bank loans under security. Of those borrowings, 2.86% were due for repayment within one year from the balance sheet date while 48.57% were repayable within two years and within five years from the balance sheet date respectively.

At the balance sheet date, the Group's capital commitments in relation to expenditure on properties under development, which were contracted but not provided for, amounted to approximately HK$868.70 million (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.

As at 31st December, 2007, the Group recorded a current ratio of 1.75 times (2006: 2.13 times) and a gearing ratio (total liabilities to equity attributable to the shareholders of the Company) of 47.16% (2006: 32.59%). The drop in the current ratio was mainly resulted from receipts of pre-sale deposit of Tomson Riviera Garden which had been classified as current liabilities in the financial statements of the Group for 2007 while the rise in the gearing ratio was mainly attributable to an increase of the provision for deferred taxation and the said receipt of pre-sale proceeds during the year under review.

Charge on Assets

As at 31st December, 2007, assets of the Group with an aggregate carrying value of approximately HK$1,442.84 million (2006: HK$2,548.41 million) were pledged to banks to secure long-term bank loans of the Group. On the other hand, a deposit of approximately HK$6.96 million was pledged to banks on 31st December, 2006 to secure mortgage finance granted to buyers of properties developed by 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 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 31st December, 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

Having optimism about the future development of the real estate sector in mainland China, property development and investment therein will remain the principal activities of the Group. Apart from focusing on the high-end residential market, the management is seeking appropriate opportunities of investing in commercial and office properties to diversify the property portfolio of the Group. It is also planning to increase the weighting of property investment in the business portfolio of the Group so as to achieve a steady recurrent rental income. In the coming future, the Group will not only actively promote Tomson Riviera and Phase 1 of Tomson Riviera Garden, but also devote its effort to the development of Phase 2 of Tomson Riviera Garden.

On the other hand, the Board is open to other feasible proposals of investment in any other business stream or in any other location in order to pursuit further growth of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In December 2007, the Company repurchased 52,000 shares of HK$0.50 each in its issued capital at HK$2.83 per share on the Stock Exchange at a consideration of HK$147,160.

The repurchase of shares was made pursuant to a general mandate granted to the Board at the 2007 annual general meeting of the Company to repurchase shares of HK$0.50 each in the capital of the Company and all of the aforesaid repurchased shares have been duly cancelled.

The repurchase was made as the shares of the Company were trading at a substantial discount to their underlying net asset value, so it would enhance the Company's net asset value per share and earnings per share for the benefit of the Company and the shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and 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 throughout the year ended 31st December, 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 each annual general meeting 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.

PUBLICATION OF ANNUAL RESULTS

This annual results announcement is published on the issuer website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and on the Company's website at http://www.tomson.com.hk. The Annual Report 2007 of the Company will also be published on the aforesaid websites in due course.

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

Hong Kong, 14th April, 2008

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.