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, 2009

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, 2009 together with the comparative figures of 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	**Six months ended 30th June** **2009** **HK$'000**	2008 HK$'000
Gross proceeds from operations	4	**215,240**	164,446
Revenue	4	**189,591**	122,899
Cost of sales		**(49,013)**	(42,075)
Gross profit		**140,578**	80,824
Other income	6	**13,962**	64,414
Gain on fair value changes of investment properties		**1,680,324**	614,253
Net gain (loss) in investments held for trading		**15,907**	(13,084)
Selling expenses		**(53,701)**	(36,572)
Administrative expenses		**(56,398)**	(61,859)
Other expenses		**(399)**	-
Finance costs	7	**(11,603)**	(8,560)
		1,728,670	639,416
Share of results of associates		**(472)**	1,143
Share of results of jointly controlled entities		**(3,772)**	6,934
Profit before taxation	8	**1,724,426**	647,493
Taxation	9	**(441,669)**	(156,441)
Profit for the period		**1,282,757**	491,052
Profit for the period attributable to:			
Equity holders of the Company		**1,279,436**	489,974
Minority interests		**3,321**	1,078
		1,282,757	491,052
Earnings per share (HK cents)	11		
- Basic		**96.67**	37.05
- Diluted		**96.67**	36.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Profit for the period	**1,282,757**	491,052
Other comprehensive income		
Exchange differences arising from translation	**3,655**	386,773
Gain (loss) on changes in fair value of available-for-sale investments	**28,380**	(28,124)
Share of other comprehensive income of associates and jointly controlled entities	**(332)**	11,491
Release of other comprehensive income upon disposal of an associated company	**735**	-
Other comprehensive income for the period	**32,438**	370,140
Total comprehensive income for the period	**1,315,195**	861,192
Total comprehensive income attributable to:		
Equity holders of the Company	**1,311,717**	849,627
Minority interests	**3,478**	11,565
	1,315,195	861,192

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) 30th June 2009 HK$'000**	(Audited) 31st December 2008 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**7,804,600**	6,112,800
- Property, plant and equipment		**377,788**	386,121
Lease premium for land		**79,405**	82,080
Goodwill		**33,288**	33,288
Deferred tax assets		**761**	873
Interests in associates		**34,006**	34,897
Interests in jointly controlled entities		**195,731**	199,414
Available-for-sale investments		**126,240**	97,860
		8,651,819	6,947,333
Current Assets			
Lease premium for land		**6,430**	6,411
Properties under development		**1,645,701**	1,128,726
Properties held for sale		**1,030,989**	1,052,353
Trade and other receivables and prepayments	12	**234,009**	254,377
Investments held for trading		**44,375**	24,606
Inventories		**25,980**	23,372
Prepaid income tax		**126,887**	28,250
Cash and bank balances		**1,801,846**	1,513,254
		4,916,217	4,031,349
Current Liabilities			
Trade and other payables and accruals	13	**655,926**	604,101
Receipts in advance		**822,916**	40,951
Tax payables		**754,232**	763,606
Current portion of long-term bank borrowings		**315,443**	192,809
		2,548,517	1,601,467
Net Current Assets		**2,367,700**	2,429,882
Total Assets Less Current Liabilities		**11,019,519**	9,377,215

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) 30th June 2009 HK$'000	(Audited) 31st December 2008 HK$'000
Capital and Reserves		
Share capital	**661,880**	661,755
Reserves	**8,431,189**	7,191,851
Equity attributable to equity holders of the Company	**9,093,069**	7,853,606
Minority interests	**342,784**	339,306
Total Equity	**9,435,853**	8,192,912
Non-Current Liabilities		
Long-term bank borrowings	**181,550**	192,809
Deferred tax liabilities	**1,402,116**	991,494
	1,583,666	1,184,303
	11,019,519	9,377,215

Notes:

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2008.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1st January, 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 5). The adoption of the new and revised HKFRSs has had no material effect on the reported 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, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

3. PRINCIPAL ACCOUNTING POLICIES (continued)

[1]Effective for annual periods beginning on or after 1st July, 2009
[2]Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate
[3]Effective for transfers on or after 1st July, 2009
[4]Effective for annual periods beginning on or after 1st January, 2010

The application of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

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.

Revenue and gross proceeds from operations for the period ended 30th June, 2009 consist of the followings:

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Revenue from sale of goods and properties	**105,215**	36,717
Revenue from rendering of services from golf club operations	**33,062**	47,743
Revenue from property rental and management fee	**51,314**	38,439
Revenue	**189,591**	122,899
Gross proceeds from sale of securities	**25,649**	41,547
Gross proceeds from operations	**215,240**	164,446

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

However, the adoption of HKFRS 8 has changed the basis of measurement of segment profit or loss. Gain on fair value changes of investment properties is excluded from the measurement of segment results of the "Property Investment" segment in the application of HKFRS 8. In the past, this was included in the measurement of segment results under HKAS 14.

For the six months ended 30th June, 2009

	Property Investment HK$'000	Property Development and Trading HK$'000	Industrial Operations HK$'000	Leisure HK$'000	Securities Trading HK$'000	Elimination HK$'000	Total HK$'000
GROSS PROCEEDS FROM OPERATIONS	**51,314**	**85,939**	**19,276**	**33,062**	**25,649**	**-**	**215,240**
REVENUE							
External sales	**51,314**	**85,939**	**19,276**	**33,062**	**-**	**-**	**189,591**
Inter-segment sales	**5,535**	**-**	**-**	**-**	**-**	**(5,535)**	**-**
	56,849	**85,939**	**19,276**	**33,062**	**-**	**(5,535)**	**189,591**
RESULTS							
Segment profit (loss)	**27,548**	**24,454**	**867**	**(2,379)**	**15,780**	**-**	**66,270**
Other income							**13,962**
Gain on fair value changes of investment properties							**1,680,324**
Unallocated corporate expenses							**(20,283)**
Finance costs							**(11,603)**
							1,728,670
Share of results of associates							**(472)**
Share of results of jointly controlled entities							**(3,772)**
Profit before taxation							**1,724,426**

Inter-segment sales are charged at prevailing market prices.

5. SEGMENT INFORMATION (continued)

For the six months ended 30th June, 2008

	Property Investment HK$'000	Property Development and Trading HK$'000	Industrial Operations HK$'000	Leisure HK$'000	Securities Trading HK$'000	Elimination HK$'000	Total HK$'000
GROSS PROCEEDS FROM OPERATIONS	38,439	1,172	35,545	47,743	41,547	-	164,446
REVENUE							
External sales	38,439	1,172	35,545	47,743	-	-	122,899
Inter-segment sales	6,506	-	25	-	-	(6,531)	-
	44,945	1,172	35,570	47,743	-	(6,531)	122,899
RESULTS							
Segment profit (loss)	16,016	(26,795)	803	9,999	(13,099)	-	(13,076)
Other income							64,414
Gain on fair value changes of investment properties							614,253
Unallocated corporate expenses							(17,615)
Finance costs							(8,560)
							639,416
Share of results of associates							1,143
Share of results of jointly controlled entities							6,934
Profit before taxation							647,493

Inter-segment sales are charged at prevailing market prices.

Segment profit (loss) represents the results by each segment without allocation of central administration costs, directors' salaries, share of results of associates and jointly controlled entities, other income, gain on fair value changes of investment properties and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

6. OTHER INCOME

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Other income included:		
Interest income	**5,292**	14,460
Net gain on disposal of property, plant and equipment and lease premium for land, net of written off	**-**	24,145
Net exchange gain	**52**	15,726
Dividends from available-for-sale investments	**2,557**	5,114
Written back of allowance for bad and doubtful debts	**599**	2,685
Gain on disposal of an associated company	**3,186**	-

7. FINANCE COSTS

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**13,849**	13,275
Less: interest capitalised	**(2,246)**	(4,715)
	11,603	8,560

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation	**12,685**	12,448
Amortisation of lease premium for land	**3,217**	3,221
Net loss on disposal of property, plant and equipment, net of written off	**399**	-

9. TAXATION

	Six months ended 30th June	
	2009	2008
	HK$'000	HK$'000
The charge comprises:		
People's Republic of China (the "PRC") (other than Hong Kong) Enterprise Income Tax calculated at tax rates prevailing in the respective jurisdictions where the relevant individual group companies operate	**12,464**	11,609
PRC Land Appreciation Tax	**18,036**	12
Underprovision in prior period		
- PRC (other than Hong Kong) Enterprise Income Tax	**480**	735
- Hong Kong Profits Tax	**1**	-
	30,981	12,356
Deferred tax charge	**410,688**	144,085
Total tax charges for the period	**441,669**	156,441

No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. 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 major PRC subsidiaries have their operations located in Pudong New Area, Shanghai, the PRC and are subject to a tax rate of 20% (2008: 18%) for the six months ended 30th June, 2009.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (2008: Nil). In July 2009, a dividend of HK$0.055 (2008: HK$0.055) per share amounting to approximately HK$72,793,000 (2008: HK$72,760,000) in aggregate was paid to shareholders as the final dividend for the year ended 31st December, 2008.

11. 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	
	2009	2008
	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	**1,279,436**	489,974
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,323,511,321**	1,322,600,171
Effect of dilutive potential ordinary shares		
- Share options	**-**	3,005,930
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,323,511,321**	1,325,606,101

The presentation of diluted earnings per share for the six months ended 30th June, 2009 has not assumed the exercise of the Company's share options because the exercise price of share options granted by the Company is higher than the Company's average share price over the period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit terms of the Group given to trade customers are within 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 impairment losses, of HK$34,839,000 (2008: HK$75,235,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June	31st December
	2009	2008
	HK$'000	HK$'000
0 – 3 months	**12,465**	60,883
4 – 6 months	**8,862**	4,706
7 – 12 months	**13,512**	9,646
	34,839	75,235

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$187,837,000 (2008: HK$218,137,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June 2009 HK$'000	31st December 2008 HK$'000
0 – 3 months	**36,305**	183,479
4 – 6 months	**48,689**	529
7 – 12 months	**69,289**	33
over 1 year	**33,554**	34,096
	187,837	218,137

GENERAL OVERVIEW

The Group recorded a grateful progress in the results for the period ended 30th June, 2009 and reported a consolidated profit after taxation attributable to shareholders of the Company of approximately HK$1,279.44 million (2008: HK$489.97 million) and a basic earnings per share of 96.67 HK cents (2008: 37.05 HK cents) for the period under review. A gain on fair value changes of investment properties of the Group of approximately HK$1,680.32 million (2008: HK$614.25 million) was the major contributor to the results of the Group for the first half of 2009, though a provision for deferred tax of approximately HK$410.69 million (2008: HK$144.09 million), which was mainly arisen from such increase in the fair value, was made in the consolidated income statement of the Group for the period.

If the changes in fair value of the investment properties were disregarded, the Group's profit before taxation for the six months ended 30th June, 2009 would amount to approximately HK$44.10 million (2008: HK$33.24 million). The improvement in the profit before taxation for the period under review was mainly attributable to an increase in proceeds from property development and trading of the Group in Shanghai, The People's Republic of China (the "PRC") and the gross profit of the Group for the period rose to approximately HK$140.58 million (2008: HK$80.82 million). In addition, a net gain in investments held for trading of approximately HK$15.91 million (2008: a net loss of HK$13.08 million) was recorded in the consolidated financial statements of the Group for the period ended 30th June, 2009 but the Group shared a loss of its associates and jointly controlled entities of approximately HK$4.24 million (2008: profit of HK$8.08 million) for the period.

The Board does not recommend a payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

OPERATIONS REVIEW

Investment in the property sector in Shanghai was the major source of profit of the Group during the first half of 2009. Property investment was the largest profit contributor to the Group by making a contribution of approximately HK$27.55 million from its steady recurrent rental and management income. Property development and trading was the principal revenue generator of the Group and reported an operating profit of approximately HK$24.45 million to the Group.

Owing to an upturn in the stock market in Hong Kong, securities trading ranked the third in term of profit contribution amongst all operating segments of the Group and delivered an operating profit of approximately HK$15.78 million for the period ended 30th June, 2009.

There was a decline in the operating results of leisure activities and an operating loss of approximately HK$2.38 million was recorded for the period under review.

Property Development and Investment

Property development and investment in Shanghai generated total revenue of approximately HK$137.25 million and accounted for approximately 64% of the gross proceeds from operations of the Group for the six months ended 30th June, 2009. In addition, a gain on fair value changes of the investment properties of the Group of approximately HK$1,680.32 million was recorded during the period under review.

Tomson Riviera Garden

Tomson Riviera Garden, the latest residential development of the Group, was the prime profit maker of the Group for the period under review and the Group holds a 70% interest in that project.

The project is being developed by two phases on a site adjacent to Tomson Shanghai Pudong Golf Club. Construction of Phase 1 was completed in 2008 while that of Phase 2 is scheduled for completion in 2010. The development provides a total of 291 units of single houses and townhouses. Except 16 units of single houses of which construction commenced in the second quarter of 2009, all the other 275 units have been sold.

During the period under review, sales proceeds from Tomson Riviera Garden accounted for approximately 29%, being the major source, of the gross proceeds from operations of the Group. A sum of receipts in advance of approximately HK$612.39 million from the project was credited to the Group as at 30th June, 2009 and is expected to be recognised in the annual results of the Group for the years of 2009 and 2010 according to the schedule of handover after completion of the construction.

Tomson Riviera

Tomson Riviera, lying along the riverfront of Pudong and overlooking the Bund, is the key residential development of the Group. In view of the favourable market sentiment in the luxury property market, the Board has adjusted its business strategy about Tomson Riviera. Tower C, providing relatively smaller units in the project, was launched for sale in the second half of June 2009 and the Group will carry out substantial re-decoration works in Tower C in the second half of 2009 for further upgrading its quality. In other words, of the four residential towers, three are now earmarked for sale and the rest is retained for investment purpose.

According to the accounting standards, the sales proceeds of Tomson Riviera committed in the first half of 2009 have not yet been recognised but are expected to be recognised in the annual results for 2009. As at 30th June, 2009, a total of sales deposit of approximately HK$197.60 million was received by the Group. On the other hand, the rental income from Tomson Riviera accounted for approximately 3% of the gross proceeds from operations of the Group and a gain on changes in fair value of approximately HK$1,671.70 million was credited to the consolidated income statement of the Group for the six months ended 30th June, 2009.

Both of the sale and leasing rates of the project are rising up and it is expected that satisfactory sales proceeds and rental income would be recognised in the annual results of the Group for the year of 2009.

Tomson Golf Villas

Tomson Golf Villas has been developed by phases around the periphery of Tomson Shanghai Pudong Golf Club and only a few units are available for sale. Sales proceeds of the project accounted for approximately 10% of the gross proceeds from operations of the Group for the six months ended 30th June, 2009.

Commercial and Industrial Buildings

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, comprising Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park and the commercial podium of Tomson Business Centre, continuously provided a steady recurrent revenue to the Group and accounted for approximately 20% of the gross proceeds from operations of the Group for the period under review.

Land at Jinqiao-Zhangjiang District

At an extraordinary general meeting of the Company held in June 2009, the Company got an approval from its shareholders on a supplemental agreement on an acquisition of land use rights of an area with a site area of about 1,020,000 square meters located at Jinqiao-Zhangjiang District, Pudong, Shanghai. Completion of the acquisition is conditional upon the confirmation and approval of the filings of relevant documents to the relevant government department in the PRC before 30th December, 2009. The transaction provided a unique opportunity for the Group to supplement its land bank near its major property development and the Group intends to develop the site into a low-density residential development and a 9-hole golf course. The Group believes that the presence of a golf course greatly enhances the living environment and the marketability of nearby residential development. Construction of the first phase of the residential development is expected to commence in 2010.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Tomson Shanghai Pudong Golf Club generated revenue of approximately HK$33.06 million, being approximately 15% of the gross proceeds from operations of the Group, for the six months ended 30th June, 2009. It was a decline in revenue as compared with the last corresponding period in 2008 and reported an operating loss of approximately HK$2.38 million for the first half of 2009. Performance of both golfing activities and sale of membership debentures have shown a regression under the impact of the adverse global economic environment.

Hotel Inter-Continental Pudong Shanghai

The Group holds a 50% interest in Hotel Inter-Continental Pudong Shanghai. For the period under review, the hotel operation recorded a decrease in average occupancy rate, hence, the Group shared a loss of approximately HK$3.77 million from the operation. The hotel is now under renovation to upgrade its quality and strengthen its competitiveness.

Securities Trading

Securities trading activities accounted for around 12% of the gross proceeds from operations of the Group for the period under review and became the third major source of operating profit of the Group. After taking into account an unrealised gain on changes in fair value of securities investments of the Group held for trading, a net gain in those investments of approximately HK$15.91 million was reported for the six months ended 30th June, 2009.

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 PRC. Both two companies are principally engaged in property development and investment in Zhangjiang Hi-Tech Park, Pudong, Shanghai. Dividend of approximately HK$2.56 million was received during the period under review and a gain on changes in fair value of the long-term securities investment of approximately HK$28.38 million was credited to the investment reserve of the Group in the first half of 2009.

Industrial Operations

Manufacturing operation of PVC pipes and fittings of the Group in Shanghai made an operating profit of approximately HK$0.87 million during the six months ended 30th June, 2009 with the benefit of a rise in gross profit margin though suffering from a decrease in turnover.

On the other hand, the Group has completed a disposal of its entire interest in an operation of manufacturing ready-mixed concrete in Shanghai and a gain of approximately HK$3.19 million was recognised in the first half of 2009.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the period ended 30th June, 2009 were mainly funded by cash on hand and revenue from operations and financing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to approximately HK$1,801.85 million. During the period under review, the Group generated a net cash inflow of approximately HK$177.72 million and HK$111.74 million from its operations and financing activities respectively. After taking account of a net cash outflow of approximately HK$1.38 million from its investing activities, the Group recorded a net cash inflow of approximately HK$288.08 million for the period under review (2008: a net cash outflow of HK$116.55 million). The increase in the cash inflow for the period under review was mainly attributable to additional bank borrowings and receipt of pre-sale deposit of Tomson Riviera Garden and deposit received from sale of Tomson Riviera.

The Group's borrowings as at 30th June, 2009 amounted to approximately HK$496.99 million (31st December, 2008: HK$385.62 million), equivalent to 5.47% (31st December, 2008: 4.91%) of the equity attributable to the shareholders of the Company at the same date. All of the borrowings were bank loans under security and 36.53% of those borrowings were subject to a fixed interest rate while the rest was on a floating rate basis. Of those borrowings, 63.47% were repayable within one year from the end of the reporting period while the remaining was due for repayment more than one year but within two years from the end of the reporting period.

At the end of the reporting period, the Group had capital commitments contracted but not provided for in relation to expenditure on properties under development amounting to approximately HK$1,097.20 million (31st December, 2008: HK$145.09 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 1.93 times (31st December, 2008: 2.52 times) and a gearing ratio (total liabilities to equity attributable to the shareholders of the Company) of 45.44% as at 30th June, 2009 (31st December, 2008: 35.47%). The drop in the current ratio and the rise in the gearing ratio were mainly resulted from an increase in receipts in advance regarding the pre-sale deposit of Tomson Riviera Garden and deposit received from sale of Tomson Riviera which were not recognised in the interim results of the Group for 2009 according to the accounting standards and were classified under current liabilities in the consolidated financial statements of the Group.

Charge on Assets

As at 30th June, 2009, assets of the Group with an aggregate carrying value of approximately HK$984.35 million (31st December, 2008: HK$887.30 million) were pledged to banks for securing long-term bank loans of the Group.

Foreign Exchange Exposure

The majority of the Group's assets and liabilities are denominated in Renminbi and the liabilities are well covered by the assets, the management therefore expects that the change in value of Renminbi will not have any adverse effect on 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, 2009, 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 paid 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

Though the recovery progress of the global economic condition is uncertain, the Board has confidence in the business environment and development potential in the PRC. The Group will focus its resources on the property development and investment in the PRC and Tomson Riviera is its principal project in the coming year.

On the other hand, after getting approval from the shareholders of the Company on the supplemental agreement on the acquisition of land use rights in Pudong, Shanghai in the first half of 2009, the Group has guaranteed a supply of land for its property development business for next decade and the management is now actively formulating the development plan of the site. In addition, the Group will also take advantage of the current investment environment and look for other profitable investment opportunities to diversify its business portfolio and to strengthen its financial position.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2009, 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 (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period of six months ended 30th June, 2009, 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 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 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. 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, nevertheless, they are subject to retirement and re-election at annual general meetings according to the Articles of Association of the Company (the "Articles"); and

(c) the Articles had not prescribed to have the Directors of the Company retired by rotation at least once every three years as required in the Code. However, the Articles were amended at the annual general meeting of the Company held on 5th June, 2009 so that one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number to but not less than one-third shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, the code provision is now complied.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

This interim results announcement is published on the 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 Interim Report 2009 of the Company will be available on both websites and despatched to the shareholders of the Company on or before Wednesday, 30th September, 2009.

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

Hong Kong, 8th September, 2009

As at the date of this announcement, the Board of the Company comprises four executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Tong Albert (Vice-Chairman), Mr Tong Chi Kar Charles 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.