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, 2010

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, 2010 together with comparative figures for the corresponding period of 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

| | Notes | **Six months ended 30th June** **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|---|
| Gross proceeds from operations | 4 | **908,000** | 215,240 |
| Revenue | 4 | **807,570** | 189,591 |
| Cost of sales | | **(224,516)** | (49,013) |
| Gross profit | | **583,054** | 140,578 |
| Other income | | **47,703** | 10,125 |
| Net (loss) gain on disposal/fair value changes of investment properties | | **(6,157)** | 1,680,324 |
| Net gain in investments held for trading | | **11,553** | 15,907 |
| Selling expenses | | **(100,902)** | (53,701) |
| Administrative expenses | | **(71,702)** | (56,398) |
| Other gains and losses | 6 | **2,833** | 3,438 |
| Finance costs | 7 | **(15,082)** | (11,603) |
| | | **451,300** | 1,728,670 |
| Share of results of associates | | **2,500** | (472) |
| Share of results of jointly controlled entities | | **4,197** | (3,772) |
| Profit before taxation | 8 | **457,997** | 1,724,426 |
| Taxation | 9 | **(274,734)** | (441,669) |
| Profit for the period | | **183,263** | 1,282,757 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **183,697** | 1,279,436 |
| Non-controlling interests | | **(434)** | 3,321 |
| | | **183,263** | 1,282,757 |
| Earnings per share (HK cents) | 11 | | |
| - Basic | | **13.63** | 96.67 |
| - Diluted | | **13.59** | 96.67 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Profit for the period | **183,263** | 1,282,757 |
| **Other comprehensive income** | | |
| Exchange differences arising from translation of: | | |
| - subsidiaries | **88,684** | 3,655 |
| - jointly controlled entities | **1,681** | 88 |
| Gain on changes in fair value of available-for-sale investments | **10,227** | 28,380 |
| Share of other comprehensive expense of associates | **(16)** | (420) |
| Reclassification adjustments: | | |
| - release of exchange differences upon disposal of an associate | **-** | 735 |
| - release from reserve on acquisition upon sales of properties held for sale | **3,360** | - |
| Other comprehensive income for the period | **103,936** | 32,438 |
| **Total comprehensive income for the period** | **287,199** | 1,315,195 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **283,972** | 1,311,717 |
| Non-controlling interests | **3,227** | 3,478 |
| | **287,199** | 1,315,195 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **(Unaudited) 30th June 2010 HK$'000** | (Audited) 31st December 2009 HK$'000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Fixed assets | | | |
| - Investment properties | | **5,565,715** | 5,544,960 |
| - Property, plant and equipment | | **372,671** | 380,164 |
| Lease premium for land | | **73,362** | 249,420 |
| Goodwill | | **33,288** | 33,288 |
| Deferred tax assets | | **2,115** | 2,090 |
| Interests in associates | | **34,607** | 32,086 |
| Interest in jointly controlled entities | | **170,411** | 159,930 |
| Available-for-sale investments | | **142,859** | 132,632 |
| Pledged bank deposit | | **46,120** | - |
| | | **6,441,148** | 6,534,570 |
| **Current Assets** | | | |
| Lease premium for land | | **6,505** | 6,426 |
| Properties under development | | **511,246** | 450,130 |
| Deposit paid for land use right | | **104,522** | 1,991,218 |
| Properties held for sale | | **3,174,487** | 3,281,518 |
| Trade and other receivables and prepayments | 12 | **372,346** | 283,370 |
| Investments held for trading | | **258,327** | 80,387 |
| Inventories | | **24,204** | 23,001 |
| Prepaid income tax | | **247,052** | 142,868 |
| Cash and bank balances | | **6,126,977** | 2,728,657 |
| | | **10,825,666** | 8,987,575 |
| **Current Liabilities** | | | |
| Trade and other payables and accruals | 13 | **619,302** | 636,560 |
| Receipts in advance | | **2,348,936** | 1,590,247 |
| Tax payables | | **1,614,605** | 1,335,746 |
| Current portion of long-term bank borrowings | | **68,878** | 11,360 |
| | | **4,651,721** | 3,573,913 |
| **Net Current Assets** | | **6,173,945** | 5,413,662 |
| **Total Assets Less Current Liabilities** | | **12,615,093** | 11,948,232 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | **(Unaudited) 30th June 2010 HK$'000** | (Audited) 31st December 2009 HK$'000 |
|---|---|---|
| **Capital and Reserves** | | |
| Share capital | **697,422** | 673,769 |
| Reserves | **8,808,083** | 8,592,023 |
| Equity attributable to owners of the Company | **9,505,505** | 9,265,792 |
| Non-controlling interests | **347,766** | 344,539 |
| **Total Equity** | **9,853,271** | 9,610,331 |
| **Non-Current Liabilities** | | |
| Long-term bank borrowings | **804,730** | 319,209 |
| Deferred tax liabilities | **1,957,092** | 2,018,692 |
| | **2,761,822** | 2,337,901 |
| | **12,615,093** | 11,948,232 |

*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, 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations (altogether “new and revised HKFRSs”) issued by the HKICPA.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1st January, 2010 based on information which existed at the inception of these leases. The application of the amendment has had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting period.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of those new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

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

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

## 4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE (continued)

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 each type of business for the period ended 30th June, 2010 consist of the followings:

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Revenue from sale of properties | **681,388** | 85,939 |
| Revenue from sale of goods | **22,781** | 19,276 |
| Revenue from rendering of services from golf club operations | **38,469** | 33,062 |
| Revenue from property rental and management fee | **64,932** | 51,314 |
| **Revenue** | **807,570** | 189,591 |
| Gross proceeds from sale of securities | **100,430** | 25,649 |
| **Gross proceeds from operations** | **908,000** | 215,240 |

## 5. SEGMENT INFORMATION

The Group’s operating and reportable segments are based on information reported to the chief operating decision makers, the executive Directors of the Company, for the purposes of resource allocation and performance assessment. In addition to those set out in Note 4(i) to (iv), the Group’s operating segments under HKFRS 8 include securities trading segment which is dealing in investments held for trading.

**For the six months ended 30th June, 2010**

| | Property Investment HK$'000 | Property Development and Trading HK$'000 | Industrial Operations HK$'000 | Leisure HK$'000 | Securities Trading HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **GROSS PROCEEDS FROM OPERATIONS** | | | | | | |
| **- SEGMENT REVENUE** | **64,932** | **681,388** | **22,781** | **38,469** | **100,430** | **908,000** |
| **RESULTS** | | | | | | |
| Segment profit (loss) | **28,421** | **398,300** | **(617)** | **250** | **11,503** | **437,857** |
| Other unallocated income | | | | | | **50,469** |
| Unallocated expenses | | | | | | **(21,944)** |
| Finance costs | | | | | | **(15,082)** |
| | | | | | | **451,300** |
| Share of results of associates | | | | | | **2,500** |
| Share of results of jointly controlled entities | | | | | | **4,197** |
| Profit before taxation | | | | | | **457,997** |

## 5. SEGMENT INFORMATION (continued)

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$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| GROSS PROCEEDS FROM OPERATIONS - SEGMENT REVENUE | 51,314 | 85,939 | 19,276 | 33,062 | 25,649 | 215,240 |
| RESULTS | | | | | | |
| Segment profit (loss) | 1,707,872 | 24,454 | 867 | (2,379) | 15,780 | 1,746,594 |
| Other unallocated income | | | | | | 13,962 |
| Unallocated 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 |

Except for the presentation of segment revenue which is different from the reported revenue in the condensed consolidated income statement, the accounting policies of the operating segments are the same as the Group's accounting policies. For the details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK$908,000,000 (2009: HK$215,240,000), please refer to Note 4.

Segment profit (loss) represents the results by each segment without allocation of central administration costs, directors' salaries, share of results of associates and jointly controlled entities, other non-recurring income and expenses and finance costs. This is the measure reported to the executive Directors of the Company for the purposes of resource allocation and performance assessment.

## 6. OTHER GAINS AND LOSSES

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Written back of allowance for bad and doubtful debts | **67** | 599 |
| Gain on disposal of an associate | **-** | 3,186 |
| Net exchange gain | **2,830** | 52 |
| Net loss on disposal of property, plant and equipment, including written off | **(64)** | (399) |
| | **2,833** | 3,438 |

## 7. FINANCE COSTS

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Interest on bank loans wholly repayable within five years | **16,978** | 13,849 |
| Less: interest capitalised | **(1,896)** | (2,246) |
| | **15,082** | 11,603 |

## 8. PROFIT BEFORE TAXATION

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | **12,262** | 12,685 |
| Amortisation of lease premium for land | **3,248** | 3,217 |
| Net loss on disposal of investment properties (included in net (loss) gain on disposal/fair value changes of investment properties) | **2,486** | - |
| and after crediting: | | |
| Dividends from investments held for trading (included in net gain in investments held for trading) | **1,311** | 417 |
| Other income | | |
| - Interest income | **20,006** | 5,292 |
| - Dividends from available-for-sale investments - listed | **5,114** | 2,557 |
| - Dividends from available-for-sale investments - unlisted | **19,837** | - |

## 9. TAXATION

| | Six months ended 30th June | |
|---|---|---|
| | **2010** | 2009 |
| | **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 | **56,207** | 12,464 |
| PRC Land Appreciation Tax | **280,258** | 18,036 |
| Dividend withholding tax | **47** | - |
| Underprovision in prior period | | |
| - PRC (other than Hong Kong) Enterprise Income Tax | **948** | 480 |
| - Hong Kong Profits Tax | **-** | 1 |
| | **337,460** | 30,981 |
| Deferred tax (credit) charge | **(62,726)** | 410,688 |
| Total tax charges for the period | **274,734** | 441,669 |

## 9. TAXATION (continued)

The Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%). 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 22% (2009: 20%) for the six months ended 30th June, 2010.

## 10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (2009: Nil). In June 2010, a special dividend of 13.5 HK cents per share (2009: final dividend of 5.5 HK cents per share) amounting to approximately HK$181,918,000 (2009: HK$72,793,000) in aggregate was paid to shareholders for the year ended 31st December, 2009. Of the dividend paid during the period, approximately HK$137,659,000 was settled in shares under the Company's scrip dividend scheme approved by the Company on 4th June, 2010 in respect of the special dividend for the year ended 31st December, 2009.

## 11. EARNINGS PER SHARE

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

| | **Six months ended 30th June** | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company for the purposes of basic earnings per share and diluted earnings per share | **183,697** | 1,279,436 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,348,060,701** | 1,323,511,321 |
| Effect of dilutive potential ordinary shares | | |
| - Share options | **3,373,785** | - |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,351,434,486** | 1,323,511,321 |

The presentation of diluted earnings per share for the six months ended 30th June, 2009 had not assumed the exercise of the Company's share options because the exercise price of share options granted by the Company was 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$30,898,000 (2009: HK$26,638,000) and their aged analysis as at the end of the reporting period is as follows:

| | **30th June 2010 HK$'000** | 31st December 2009 HK$'000 |
|---|---|---|
| 0 – 3 months | **13,614** | 17,309 |
| 4 – 6 months | **4,322** | 7,209 |
| 7 – 12 months | **12,962** | 2,120 |
| | **30,898** | 26,638 |

## 13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$193,180,000 (2009: HK$203,963,000) and their aged analysis as at the end of the reporting period is as follows:

| | **30th June 2010 HK$'000** | 31st December 2009 HK$'000 |
|---|---|---|
| 0 – 3 months | **38,690** | 7,770 |
| 4 – 6 months | **321** | 445 |
| 7 – 12 months | **26** | 624 |
| over 1 year | **154,143** | 195,124 |
| | **193,180** | 203,963 |

## GENERAL OVERVIEW

The Group reported a consolidated profit after taxation attributable to shareholders of the Company of approximately HK$183.70 million (2009: HK$1,279.44 million) and a basic earnings per share of 13.63 HK cents (2009: 96.67 HK cents) for the first six months of 2010. The discrepancy in the results of the Group for the period under review and the corresponding period in 2009 was mainly attributable to a credit of a substantial gain on fair value changes of investment properties of the Group of approximately HK$1,680.32 million as at 30th June, 2009 while the fair value of those properties has been incorporated into the accounts of the Group as at 31st December, 2009 and remained stable since the year end of 2009.

If the changes in fair value of the investment properties were disregarded, the Group's operating profit for the six months ended 30th June, 2010 would amount to approximately HK$454.97 million (2009: HK$48.35 million). The improvement in the operating profit for the period under review was attributable to a significant increase in the gross proceeds from operations of the Group, in particular a recognition of sale proceeds from Tomson Riviera in Shanghai, The People's Republic of China (the "PRC") as foreshadowed in the annual report of the Company for 2009, hence, the gross profit of the Group for the period rose to approximately HK$583.05 million (2009: HK$140.58 million). In addition, the Group shared a profit of its associates and jointly controlled entities of approximately HK$6.70 million (2009: loss of HK$4.24 million) for the first half of 2010.

The Board does not recommend payment of an interim dividend for the six months ended 30th June, 2010 (2009: Nil).

## OPERATIONS REVIEW

Operating segments in the property sector in Shanghai, the PRC were the principal sources of profit of the Group for the six months ended 30th June, 2010. Property development and trading was the primary profit contributor to the Group by making a contribution of approximately HK$398.30 million (2009: HK$24.45 million). Property investment was the second profit maker of the Group and generated a profit of approximately HK$28.42 million (2009: HK$1,707.87 million including a gain on fair value changes of investment properties) from its steady recurrent rental and management income.

Securities trading activities of the Group ranked third in terms of profit contribution amongst the operating segments of the Group during the period under review and delivered an operating profit of approximately HK$11.50 million (2009: HK$15.78 million). In addition, the Group received dividends from its long-term equity investments of approximately HK$24.95 million (2009: HK$2.56 million) during the same period.

The operating results of leisure activities improved and this segment reported an operating profit of approximately HK$0.25 million (2009: loss of approximately HK$2.38 million) for the period under review. The Group also shared a profit of approximately HK$4.20 million (2009: loss of HK$3.77 million) from its hotel operation for the first half of 2010.

On the other hand, industrial operations recorded a loss of approximately HK$0.62 million (2009: profit of HK$0.87 million) for the period under review.

### Property Development and Investment

Property development and investment in Shanghai, the PRC generated total revenue of approximately HK$746.32 million and accounted for approximately 82% of the gross proceeds from operations of the Group for the six months ended 30th June, 2010.

#### *Tomson Riviera*

Tomson Riviera, which comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund, is the principal source of profit of the Group for the period under review. The project provides a total residential gross floor area of approximately 117,400 square meters. The Group has launched two residential towers for sale while the other two towers are for leasing.

As at 30th June, 2010, nearly 50% of the residential gross floor area of Towers A and C were sold and almost half of the residential gross floor area of Tower B was leased. Tower D, providing presidential executive residence, was launched for leasing in February 2010 and the leasing rate is building up.

For the first six months of 2010, recognized revenue from sale and leasing of the project amounted to approximately HK$667.01 million and accounted for approximately 73% of the total gross proceeds from operations of the Group. However, a net loss on disposal and fair value change of Tomson Riviera of approximately HK$6.56 million was recorded during the period under review owing to a charge of selling expenses on disposal and cost of renovation. On the other hand, a sales deposit of the project of approximately HK$923.74 million was credited as at the end of the period under review and is expected to be recognized in the annual results of the Group for 2010.

***Tomson Riviera Garden***

Tomson Riviera Garden, a low-rise residential project of the Group adjacent to Tomson Shanghai Pudong Golf Club in Huamu District of Pudong, is being developed in two phases. The Group holds a 70% interest in that project.

Phase 1 has already been completed and sold while construction of Phase 2 is scheduled for completion in 2010. Of Phase 2, other than 16 units of detached houses, all 103 units of townhouse and a commercial property were pre-sold.

As at the end of the reporting period, a pre-sale deposit of approximately HK$1,412.92 million was credited and is expected to be recognized in the annual results of the Group for 2010 subject to the schedule of handover after completion of the construction.

***Tomson Golf Villas***

Tomson Golf Villas has been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club and sales revenue of the project accounted for approximately 4% of the gross proceeds from operations of the Group for the six months ended 30th June, 2010. There remain a few units of the villas available for sale.

***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 5% of the gross proceeds from operations of the Group for the period under review.

***Land at Jinqiao-Zhangjiang District***

A supplemental agreement in respect of an acquisition of land use rights of a plot of land located at Jinqiao-Zhangjiang District, Pudong was signed in April 2009 and approved by the shareholders at an extraordinary general meeting of the Company held in June 2009. Completion of the acquisition is conditional upon the confirmation and approval of filing of relevant documents to the relevant government department in the PRC. However, the procedure has taken a longer time than expected and the vendor of the land therefore refunded part of the consideration paid by the Group during the period under review. Since mid-2009, continuous efforts had been made by the Company to procure the government clearance and to expedite completion of the procedures for filing of all requisite documents. During this process certain revisions to the original terms of the transaction have been proposed by the vendor of the land. Clearance by various relevant government departments in the PRC and negotiations between the Company and the vendor on the revised terms of the transaction are at the final stage. The Company will make announcement in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") once the above procedures are concluded.

***Joint Ventures in Tianjin***

The Group entered into two agreements in June 2010 to form two joint ventures with a state-owned enterprise for development of phase 2 of Jinwan Centre which is situated in the central area of Heping District, Tianjin, the PRC. As at the date of this announcement, the Group has made a total capital injection of approximately Rmb824.03 million (equivalent to approximately HK$942 million) into these two entities. The Group now holds a 25.1% equity interest in Tianjin Jinwan Real Estate Development Co., Limited which will develop a property project for residential apartments, commerce and other commercial services purposes with a gross floor area of not more than 207,700 square meters as well as a 15% equity interest in Tianjin Jinwan Property Co., Limited which will develop a property project for commerce, hotel, offices, serviced apartments and other commercial services purposes with a gross floor area of not more than 159,000 square meters. The Group intends to increase its equity interest in these two projects in due course.

**Hospitality and Leisure Industry**

***Tomson Shanghai Pudong Golf Club***

Tomson Shanghai Pudong Golf Club generated revenue of approximately HK$38.47 million, being approximately 4% of the gross proceeds from operations of the Group, for the six months ended 30th June, 2010. There was a sound progress in sale of membership debentures though performance of golfing activities showed a regression. As a whole, the operation reported an operating gain of approximately HK$0.25 million for the first half of 2010.

***Hotel Inter-Continental Pudong Shanghai***

The Group holds a 50% interest in Hotel Inter-Continental Pudong Shanghai. During the period under review, both the occupancy rate and profit of the hotel operation have picked up, hence, the Group shared a net profit of approximately HK$4.20 million from the operation for the first six months of 2010.

**Securities Trading**

Securities trading activities accounted for around 11% 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 unrealized gain on changes in fair value of securities investments of the Group held for trading, a net gain in those investments of approximately HK$11.55 million was reported for the six months ended 30th June, 2010.

**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 companies are principally engaged in property development and investment in Zhangjiang Hi-Tech Park, Pudong, Shanghai. A dividend of approximately HK$24.95 million was received during the period under review and a gain on change in fair value of the long-term securities investment of approximately HK$10.23 million was credited to the investment reserve of the Group in the first half of 2010.

**Industrial Operations**

Manufacturing operation of PVC pipes and fittings of the Group in Shanghai accounted for approximately 3% of the gross proceeds from operations of the Group and reported an operating loss of approximately HK$0.62 million during the six months ended 30th June, 2010 owing to a rise in cost of raw materials and human resources though there was an increase in turnover.

## FINANCIAL REVIEW

**Liquidity and Financing**

The Group’s capital expenditure and investments for the period ended 30th June, 2010 were mainly funded by cash on hand and revenue from operations, financing and investing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to approximately HK$6,126.98 million. During the period under review, the operations of the Group generated a net cash inflow of approximately HK$2,678.09 million while there were a net cash inflow of HK$200.42 million and HK$495.29 million from its investing and financing activities respectively. As a result, the Group recorded a net cash inflow of approximately HK$3,373.80 million for the period under review (2009: HK$288.08 million). The increase in the cash inflow for the period under review was mainly attributable to additional bank borrowings and a refund of deposit paid for acquisition of land use rights in Shanghai.

The Group’s borrowings as at 30th June, 2010 amounted to approximately HK$873.61 million (31st December, 2009: HK$330.57 million), equivalent to 9.19% (31st December, 2009: 3.57%) of the equity attributable to the shareholders of the Company at the same date. All of the borrowings were bank loans under security and were subject to floating interest rate. Of those borrowings, 7.88% were repayable within one year from the end of the reporting period, 10.51% were repayable more than one year but not exceeding two years from the end of the reporting period while the remaining was due for repayment more than two years but within five years from the end of the reporting period.

At the end of the reporting period, the Group had capital commitments amounting to approximately HK$3,440.82 million (31st December, 2009: HK$431.68 million), contracted but not provided for, in relation to expenditure on properties under development, lease premium on land and capital injection in jointly controlled entities. The Group anticipates funding those commitments from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 30th June, 2010, the Group recorded a current ratio of 2.33 times (31st December, 2009: 2.51 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 77.99% (31st December, 2009: 63.80%). The drop in the current ratio and the rise in the gearing ratio mainly resulted from an increase in receipts in advance regarding sales of Tomson Riviera which were not recognized in the interim results of the Group for 2010 according to applicable accounting standards and were classified under current liabilities in the consolidated financial statements of the Group. The gearing ratio is further affected by the increase in bank borrowings during the period under review.

**Charge on Assets**

As at 30th June, 2010, assets of the Group with an aggregate carrying value of approximately HK$5,693.52 million (31st December, 2009: HK$736.54 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 potential appreciation in value relative to the Hong Kong Dollar. 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, 2010, the Group had a contingent liability of US$3 million (31st December, 2009: 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

Facing a number of measures promulgated by the Central Government of the PRC to regulate property market, there is pressure on market sentiment in the short-term but it is believed that it will foster healthy growth of the real estate market of the PRC in the long run. The Group has confidence in the growth prospect of the property sector in the PRC. For the year 2010, property development and trading remains the key business segment of the Group and Tomson Riviera and Tomson Riviera Garden will be the principal sources of profit of the Group.

Having been focusing on its investment in Shanghai for over 18 years, the Group desires to extend its property development business beyond the city and therefore has recently joined with a state-owned enterprise to participate in the real estate development in a prime location of Tianjin. The Directors consider that both Tianjin and Shanghai will have continuous growth potential in the future and these two cities will be the major operation centers of the Group in coming years.

Under the current macro-economic situation, the management will be cautious in managing the Group's existing business segments and will also actively explore other profitable investment opportunities to diversify the business portfolio and to further strengthen the financial position of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2010, 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 Listing Rules throughout the period of six months ended 30th June, 2010, 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; and

(b) none of the existing independent non-executive Directors of the Company are appointed for a specific term, nevertheless, they are subject to retirement by rotation and re-election at regular intervals at annual general meetings according to the Articles of Association of the Company.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

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 2010 of the Company will be available on both websites and despatched to the shareholders of the Company on or before Thursday, 30th September, 2010.

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

Hong Kong, 31st August, 2010

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