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Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

The Board of Directors (the "Board") of Tomson Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (altogether the "Group") for the year ended 31st December, 2010 together with comparative figures for the corresponding year of 2009 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31st December** **2010** **HK$'000**	2009 HK$'000
Gross proceeds from operations	4&5	**3,718,737**	703,475
Revenue	4	**3,533,110**	661,113
Cost of sales		**(977,084)**	(181,861)
Gross profit		**2,556,026**	479,252
Net gain in investments held for trading		**158,433**	23,722
Other income	6	**81,888**	24,499
Other gains and losses		**(3,854)**	5,406
Selling expenses		**(343,088)**	(121,817)
Administrative expenses		**(180,757)**	(147,740)
Net gain on disposal and fair value changes of investment properties		**184,167**	2,950,178
Finance costs	7	**(56,070)**	(21,700)
		2,396,745	3,191,800
Share of results of associates		**1,451**	(2,017)
Share of results of jointly controlled entities		**11,917**	1,063
Profit before taxation	8	**2,410,113**	3,190,846
Taxation	9	**(1,435,583)**	(1,798,059)
Profit for the year		**974,530**	1,392,787
Profit for the year attributable to:			
Owners of the Company		**860,018**	1,387,406
Non-controlling interests		**114,512**	5,381
		974,530	1,392,787
Earnings per share (HK cents)	11		
- Basic		**62.71**	103.96
- Diluted		**62.57**	103.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st December	
	2010	2009
	HK$'000	HK$'000
Profit for the year	**974,530**	1,392,787
Other comprehensive (expenses) income		
Exchange differences arising from translation of:		
- jointly controlled entities	**16,281**	247
- other foreign operations	**337,204**	11,279
Gain on changes in fair value of available-for-sale investments	**5,113**	34,772
Share of other comprehensive income of associates	**639**	73
Reclassification adjustments:		
- Release from reserve on acquisition upon sale of properties held for sale	**10,084**	1,681
- Release of exchange differences upon:		
- dissolution of a subsidiary	**-**	(6,084)
- dissolution of a jointly controlled entity	**-**	(5,563)
- disposal of an associate	-	735
Other comprehensive income for the year	**369,321**	37,140
Total comprehensive income for the year	**1,343,851**	1,429,927
Total comprehensive income attributable to:		
Owners of the Company	**1,214,844**	1,424,017
Non-controlling interests	**129,007**	5,910
	1,343,851	1,429,927

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31st December **2010** HK$'000	2009 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**5,853,656**	5,544,960
- Property, plant and equipment		**363,294**	380,164
Lease premium for land		**72,489**	249,420
Goodwill		**33,288**	33,288
Deferred tax assets		**3,054**	2,090
Interests in associates		**34,210**	32,086
Interests in jointly controlled entities		**1,023,246**	159,930
Available-for-sale investments		**137,745**	132,632
Pledged bank deposit		**47,583**	-
		7,568,565	6,534,570
Current Assets			
Lease premium for land		**6,720**	6,426
Properties under development		**2,412,965**	450,130
Deposit paid for land use right		**2,157,192**	1,991,218
Properties held for sale		**3,147,792**	3,281,518
Trade and other receivables and prepayments	12	**249,169**	283,370
Investments held for trading		**498,103**	80,387
Inventories		**26,217**	23,001
Prepaid income tax		**201,138**	142,868
Cash and bank balances		**3,201,637**	2,728,657
		11,900,933	8,987,575
Current Liabilities			
Trade and other payables and accruals	13	**718,867**	636,560
Receipts in advance		**669,612**	1,590,247
Tax payables		**2,607,325**	1,335,746
Current portion of long-term bank borrowings		**129,717**	11,360
		4,125,521	3,573,913
Net Current Assets		**7,775,412**	5,413,662
Total Assets Less Current Liabilities		**15,343,977**	11,948,232

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31st December	
	2010	2009
	HK$'000	HK$'000
Capital and Reserves		
Share capital	**695,790**	673,769
Share premium and reserves	**9,730,648**	8,592,023
Equity attributable to owners of the Company	**10,426,438**	9,265,792
Non-controlling interests	**1,050,674**	344,539
Total Equity	**11,477,112**	9,610,331
Non-Current Liabilities		
Long-term bank borrowings	**1,923,349**	319,209
Deferred tax liabilities	**1,943,516**	2,018,692
	3,866,865	2,337,901
	15,343,977	11,948,232

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, 2010.

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 a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

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 Hong Kong Accounting Standard ("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.

3. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

As there was no business combination during the current year 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 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 lease premium for land in the 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 substantially all the 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 consolidated financial statements of the Group for the current and prior accounting periods.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1st July, 2010.
[3] Effective for annual periods beginning on or after 1st July, 2011.
[4] Effective for annual periods beginning on or after 1st January, 2013.
[5] Effective for annual periods beginning on or after 1st January, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2011.
[7] Effective for annual periods beginning on or after 1st February, 2010.

The amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the Directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 9 "Financial Instruments (as issued in November 2009)" introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments (as revised in November 2010)" adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the consolidated income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the consolidated income statement. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in the consolidated income statement.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual periods beginning on 1st January, 2013. Based on the Group's financial assets and financial liabilities as at 31st December, 2010, the Directors anticipate that the application of the HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification of other financial assets but not the Group's financial liabilities.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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 year ended 31st December, 2010 consist of the followings:

	2010	2009
	HK$'000	HK$'000
Revenue from sale of properties	**3,267,793**	419,898
Revenue from sale of goods	**49,329**	43,868
Revenue from rendering of services from golf club operations	**79,428**	90,257
Revenue from property rental and management fee	**136,560**	107,090
Revenue	**3,533,110**	661,113
Gross proceeds from sale of securities	**185,627**	42,362
Gross proceeds from operations	**3,718,737**	703,475

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.

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	**136,560**	**3,267,793**	**49,329**	**79,428**	**185,627**	**3,718,737**
RESULTS						
Segment profit (loss)	**258,795**	**2,014,600**	**(2,518)**	**(5,026)**	**158,245**	**2,424,096**
Other unallocated income						**79,399**
Unallocated expenses						**(50,680)**
Finance costs						**(56,070)**
						2,396,745
Share of results of associates						**1,451**
Share of results of jointly controlled entities						**11,917**
Profit before taxation						**2,410,113**

5. SEGMENT INFORMATION (continued)

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	107,090	419,898	43,868	90,257	42,362	703,475
RESULTS						
Segment profit (loss)	2,995,681	216,182	(4,302)	(13,499)	23,497	3,217,559
Other unallocated income						36,878
Unallocated expenses						(40,937)
Finance costs						(21,700)
						3,191,800
Share of results of associates						(2,017)
Share of results of jointly controlled entities						1,063
Profit before taxation						3,190,846

Except for the presentation of segment revenue which is different from the reported revenue in the 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$3,533,110,000 (2009: HK$661,113,000), 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 for the purposes of resource allocation and performance assessment.

Geographical Information

The Group's operations, assets and revenue are substantially situated in or derived from the mainland China. The Group's revenue of property investment and property development and trading from external customers is based on location of properties sold and leased out. Revenue of industrial operations from external customers is based on the location of customers. Revenue of leisure from external customers is based on the location of services provided.

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

6. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Other income included:		
Interest income	**48,520**	16,808
Dividends from available-for-sale investments - listed	**5,114**	2,557
Dividends from available-for-sale investments - unlisted	**19,837**	-

7. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest on bank loans wholly repayable within five years	**58,269**	25,540
Less: interest capitalised	**(2,199)**	(3,840)
	56,070	21,700

8. PROFIT BEFORE TAXATION

	2010 **HK$'000**	2009 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**24,992**	25,133
Amortisation of lease premium for land (included in administrative expenses)	**6,716**	6,425
Net loss on disposal/ write off of property, plant and equipment and lease premium for land	**11,698**	828
Dividend from investment held for trading (included in net gain in investments held for trading)	**(3,262)**	(454)
Allowance for bad and doubtful debts and bad debts written off, net of recovery	**1,365**	6,145
Gain on disposal of an associate	-	(3,185)
Net realized loss (gain) on disposal of investment properties (included in net gain on disposal and fair value changes of investment properties)	**7,886**	(92,557)

9. TAXATION

	2010 **HK$'000**	2009 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**23,587**	-
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	**285,768**	145,108
PRC Land Appreciation Tax	**1,193,464**	626,397
Dividend withholding tax	**80**	517
Underprovision in prior period		
- PRC (other than Hong Kong) Enterprise Income Tax	**7,485**	209
- Hong Kong Profits Tax	**5,307**	1
	1,515,691	772,232
Deferred tax (credit) charge	**(80,108)**	1,025,827
Total tax charges for the year	**1,435,583**	1,798,059

9. TAXATION (continued)

The Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 changed the tax rate from 15% to 25% with effect from 1st January, 2008. There will be a transitional period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to a PRC income tax rate lower than 25% may continue to enjoy the lower PRC income tax rate and gradually transfer to the new PRC income tax rate within five years after the effective date of the New Law.

The major subsidiaries have their operations located in Pudong New Area, Shanghai, the PRC, according to the New Law which was effective on 1st January, 2008, the income tax rate was 18% with effect from 1st January, 2008 and will be gradually increased to 25% in 5 years. The income tax rate for the year ended 31st December, 2010 is 22% (2009: 20%).

10. DIVIDEND

The Directors recommend payment of a final dividend of 6 HK cents per share (2009: special dividend of 13.5 HK cents per share) amounting to approximately HK$83,738,000 (2009: HK$181,918,000) for the year ended 31st December, 2010 which is subject to approval by the shareholders in the forthcoming annual general meeting.

Of the dividend paid during the year, 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 of 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:

	2010 **HK$'000**	2009 HK$'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	**860,018**	1,387,406
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,371,386,209**	1,334,514,045
Effect of dilutive potential ordinary shares - share options	**3,173,822**	2,233,136
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,374,560,031**	1,336,747,181

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$32,105,000 (2009: HK$26,638,000) and their aged analysis as at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
0 – 3 months	**20,502**	17,309
4 – 6 months	**5,948**	7,209
7 – 12 months	**5,655**	2,120
	32,105	26,638

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$235,521,000 (2009: HK$203,963,000) and their aged analysis as at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
0 – 3 months	**93,610**	7,770
4 – 6 months	**1,025**	445
7 – 12 months	**93**	624
over 1 year	**140,793**	195,124
	235,521	203,963

FINAL DIVIDEND

The Board of the Company recommends payment of a final dividend of 6 HK cents per share for the year ended 31st December, 2010 (2009: special dividend of 13.5 HK cents per share) to shareholders whose names appear on the register of members of the Company on Thursday, 2nd June, 2011 (the “Record Date”). The shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of part of or all of the final dividend (the “Scrip Dividend Scheme”).

The payment of the final dividend and the Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting of the Company to be held on the Record Date; and (ii) The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted under the Scrip Dividend Scheme, the market value of a new share will be calculated as the average of the closing prices per share of the Company traded on the Stock Exchange for the five consecutive trading days up to and including the Record Date. A circular providing full details of the Scrip Dividend Scheme, together with a form of election, will be sent to the shareholders of the Company in due course. Dividend warrants and/or share certificates for the scrip dividend are expected to be despatched on Wednesday, 29th June, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 31st May, 2011 to Thursday, 2nd June, 2011, both days inclusive, during which period no transfer of shares of the Company will be effected.

In order to qualify for the proposed 2010 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 4:30 p.m. on Monday, 30th May, 2011 for registration.

GENERAL OVERVIEW

In respect of the consolidated results of the Group for the year ended 31st December, 2010, there was a consolidated profit after taxation attributable to shareholders of the Company of approximately HK$860.02 million (2009: HK$1,387.41 million) and basic earnings per share was HK$0.63 (2009: HK$1.04). The decline in the net profit for the year under review was principally attributable to a significant decrease in the unrealized gain on fair value changes of investment properties of the Group. As the appreciation rate of the investment properties of the Group became moderate in 2010, the Group only recorded a gain on fair value changes of its investment properties of approximately HK$192.05 million for the year under review while there was a gain on fair value changes of investment properties of the Group of approximately HK$2,857.62 million for the year of 2009.

If the changes in fair value of the investment properties were disregarded, the Group's profit before taxation for the year ended 31st December, 2010 would amount to approximately HK$2,218.06 million (2009: HK$333.23 million). There was a substantial increase in the profit before taxation of the Group for the year under review since considerable sale proceeds of properties in Shanghai, The People's Republic of China (the "PRC") were recognized in 2010. For the year under review, gross proceeds from operations and gross profit of the Group amounted to approximately HK$3,718.74 million (2009: HK$703.48 million) and HK$2,556.03 million (2009: HK$479.25 million) respectively. In addition, a net gain in securities investments held for trading of approximately HK$158.43 million (2009: HK$23.72 million) was recorded and the Group also benefited from an increase in interest and dividend income to approximately HK$73.47 million (2009: HK$19.37 million).

OPERATIONS REVIEW

The Group expanded its business domain in the PRC beyond Shanghai to participate in investments in Tianjin and Macau Special Administrative Region ("Macau") in 2010. Since development of the property projects in Tianjin and Macau was in the initial stage, property development and investment in Shanghai remained the core business and the major source of profit of the Group for the year ended 31st December, 2010.

During the year of 2010, property development and trading was the primary profit maker of the Group and a contribution of approximately HK$2,014.60 million (2009: HK$216.18 million) was recorded while property investment was the second profit contributor to the Group and delivered a profit of approximately HK$258.80 million (2009: HK$2,995.68 million) to the Group's annual results. Securities trading activities of the Group ranked third in terms of profit contribution amongst the operating segments of the Group during the year under review and recorded a profit of approximately HK$158.25 million (2009: HK$23.50 million). The Group also received dividends from its long-term equity investments of approximately HK$24.95 million (2009: HK$2.56 million) during the year of 2010.

On the other hand, leisure activities of the Group reported a loss of approximately HK$5.03 million (2009: HK$13.50 million) while the Group shared a profit of approximately HK$12.78 million (2009: HK$1.06 million) from its hotel operation for 2010. In addition, industrial operations recorded a loss of approximately HK$2.52 million (2009: HK$4.30 million) to the Group's annual results for 2010.

Property Development and Investment

The Group's property development and investment in Pudong of Shanghai, the PRC, being the principal activities of the Group, generated total revenue of approximately HK$3,404.35 million and accounted for approximately 91.6% of the gross proceeds from operations of the Group for the year ended 31st December, 2010. In addition, a net gain on disposal and fair value changes of the investment properties of the Group of approximately HK$184.17 million was recorded during the year under review. Tomson Riviera was the prime revenue generator and source of profit of the Group in 2010.

Tomson Riviera, Shanghai

Tomson Riviera is widely considered a prominent residential development along the riverfront of Lujiazui of Pudong and right opposite the Bund. There are four residential towers with a total residential gross floor area of approximately 117,400 square meters. Under the current business strategy of the Group, Towers A and C are earmarked for sale while leasing arrangement is concentrated in Towers B and D.

As at 31st December, 2010, approximately 52% of the residential gross floor area of Towers A and C were sold and approximately 38% of the residential gross floor area of Towers B and D were leased. Further sales and leases were recorded in the first quarter of 2011.

For the year ended 31st December, 2010, the total of recognized sale proceeds, rental income and income of management fee generated from the project amounted to approximately HK$1,800.90 million and accounted for approximately 48.4% of the gross proceeds from operations of the Group. In addition, a net gain on disposal and fair value change of Tomson Riviera of approximately HK$173.50 million was recorded during the year under review according to applicable accounting standards in respect of investment properties. Besides, a sales deposit of the project of approximately HK$286.96 million was credited at the year end date of 2010 and is expected to be recognized in the results of the Group in 2011.

Tomson Riviera Garden, Shanghai

Tomson Riviera Garden is a low-rise residential project of the Group adjacent to Tomson Shanghai Pudong Golf Club in Huamu District of Pudong and the Group holds a 70% interest in the project. There are two phases of the residential development. Phases 1 and 2 were completed in 2008 and 2010 respectively.

Phase 2 of the project comprises 103 units of townhouses and 16 units of detached houses with aggregate saleable gross floor area of approximately 29,400 square meters and 7,300 square meters respectively. All the townhouses were pre-sold in 2009 while the detached houses were launched for pre-sale in mid 2010 and approximately 52% of the saleable gross floor area were sold. For the year ended 31st December, 2010, sale proceeds and income of management fee in an aggregate amount of approximately HK$1,486.30 million were recognised and accounted for approximately 40% of the gross proceeds from operations of the Group.

In addition, a commercial property with a gross floor area of approximately 6,100 square meters was pre-sold in March 2010 while an ancillary car park was sold in January 2011. The total sale proceeds of approximately HK$235.95 million will be recognized in the interim results of the Group for the year of 2011.

Excluding the pre-sale proceeds of the said commercial property, as at 31st December, 2010, a sum of receipts in advance in respect of sale of residential units of approximately HK$141.54 million was credited to the Group and is expected to be recognized in the results of the Group for the year of 2011.

Tomson Golf Villas and Garden, Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club since 1996 and there are now less than 10 units available for sale. During the year ended 31st December, 2010, sale proceeds generated from Tomson Golf Villas accounted for approximately 1% of the gross proceeds from operations of the Group.

Xingguo Garden, Shanghai

Apart from holding less than 10 car parks for sale, all the residential gross floor area of Xingguo Garden, the sole residential development of the Group in Puxi, has already been sold out.

Commercial and Industrial Buildings, Shanghai

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, provided a steady recurrent revenue to the Group and accounted for approximately 2.2% of the gross proceeds from operations of the Group for the year under review.

Land at Jinqiao-Zhangjiang District, Shanghai

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. However, a condition precedent, being the confirmation and approval of filings of relevant documents to the relevant government department(s) in the PRC, could not be fulfilled because of the fact that the transfer of interests in the subject plot of land did not comply with the legal requirements for contribution of registered capital/investment amount, and the PRC government's continued policy to restrict transfer of land for golf course purpose. After negotiation, a second supplemental agreement was entered into in September 2010 to restructure the transaction and the Company obtained the shareholders' approval in October 2010.

Under the second supplemental agreement, the Company acquired through a wholly-owned subsidiary land use rights of a plot of land (the "Target Portion") with a site area of approximately 300,700 square meters at a consideration of RMB1,829.25 million. Procedures for fulfillment of the conditions precedent as originally intended have been completed by the vendor in respect of the phases earmarked for delivery of vacant possession. Proper documentation for delivery of vacant possession of the Target Portion in phases in accordance with the second supplemental agreement have been signed by the Group and the vendor. The Group intends to develop the Target Portion into a low-density residential development in phases with a total gross floor area of approximately 213,230 square meters, which will be in harmony with the Group's existing residential development adjacent to Tomson Shanghai Pudong Golf Club. Construction of the first phase of the Target Portion is expected to commence in 2011 and will be completed by 2013.

Phase 2 of Jinwan Centre, 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. The Group and its joint venture partner subsequently made further contribution to the two joint ventures by way of cash and injection of land use rights in August 2010. In October 2010, the Group won an open tender bid for acquisition of a further equity interest in the two joint ventures and the acquisition was completed in November 2010. The Group has made a total capital injection of approximately RMB2,549.14 million in these two entities.

The Group now holds a 75% equity interest in Tianjin Jinwan Real Estate Development Co., Limited ("Jinwan Real Estate") which plans to develop two high-rise buildings of 25 to 56 stories for residential apartments, commerce and other commercial services purposes with a gross floor area of not more than 207,700 square meters. In addition, the Group is interested in a 51% equity interest in Tianjin Jinwan Property Co., Limited ("Jinwan Property") which plans to develop a skyscraper of 68 stories for commerce, hotel, offices, serviced apartments and other commercial services purposes with a gross floor area of not more than 159,000 square meters. Jinwan Real Estate and Jinwan Property schedule to commence their development project in the third quarter and by the end of 2011 respectively. It is expected that construction will be completed by 2015.

Property development in Macau

The Group entered into a subscription agreement in October 2010 to subscribe for shares in the capital of MHK Limited at a total cash consideration of HK$210 million. Upon completion in November 2010, the Group holds a 70% interest in the issued share capital of MHK Limited and further provides financial assistance to such company by way of a shareholder's loan. MHK Limited is the owner and developer of a plot of land with a site area of approximately 2,569 square meters located at Penha Hill, within the zone of World Heritage of Macau. It is expected to be developed into a luxury condominium consisting of 4 towers of 7 to 12 stories of residential units, a club house and car parks with an estimated total gross floor area of approximately 23,600 square meters. The site formation work is in progress and the major construction work is tentatively scheduled to be completed in 2013.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Tomson Shanghai Pudong Golf Club, which was established in Huamu district of Pudong, Shanghai, generated revenue of approximately HK$79.43 million, being about 2.1% of the gross proceeds from operations of the Group, for the year ended 31st December, 2010. There was a decrease in revenue during the year under review which was mainly attributable to a decline in sale of memberships. The operation recorded a loss of approximately HK$5.03 million for the year of 2010.

The Inter-Continental Shanghai Pudong hotel

The Inter-Continental Shanghai Pudong hotel, situated in Lujiazui of Pudong, Shanghai, achieved an improvement in its average occupancy rate to 74% in 2010. A rise in the revenue and profit of the hotel operation resulted from not only an inflow of tourists to Shanghai for the World Expo 2010 but also an increase in clients in business sector and higher demand for conferencing and exhibition facilities, with the benefit of an improvement in worldwide economy. In this connection, the Group, having a 50% interest in the hotel, shared a profit of approximately HK$12.78 million from the hotel operation.

Industrial Operations

To complement its core business in the property sector, the Group holds a 58% interest in an operation manufacturing PVC pipes and fittings in Shanghai. The manufacturing operation accounted for approximately 1.3% of the gross proceeds from operations of the Group for the year ended 31st December, 2010. Confronted by severe competition in the market, a reduction in demand during the period of Shanghai World Expo 2010 and an increase in production and transportation costs, the gross profit margin dropped despite a rise in turnover during the year under review. The operation reported a loss of approximately HK$2.52 million during the year of 2010.

Securities Trading

The Group has invested in various listed securities in Hong Kong Special Administrative Region of the PRC ("Hong Kong") to diversify its business portfolio and maximize its return to cash balance. Sale proceeds from disposal of and dividend receipt of trading securities of the Group accounted for approximately 5% of the gross proceeds from operations of the Group for the year under review. Taking into account an unrealized gain on changes in fair value of the trading securities of approximately HK$141.99 million, the Group reported a net gain in securities investment held for trading of approximately HK$158.43 million for the year under review.

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. Dividends of approximately HK$24.95 million were received and a gain on changes in fair value of the long-term securities investments of approximately HK$5.11 million was credited to the investment reserve of the Group during the year under review.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the year ended 31st December, 2010 were funded by cash on hand and bank borrowings.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to approximately HK$3,201.64 million. During the year under review, the Group achieved a net cash inflow of approximately HK$2,142.83 million from its financing activities. After taking into account the net cash outflow of approximately HK$991.89 million and HK$766.39 million from its operation and investing activities respectively, the Group recorded a net cash inflow of approximately HK$384.55 million for the year under review (2009: HK$1,213.59 million). Notwithstanding there was a substantial increase in investment in properties under development during the year of 2010, a net cash inflow was recorded after raising new bank loans by the Group.

The Group's borrowings as at 31st December, 2010 amounted to approximately HK$2,053.07 million (2009: HK$330.57 million), equivalent to 19.69% (2009: 3.57%) of the equity attributable to owners of the Company at the same date. Additional borrowings were raised in 2010 to finance the acquisition of further equity interests in the two joint ventures in Tianjin and for working capital purpose. The Group did not employ any financial instruments for financing and treasury management. All of the borrowings were bank loans under security and were subject to floating interest rates. Of those borrowings, 6.3% were due for repayment within one year from the end of the reporting period, 14.4% were repayable more than one year but not exceeding two years from the end of the reporting period while the rest 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's capital commitments in relation to expenditure on properties under development, which were contracted but not provided for, amounted to approximately HK$35.11 million (2009: HK$431.68 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, 2010, the Group recorded a current ratio of 2.88 times (2009: 2.51 times) and a gearing ratio (total liabilities to equity attributable to the owners of the Company) of 76.65% (2009: 63.80%). The current ratio was strengthened owing to mainly a substantial addition of properties under development in Tianjin while the new bank loans raised by the Group during the year under review pushed up the gearing ratio.

Charge on Assets

As at 31st December, 2010, assets of the Group with an aggregate carrying value of approximately HK$5,939.96 million (2009: HK$736.54 million) were pledged to banks to secure 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 to appreciate 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, 2010, the Group had a contingent liability of US$3 million in respect of a provision of a guarantee to indemnify the management company of the Inter-Continental Shanghai Pudong hotel for part of the fund paid for hotel renovation and system upgrading. The Board of the Company 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

2011 will be a challenging year for the Group. The series of measures recently promulgated by the central government of the PRC to regulate activities in the real estate market will likely have an unfavourable impact on market sentiment. The uncertainties arising from the possibility of pronouncement of further measures by the PRC government will inevitably affect both property developers and investors alike.

As property development and investment continue to be the Group's principal business activities, with Tomson Riviera and Tomson Riviera Garden being the most important sources of profit for the Group, it is anticipated that business prospects in this segment should become more challenging during 2011.

Throughout 2011 and beyond, the Group expects to devote its attention to its own development of the low-density residential property project at Jinqiao-Zhangjiang District of Pudong, Shanghai, as well as the composite property project in Jinwan Centre in Tianjin and the residential property project in Macau with the joint-venture partners. In line with the Group's strategy, all these projects will be targeted at the mid- to high-end of the market.

The Group will continue to monitor market trends and developments in the real estate sector in the PRC and will endeavour to improve the quality of its investment portfolio when opportunities arise. At the same time, it will also explore and evaluate other potential investment opportunities in cities other than the first-tier cities in the PRC.

In January 2011, the Group entered into a sale and purchase agreement to purchase office premises situated at 72nd Floor of Shanghai World Financial Centre in Pudong, Shanghai at a consideration of approximatley RMB267.42 million. It is currently intended that the premises will be retained for use as offices of the Group in Shanghai. The Board of the Company considers that the acquisition is an attractive opportunity for the Group to secure long-term office space in a prestigious property situated in a prime location in the financial district of Pudong, Shanghai and which should offer good potential in enhancing shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year under review, the Company repurchased a total of 3,264,000 shares of HK$0.50 each in its issued capital on the Stock Exchange at an aggregate consideration before expenses of approximately HK$9.91 million.

The repurchases of the Company's shares were made pursuant to a general mandate granted to the Board by the shareholders of the Company at the 2010 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 repurchases were 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 its 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 of the Company 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 (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31st December, 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 or 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 and re-election at least once every three years at annual general meetings according to the Articles of Association of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR OF 2010

This annual 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 Annual Report 2010 of the Company will be available on both websites and despatched to the shareholders of the Company on or before Friday, 29th April, 2011.

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

Hong Kong, 31st March, 2011

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 (Vice-Chairman), Mr Yeung Kam Hoi 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.