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, 2011

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, 2011 together with comparative figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30th June **2011** **HK$'000**	2010 HK$'000
Gross proceeds from operations	4&5	**680,001**	908,000
Revenue	4&5	**596,664**	807,570
Cost of sales		**(163,135)**	(224,516)
Gross profit		**433,529**	583,054
Other income		**23,572**	47,703
Net gain (loss) on disposal and fair value changes of investment properties		**69,608**	(6,157)
Net (loss) gain in investments held for trading		**(142,563)**	11,553
Selling expenses		**(91,709)**	(100,902)
Administrative expenses		**(101,078)**	(71,702)
Other gains and losses	6	**11,626**	2,833
Finance costs	7	**(68,678)**	(15,082)
		134,307	451,300
Share of results of associates		**(1,226)**	2,500
Share of results of jointly controlled entities		**3,105**	4,197
Profit before taxation	8	**136,186**	457,997
Taxation	9	**(189,189)**	(274,734)
(Loss) profit for the period		**(53,003)**	183,263
(Loss) profit for the period attributable to:			
Owners of the Company		**(82,044)**	183,697
Non-controlling interests		**29,041**	(434)
		(53,003)	183,263
(Loss) earnings per share (HK cents)	11		
- Basic		**(5.88)**	13.63
- Diluted		**(5.88)**	13.59

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
(Loss) profit for the period	**(53,003)**	183,263
Other comprehensive income		
Exchange differences arising from translation of:		
- subsidiaries	**194,822**	88,684
- jointly controlled entities	**21,425**	1,681
- associates	**282**	(16)
(Loss) gain on changes in fair value of available-for-sale investments	**(11,505)**	10,227
Reclassification adjustment:		
- release from reserve on acquisition upon sales of properties held for sale	**-**	3,360
Other comprehensive income for the period	**205,024**	103,936
Total comprehensive income for the period	**152,021**	287,199
Total comprehensive income attributable to:		
Owners of the Company	**102,583**	283,972
Non-controlling interests	**49,438**	3,227
	152,021	287,199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**(Unaudited) 30th June 2011 HK$'000**	(Audited) 31st December 2010 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**6,045,028**	5,853,656
- Property, plant and equipment		**689,962**	363,294
Lease premium for land		**70,923**	72,489
Prepayment for film distribution rights		**11,229**	-
Goodwill		**33,288**	33,288
Deferred tax assets		**2,233**	3,054
Interests in associates		**33,266**	34,210
Interests in jointly controlled entities		**1,047,776**	1,023,246
Available-for-sale investments		**126,240**	137,745
Pledged bank deposit		**49,348**	47,583
		8,109,293	7,568,565
Current Assets			
Lease premium for land		**6,890**	6,720
Properties under development		**3,933,873**	2,412,965
Deposit paid for land use right		**825,652**	2,157,192
Properties held for sale		**3,057,526**	3,147,792
Pledged bank deposit		**240,790**	-
Trade and other receivables and prepayments	12	**319,292**	249,169
Investments held for trading		**406,207**	498,103
Inventories		**27,339**	26,217
Prepaid income tax		**562,221**	201,138
Cash and bank balances		**2,828,908**	3,201,637
		12,208,698	11,900,933
Current Liabilities			
Short-term bank borrowing		**230,000**	-
Trade and other payables and accruals	13	**692,203**	718,867
Receipts in advance		**819,624**	669,612
Tax payables		**2,754,168**	2,607,325
Current portion of long-term bank borrowings		**180,592**	129,717
		4,676,587	4,125,521
Net Current Assets		**7,532,111**	7,775,412
Total Assets Less Current Liabilities		**15,641,404**	15,343,977

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) 30th June 2011 HK$'000	(Audited) 31st December 2010 HK$'000
Capital and Reserves		
Share capital	**707,280**	695,790
Share premium and reserves	**9,799,364**	9,730,648
Equity attributable to owners of the Company	**10,506,644**	10,426,438
Non-controlling interests	**1,100,112**	1,050,674
Total Equity	**11,606,756**	11,477,112
Non-Current Liabilities		
Long-term bank borrowings	**2,107,043**	1,923,349
Deferred tax liabilities	**1,927,605**	1,943,516
	4,034,648	3,866,865
	15,641,404	15,343,977

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, 2010.

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") and interpretations (altogether "new and revised HKFRSs") issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

The application of the new and revised HKFRSs had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these 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 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.

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 condensed consolidated income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the condensed 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 condensed 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.

The Directors of the Company anticipate that the application of the other 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

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, 2011 consist of the followings:

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Revenue from sale of properties	**439,627**	681,388
Revenue from sale of goods	**21,372**	22,781
Revenue from rendering of services from golf club operations	**49,524**	38,469
Revenue from property rental and management fee	**86,141**	64,932
Revenue	**596,664**	807,570
Gross proceeds from sale of securities	**83,337**	100,430
Gross proceeds from operations	**680,001**	908,000

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 "Segment Reporting" include securities trading segment which is dealing in investments held for trading.

5. SEGMENT INFORMATION (continued)

For the six months ended 30th June, 2011

	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	**86,141**	**439,627**	**21,372**	**49,524**	**83,337**	**680,001**
RESULTS						
Segment profit (loss)	**112,876**	**216,983**	**119**	**10,203**	**(142,766)**	**197,415**
Other unallocated income						**33,406**
Unallocated expenses						**(27,836)**
Finance costs						**(68,678)**
						134,307
Share of results of associates						**(1,226)**
Share of results of jointly controlled entities						**3,105**
Profit before taxation						**136,186**

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

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$596,664,000 (2010: HK$807,570,000), 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	
	2011	2010
	HK$'000	HK$'000
Written back of allowance for bad and doubtful debts	**1,792**	67
Net exchange gain	**10,041**	2,830
Net loss on disposal of property, plant and equipment, including written off	**(207)**	(64)
	11,626	2,833

7. FINANCE COSTS

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Interest on bank loans wholly repayable		
- within five years	**65,487**	16,978
- over five years	**3,205**	-
	68,692	16,978
Less: interest capitalised	**(14)**	(1,896)
	68,678	15,082

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12,910**	12,262
Amortisation of lease premium for land	**3,445**	3,248
Net (gain) loss on disposal of investment properties (included in net gain (loss) on disposal and fair value changes of investment properties)	**(266)**	2,486
and after crediting:		
Dividends from investments held for trading (included in net (loss) gain in investments held for trading)	**1,501**	1,311
Other income		
- Interest income	**17,704**	20,006
- Dividends from available-for-sale investments - listed	**3,835**	5,114
- Dividends from available-for-sale investments - unlisted	**-**	19,837

9. TAXATION

	Six months ended 30th June	
	2011	2010
	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	**44,669**	56,207
PRC Land Appreciation Tax	**162,300**	280,258
Dividend withholding tax	**-**	47
(Overprovision) underprovision in prior period		
- PRC (other than Hong Kong) Enterprise Income Tax	**(294)**	948
	206,675	337,460
Deferred tax credit	**(17,486)**	(62,726)
Total tax charges for the period	**189,189**	274,734

The Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the assessable profit for the period. No tax is payable on the profit for the period arising in Hong Kong since there is no assessable profit for the period. 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 24% (2010: 22%) for the six months ended 30th June, 2011.

10. DIVIDEND

The Directors do not recommend payment of an interim dividend for the period under review (2010: Nil). In June 2011, a final dividend of 6 HK cents per share for the year ended 31st December, 2010 (2010: special dividend for 2009 of 13.5 HK cents per share) amounting to approximately HK$83,840,000 (2010: HK$181,918,000) in aggregate was paid to shareholders. Of the dividend paid during the period, approximately HK$49,072,000 was settled in shares under the Company's scrip dividend scheme approved by the Company on 2nd June, 2011 in respect of the final dividend for the year ended 31st December, 2010.

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share	**(82,044)**	183,697
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,395,933,698**	1,348,060,701
Effect of dilutive potential ordinary shares		
- Share options	**-**	3,373,785
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,395,933,698**	1,351,434,486

The presentation of diluted loss per share for the six months ended 30th June, 2011 had not assumed the exercise of the Company's share options as the exercise of the share options would result in a decrease in loss per share.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit terms of the Group given to trade customers 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$42,876,000 (2010: HK$32,105,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June	31st December
	2011	2010
	HK$'000	HK$'000
0 – 3 months	**23,382**	20,502
4 – 6 months	**7,179**	5,948
7 – 12 months	**12,315**	5,655
	42,876	32,105

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$216,958,000 (2010: HK$235,521,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June 2011 HK$'000	31st December 2010 HK$'000
0 – 3 months	**18,667**	93,610
4 – 6 months	**1,211**	1,025
7 – 12 months	**70,033**	93
Over 1 year	**127,047**	140,793
	216,958	235,521

GENERAL OVERVIEW

The Group reported a consolidated loss after taxation attributable to shareholders of the Company of approximately HK$82.04 million (2010: profit of HK$183.70 million) and a basic loss per share of 5.88 HK cents (2010: earnings per share of 13.63 HK cents) for the first six months of 2011.

Owing to a decrease in the Group's revenue caused by a reduction in the amount of sales proceeds of properties that could be recognized, the gross profit of the Group generated during the period under review declined to approximately HK$433.53 million (2010: HK$583.05 million). The results of the Group for the period under review were further affected by a net loss in investments held for trading of approximately HK$142.56 million (2010: a net gain of HK$11.55 million) which was mainly attributable to an unrealized loss on change in fair value of the securities investment held by the Group arising from fluctuation of the global financial market, that should be recorded in the consolidated financial statements of the Group for the six months ended 30th June, 2011 according to accounting standards adopted by the Group.

The Board does not recommend payment of an interim dividend for the six months ended 30th June, 2011 (2010: Nil).

OPERATIONS REVIEW

Operating segments in the property sector were the principal sources of profit of the Group for the six months ended 30th June, 2011. Property development and trading was the primary profit contributor to the Group by making a contribution of approximately HK$216.98 million (2010: HK$398.30 million). Property investment was the second profit maker of the Group and generated a profit of approximately HK$112.88 million (2010: HK$28.42 million) with the benefit of a gain on fair value changes of investment properties of the Group, and its steady recurrent rental and management income.

The operating results of leisure activities showed progress and ranked the third in terms of profit contribution amongst the operating segments of the Group during the period under review. This segment delivered an operating profit of approximately HK$10.20 million (2010: HK$0.25 million) for the period ended 30th June, 2011. The Group also shared a profit of approximately HK$2.44 million (2010: HK$4.20 million) from its hotel operation for the first half of 2011.

Industrial operations recorded an insignificant segment profit of approximately HK$0.12 million (2010: loss of HK$0.62 million) for the period under review.

Securities trading activities of the Group reported a loss of approximately HK$142.77 million (2010: profit of HK$11.50 million) after taking into account an unrealized loss on change in fair value of securities investment held by the Group recorded according to the accounting standards adopted by the Group under the downtrend of the global financial markets.

Property Development and Investment

The Group expanded its business domain in the People's Republic of China (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 period under review.

Property development and investment in Shanghai, the PRC generated total revenue of approximately HK$525.77 million and accounted for approximately 77.3% of the gross proceeds from operations of the Group for the six months ended 30th June, 2011.

Tomson Riviera Garden, Shanghai

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

Construction of Phase 2 was completed in 2010. As at 30th June, 2011, except 6 units of detached houses, the whole Phase 2 was sold out. For the period ended 30th June, 2011, total recognized revenue generated from the project amounted to approximately HK$275.83 million and accounted for approximately 40.6% of the gross proceeds from operations of the Group.

As stated in the annual report of the Company for 2010, a commercial property and an ancillary car park were sold, however, the total sale proceeds of approximately RMB198.60 million have not been recognized in the interim results of the Group for the year of 2011 as there was a delay on the part of the seller to take up the properties. The delivery of the properties was completed in July 2011 and the said proceeds would be recognized in the annual results of the Group for the year ended 31st December, 2011.

Other than the aforesaid sale proceeds of the commercial property and car park, as at 30th June, 2011, a sum of receipts in advance in respect of sale of residential units of approximately RMB22.00 million was credited to the Group and is expected to be recognized in the results of the Group for the year of 2011.

As reported in an announcement issued by the Company on 5th August, 2011, the Group entered into a conditional agreement, pursuant to which, the Group would acquire the land use rights of a plot of land in Sanba River District, Pudong where Tomson Riviera Garden is located by returning another plot of land in the same district registered in the Group's name and paying a shortfall in consideration of approximately RMB17.45 million in cash. The transactions constitute a connected transaction for the Company under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are subject to the approval from the independent shareholders at the forthcoming extraordinary general meeting of the Company to be held on 14th September, 2011 and that by the relevant government department(s) in the PRC. The Group intends to develop the land into a low-density residential development with a saleable gross floor area of approximately 8,650 square meters as Phase 3 of Tomson Riviera Garden. Taking account of the time for obtaining proper legal title of the land and application for government approval and construction permit, construction works are therefore expected to commence in the third quarter of 2012 and are scheduled for completion around the end of 2013.

Tomson Riviera, Shanghai

Tomson Riviera comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund. 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, 2011, nearly 56% of the total residential gross floor area of Towers A and C were sold and slightly over half of the total residential gross floor area of Towers B and D was leased.

For the first six months of 2011, recognized revenue from sale and leasing of the project amounted to approximately HK$203.26 million and accounted for approximately 30% of the gross proceeds from operations of the Group. A sales deposit of the project of approximately HK$539.55 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 2011. In addition, an unrealized gain in fair value change of Tomson Riviera of approximately HK$62.30 million was recorded in the interim results of the Group for 2011 according to applicable accounting standards.

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, continued to provide a steady recurrent revenue to the Group and accounted for approximately 6.7% of the gross proceeds from operations of the Group for the period under review. The Group also recorded a net gain on disposal and fair value changes of those investment properties of approximately HK$7.31 million for the period under review.

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 at a consideration of approximately RMB267.42 million. The Board 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 and which should offer good potential in enhancing shareholders' value. The premises were classified as fixed assets of the Group at the end of the period under review. To optimize the use of Group's resources, the management has considered feasible plans of leasing the premises.

Land at Jinqiao-Zhangjiang District, Shanghai

As announced by the Company in September 2010, the Company acquired through a wholly-owned subsidiary land use rights of a plot of land located at Jinqiao-Zhangjiang District, Pudong with a site area of approximately 300,700 square meters at a consideration of RMB1,829.25 million. Vacant possession of over 60% of the land was delivered in phases according to the agreement while the remaining area will be delivered in two phases at the end of 2012 and 2013 as scheduled. The Group intends to develop the land 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 land is expected to commence at the end of 2011 and will be completed in 2014.

Phase 2 of Jinwan Plaza, Tianjin

In June 2010, the Group formed two joint ventures with a state-owned enterprise for development of phase 2 of Jinwan Plaza which is situated in prime location of Heping District, Tianjin. 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 57 stories for residential apartments, commerce and other commercial services 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 with a gross floor area of not more than 159,000 square meters. Jinwan Real Estate formally started construction of its project on 31st August, 2011 while Jinwan Property schedules to commence its development project in mid of 2012. It is expected that construction will take around 4 years in both cases.

Penha Hill project, Macau

In November 2010, the Group completed acquisition of a 70% interest in a project company which 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 a designated World Heritage zone of Macau. It will be developed into a luxury residential condominium with an estimated total gross floor area of approximately 23,600 square meters. The site formation work was completed in the first half of 2011 and the piling and foundation works will be commenced shortly. The major construction works are tentatively scheduled to be completed in 2013.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Tomson Shanghai Pudong Golf Club generated revenue of approximately HK$49.52 million, being approximately 7.3% of the gross proceeds from operations of the Group, for the six months ended 30th June, 2011. There was sound progress in both sale of membership debentures and revenue from golfing activities. As a whole, the operation reported an operating gain of approximately HK$10.20 million for the first half of 2011.

The InterContinental Shanghai Pudong hotel

The Group holds a 50% interest in The InterContinental Shanghai Pudong hotel. During the period under review, occupancy rate and profit of the hotel have dropped compared to the corresponding period in 2010, during which the World Expo was held in Shanghai. However, the hotel operation remained profitable and the Group shared a net profit of approximately HK$2.44 million from the operation for the first six months of 2011.

Securities Trading

Securities trading activities accounted for around 12.3% of the gross proceeds from operations of the Group for the period under review. After taking into account an unrealized loss on change in fair value of securities investments of the Group held for trading, a net loss in those investments of approximately HK$142.56 million was reported for the six months ended 30th June, 2011.

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 Special Administrative Region ("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$3.84 million was received during the period under review and an unrealized loss on change in fair value of the long-term securities investment of approximately HK$11.51 million was charged to the investment reserve of the Group in the first half of 2011.

Industrial Operations

Manufacturing operation of PVC pipes and fittings of the Group in Shanghai accounted for approximately 3.1% of the gross proceeds from operations of the Group. Owing to a drop in turnover, increases in operating cost and continuing intense competition, the operation reported an insignificant profit before tax of approximately HK$0.12 million and a net loss after taxation during the six months ended 30th June, 2011.

Film Distribution Business

In anticipation of the potential increase in demand for leisure activities from Mainland visitors and the local population in Hong Kong, the Group has decided to participate in the film distribution business. Prepayment of approximately HK$11.23 million was made in the first six months of 2011 and the Group had commitment to pay a further sum of approximately HK$9.89 million as at 30th June, 2011 for acquisition of licensed rights for film distribution. It is scheduled to release two films in Hong Kong in the fourth quarter of 2011.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the period ended 30th June, 2011 were mainly funded by cash on hand and financing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to approximately HK$2,828.91 million. During the period under review, the Group utilized a net cash flow of approximately HK$258.04 million and HK$562.29 million in its operations and investing activities respectively. After taking account of a net cash inflow of approximately HK$399.18 million from its financing activities, the Group recorded a net cash outflow of approximately HK$421.15 million for the period under review (2010: net cash inflow of HK$3,373.80 million). The net cash outflow for the period under review was mainly attributable to an acquisition of office premises in Shanghai, payment of tax and payment of final dividend for 2010 and was partly offset by new bank loans raised.

The Group's borrowings as at 30th June, 2011 amounted to approximately HK$2,517.64 million (31st December, 2010: HK$2,053.07 million), equivalent to 23.96% (31st December, 2010: 19.69%) 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, 16.31% were repayable within one year from the end of the reporting period, 21.52% were repayable more than one year but not exceeding two years from the end of the reporting period, 56.73% were repayable more than two years but within five years from the end of the reporting period, while the remaining was due for repayment more than five 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 of approximately HK$93.33 million (31st December, 2010: HK$35.11 million), and licensed rights for film distribution of approximately HK$9.89 million (31st December, 2010: Nil). The Group anticipates funding those commitments from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 30th June, 2011, the Group recorded a current ratio of 2.61 times (31st December, 2010: 2.88 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 82.91% (31st December, 2010: 76.65%). There was no significant change in current ratio during the period under review. The rise in the gearing ratio mainly resulted from the increase in bank borrowings during the period under review and an increase in receipts in advance regarding sales of Tomson Riviera which were not recognized in the interim results of the Group for 2011 according to applicable accounting standards and were classified under current liabilities in the consolidated financial statements of the Group.

Charge on Assets

As at 30th June, 2011, assets of the Group with an aggregate carrying value of approximately HK$6,642.01 million (31st December, 2010: HK$5,939.96 million) were pledged to banks for securing 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. All of the other remaining 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, 2011, the Group had a contingent liability of US$3 million (31st December, 2010: US$3 million) in respect of a provision of a guarantee to indemnify the management company of The InterContinental Shanghai Pudong hotel a pro-rata share 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

Property development and investment will remain the Group's principal business activities. The Group has committed to various property development projects in Shanghai, Tianjin and Macau but these projects will need to run their course before coming to fruition. It is anticipated that Tomson Riviera and Tomson Riviera Garden will be the most significant sources of profit for the Group for 2011. Nevertheless, there may be an impact on the pace and volume of the property sale of the Group under the pressure of a series of measures promulgated by the central government of the PRC to regulate activities in the real estate market. The uncertainties arising from the possibility of pronouncement of further measures by the PRC government and the turbulence of the global financial markets will inevitably affect both property developers and investors alike. It is therefore anticipated that operations of the Group will become more challenging during 2011.

In addition, there might be possible further unrealized loss on change in fair value of the securities investments held by the Group due to the volatility of the global financial markets but the Board considers that such possible unrealized loss would not have any material adverse effect on the cash, trading or operational position of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2011, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

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, 2011, 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 in accordance with the provisions of the code on internal control of the Company; 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 of the Company according to the Articles of Association of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

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 2011 of the Company will be available on both websites and despatched to the shareholders of the Company on or before Friday, 30th September, 2011.

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

Hong Kong, 31st August, 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, Mr Cheung Siu Ping, Oscar, Mr Lee Chan Fai and Mr Sean S J Wang.