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, 2012

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 (collectively the "Group") for the six months ended 30th June, 2012 together with comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)

	Notes	**Six months ended 30th June** **2012** **HK$'000**	2011 HK$'000
Gross proceeds from operations	4&5	**470,820**	680,001
Revenue	4	**229,462**	596,664
Cost of sales		**(61,657)**	(163,135)
Gross profit		**167,805**	433,529
Other income		**44,468**	23,572
Net gain on disposal and fair value changes of investment properties		**40,270**	69,608
Net gain (loss) in investments held for trading		**22,928**	(142,563)
Selling expenses		**(79,849)**	(91,709)
Administrative expenses		**(97,931)**	(101,078)
Other gains and losses	6	**(2,537)**	11,626
Finance costs	7	**(78,669)**	(68,678)
		16,485	134,307
Share of results of associates		**(276)**	(1,226)
Share of results of jointly controlled entities		**875**	3,105
Profit before taxation	8	**17,084**	136,186
Taxation	9	**(33,852)**	(189,189)
Loss for the period		**(16,768)**	(53,003)
(Loss) profit for the period attributable to:			
Owners of the Company		**(25,547)**	(82,044)
Non-controlling interests		**8,779**	29,041
		(16,768)	(53,003)
Loss per share (HK cents)	11		
- Basic		**(1.80)**	(5.88)
- Diluted		**(1.80)**	(5.88)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
Loss for the period	**(16,768)**	(53,003)
Other comprehensive (expense) income		
Exchange differences arising from translation of:		
- subsidiaries	**(173,369)**	194,822
- jointly controlled entities	**(11,796)**	21,425
- associates	**105**	282
Loss on changes in fair value of available-for-sale investments	**(6,136)**	(11,505)
Gain on revaluation of property transferred from property, plant and equipment to investment properties	**9,307**	-
Deferred taxation arising on revaluation of property transferred from property, plant and equipment to investment properties	**(2,327)**	-
Other comprehensive (expense) income for the period	**(184,216)**	205,024
Total comprehensive (expense) income for the period	**(200,984)**	152,021
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(198,842)**	102,583
Non-controlling interests	**(2,142)**	49,438
	(200,984)	152,021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30th June 2012 HK$'000	(Audited) 31st December 2011 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**6,534,360**	6,230,313
- Property, plant and equipment		**342,117**	691,030
Lease premium for land		**65,512**	69,642
Film distribution rights		**4,274**	5,741
Prepayment for film distribution rights		**7,775**	6,488
Goodwill		**33,288**	33,288
Deferred tax assets		**3,625**	3,526
Interests in associates		**33,782**	33,952
Interests in jointly controlled entities		**1,052,278**	1,063,199
Available-for-sale investments		**101,184**	107,320
Pledged bank deposits		**51,769**	54,624
		8,229,964	8,299,123
Current Assets			
Lease premium for land		**6,617**	7,032
Properties under development		**4,427,857**	4,156,741
Deposit paid for land use right		**838,252**	872,724
Properties held for sale		**2,906,728**	2,811,320
Trade and other receivables and prepayments	12	**433,913**	268,314
Investments held for trading		**223,436**	429,897
Inventories		**24,606**	27,034
Prepaid income tax		**654,605**	497,247
Pledged bank deposits		**1,220,565**	814,628
Cash and bank balances		**2,742,721**	2,980,449
		13,479,300	12,865,386
Current Liabilities			
Trade and other payables and accruals	13	**666,684**	755,016
Receipts in advance		**174,325**	92,262
Tax payables		**3,161,552**	3,190,783
Borrowings		**1,773,133**	1,123,794
		5,775,694	5,161,855
Net Current Assets		**7,703,606**	7,703,531
Total Assets Less Current Liabilities		**15,933,570**	16,002,654

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) 30th June 2012 HK$'000	(Audited) 31st December 2011 HK$'000
Capital and Reserves		
Share capital	**717,795**	708,180
Share premium and reserves	**9,901,653**	10,135,425
Equity attributable to owners of the Company	**10,619,448**	10,843,605
Non-controlling interests	**1,066,375**	1,068,517
Total Equity	**11,685,823**	11,912,122
Non-Current Liabilities		
Borrowings	**2,212,879**	2,221,789
Deferred tax liabilities	**2,034,868**	1,868,743
	4,247,747	4,090,532
	15,933,570	16,002,654

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, 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 taxes 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. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. Upon the application of the amendments to HKAS 12, the Group continued to recognise deferred tax on changes in fair value of investment properties on the basis that the deferred tax reflects the tax consequences that will follow from the manner in which the Group expects at the end of the reporting period to recover the carrying amount of the investment properties.

The application of the above amendments and the other amendments 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.

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 sale 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

(v) Media and entertainment
- represents the gross revenue received and receivable from investment in concerts, films exhibition and related income

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.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE (continued)

Revenue and gross proceeds from each type of business for the period ended 30th June, 2012 consist of the followings:

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
Revenue from sale of properties	**63,383**	439,627
Revenue from sale of goods	**20,055**	21,372
Revenue from rendering of services from golf club operations	**32,035**	49,524
Revenue from property rental and management fee	**100,190**	86,141
Revenue from media and entertainment business	**13,799**	-
Revenue	**229,462**	596,664
Gross proceeds from sale of and dividend income from investments held for trading	**241,358**	83,337
Gross proceeds from operations	**470,820**	680,001

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 (v), the Group's operating segments under HKFRS 8 "Segment Reporting" include securities trading segment which is dealing in investments held for trading.

For the six months ended 30th June, 2012

	Property Investment HK$'000	Property Development and Trading HK$'000	Industrial Operations HK$'000	Leisure HK$'000	Media and Entertainment HK$'000	Securities Trading HK$'000	Total HK$'000
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	**100,190**	**63,383**	**20,055**	**32,035**	**13,799**	**241,358**	**470,820**
RESULTS							
Segment profit (loss)	**94,878**	**(29,216)**	**(6,091)**	**311**	**(3,759)**	**22,761**	**78,884**
Other unallocated income							**42,000**
Unallocated expenses							**(25,730)**
Finance costs							**(78,669)**
							16,485
Share of results of associates							**(276)**
Share of results of jointly controlled entities							**875**
Profit before taxation							**17,084**

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	Media and Entertainment 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

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$229,462,000 (2011: HK$596,664,000), 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	
	2012	2011
	HK$'000	HK$'000
(Allowance) written back of bad and doubtful debts	**(69)**	1,792
Net exchange (loss) gain	**(2,364)**	10,041
Net loss on disposal of property, plant and equipment, including written off	**(104)**	(207)
	(2,537)	11,626

7. FINANCE COSTS

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
Interest on bank loans wholly repayable		
- within five years	**116,044**	65,487
- over five years	**8,164**	3,205
	124,208	68,692
Less: interest capitalised	**(45,539)**	(14)
	78,669	68,678

8. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**21,697**	12,910
Amortisation of lease premium for land	**3,501**	3,445
Amortisation and impairment of film distribution rights	**4,263**	-
Net gain on disposal of investment properties (included in net gain on disposal and fair value changes of investment properties)	**-**	(266)
and after crediting:		
Dividends from investments held for trading (included in net gain (loss) in investments held for trading)	**1,032**	1,501
Other income		
- Interest income	**33,133**	17,704
- Dividends from available-for-sale investments - listed	**2,812**	3,835

9. TAXATION

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
The charge comprises:		
The People's Republic of China (other than Hong Kong) (the "PRC") Enterprise Income Tax calculated at tax rates prevailing in the respective jurisdictions where the relevant individual group companies operate	**22,942**	44,669
PRC Land Appreciation Tax	**20,903**	162,300
Withholding tax	**239**	-
Overprovision in prior period		
- PRC Enterprise Income Tax	**(2,485)**	(294)
	41,599	206,675
Deferred tax credit	**(7,747)**	(17,486)
Total tax charges for the period	**33,852**	189,189

The Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the assessable profit for the period. 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 25% (2011: 24%) for the six months ended 30th June, 2012.

10. DIVIDEND

The Directors do not recommend payment of an interim dividend for the period under review (2011: Nil). In June 2012, an interim dividend of 4 HK cents per share for the year ended 31st December, 2011 (2011: final dividend of 6 HK cents per share for 2010) amounting to approximately HK$56,581,000 (2011: HK$83,840,000) in aggregate was paid to shareholders. Of the dividend paid during the period, approximately HK$35,054,000 was settled in shares under the Company's scrip dividend scheme approved by the Board on 30th March, 2012 in respect of the interim dividend for the year ended 31st December, 2011.

11. LOSS PER SHARE

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

	Six months ended 30th June	
	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share and diluted loss per share	**(25,547)**	(82,044)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,416,487,856**	1,395,933,698

The presentation of diluted loss per share had not assumed the exercise of the Company's share options as the exercise of 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$42,962,000 (2011: HK$39,388,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June	31st December
	2012	2011
	HK$'000	HK$'000
0 – 3 months	**19,307**	24,211
4 – 6 months	**9,011**	7,476
7 – 12 months	**14,644**	7,701
	42,962	39,388

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$163,330,000 (2011: HK$222,763,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June 2012 HK$'000	31st December 2011 HK$'000
0 – 3 months	**14,473**	59,708
4 – 6 months	**2,576**	488
7 – 12 months	**6,759**	1,308
Over 1 year	**139,522**	161,259
	163,330	222,763

GENERAL OVERVIEW

The Group reported gross proceeds from operations of approximately HK$470.82 million (2011: HK$680.00 million) and a consolidated loss after taxation attributable to shareholders of the Company of approximately HK$25.55 million (2011: HK$82.04 million) for the first six months of 2012. Basic loss per share for the period under review was 1.80 HK cents (2011: 5.88 HK cents).

There was a significant drop in the amount of sale proceeds of properties that could be recognized by the Group during the first half of 2012 and this resulted in a noticeable decrease in the gross profit of the Group. However, owing to the reduction in the amount of sale proceeds recognized, the related provision for land appreciation tax of the People's Republic of China (the "PRC") for the period under review was substantially less than that for the corresponding period in 2011. In addition, the Group recorded a net gain in investments held for trading of approximately HK$22.93 million (2011: net loss of HK$142.56 million) during the period under review which was mainly attributable to sale of trading securities held by the Group. Hence, though there was a substantial decline in the consolidated operating profit of the Group for the first half of 2012 and the Group made a net consolidated loss for the period under review, such loss was less than that for the corresponding period in 2011.

The Board does not recommend payment of an interim dividend for the six months ended 30th June, 2012 (2011: Nil).

OPERATIONS REVIEW

For the six months ended 30th June, 2012, property investment was the principal profit contributor of the Group and this generated a segment profit of approximately HK$94.88 million (2011: HK$112.88 million) derived from steady recurrent rental and management income from the investment properties of the Group as well as a gain on fair value changes of those investment properties. The drop in profit from the property investment segment for the period under review was mainly attributable to a lower amount of revaluation surplus of the investment properties arising from independent market valuation as at the period end as compared with that for the corresponding period in 2011. Besides, property development and trading segment reported a loss of approximately HK$29.22 million during the period under review (2011: profit of HK$216.98 million) as limited sale proceeds of properties were recognized.

Securities trading was the second profit maker to the Group by contributing a segment profit of approximately HK$22.76 million for the first half of 2012 (2011: loss of HK$142.77 million).

Leisure activities ranked 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$0.31 million (2011: HK$10.20 million) for the period ended 30th June, 2012. The Group also shared a profit of approximately HK$3.18 million (2011: HK$2.44 million) from its hotel operation for the first half of 2012.

The new operating segment, media and entertainment segment reported a loss of approximately HK$3.76 million for the six months ended 30th June, 2012 (2011: Nil).

In addition, industrial operations recorded a loss of approximately HK$6.09 million (2011: profit of HK$0.12 million) for the period under review.

Property Development and Investment

The Group's operating segment in the real estate sector is principally based in the PRC. Since the property projects in Tianjin and Macau Special Administrative Region of the PRC ("Macau") are in the development 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$163.57 million and accounted for approximately 34.7% of the gross proceeds from operations of the Group for the six months ended 30th June, 2012.

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.

As at 30th June, 2012, except 4 units of detached houses, the whole phase 2 of the project was sold out. For the period ended 30th June, 2012, total revenue from the project of approximately HK$64.99 million was recognized and accounted for approximately 13.8% of the gross proceeds from operations of the Group.

As reported in the annual report of the Company for 2011, the Group entered into a conditional agreement in 2011, pursuant to which, the Group acquired the land use rights of a plot of land with a site area of approximately 18,818.1 square meters (the "Acquired Site") in Sanba River District, Pudong. The Acquired Site was delivered to the Group and the development plan has been submitted to the PRC authorities for approval. It is intended to develop the Acquired Site into a low-density residential development with a saleable gross floor area of approximately 9,400 square meters as Phase 3 of Tomson Riviera Garden. Taking account of the time for applying for government approval and construction permit, construction works are expected to commence by the end of 2012 and are scheduled for completion in 2014.

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 identified two residential towers for sale while the other two towers are for leasing.

As at 30th June, 2012, approximately 57% of the total residential gross floor area of Towers A and C were sold and approximately 57% of the total residential gross floor area of Towers B and D were leased.

For the first six months of 2012, recognized revenue from sale and leasing of the project amounted to approximately HK$49.55 million and accounted for approximately 10.5% of the gross proceeds from operations of the Group. A receipt in advance of the project of approximately HK$155.07 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 2012. For the period under review, though the sale proceeds were lower than expected, both the leasing rate and rental income were improved as compared with the last corresponding period in 2011. In addition, an unrealized gain in fair value change of Tomson Riviera of approximately HK$30.75 million was recorded in the interim results of the Group for 2012 according to applicable accounting standards.

Commercial and Industrial Property Portfolio, Shanghai

The Group acquired office premises on the entire 72nd Floor of Shanghai World Financial Centre in Pudong in 2011. The office premises have been leased out and re-classified as investment properties during the period under review.

Rental income and management fee from the said office premises and 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 of approximately HK$49.03 million to the Group and accounted for approximately 10.4% of the gross proceeds from operations of the Group for the period under review. The Group also recorded a net gain on fair value changes of those investment properties of approximately HK$9.52 million for the period under review.

Land at Jinqiao-Zhangjiang District, Shanghai

As reported in the Company's annual report for 2011, the Company has acquired through a wholly-owned subsidiary land use rights of a plot of land with a site area of approximately 300,700 square meters located at Jinqiao-Zhangjiang District, Pudong. According to the agreement, the land is scheduled to be delivered in seven phases. Vacant possession of over 60% of the land was delivered to the Group and the sixth phase will be handed over at the end of 2012. 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. Owing to the progress in getting approval of the development plan from the PRC authorities, construction of the first phase of the land was postponed and the Group endeavours to commence construction in the first quarter of 2013.

Phase 2 of Jinwan Plaza, Tianjin

The Group participated in the development of phase 2 of Jinwan Plaza, which is situated in the central area of Heping District, Tianjin, by holding a 75% equity interest in Tianjin Jinwan Real Estate Development Co., Limited ("Jinwan Real Estate") and a 51% equity interest in Tianjin Jinwan Property Co., Limited ("Jinwan Property").

Jinwan Real Estate is developing two high-rise buildings of 25 and 57 stories respectively for residential and commerce purposes with a total gross floor area of approximately 296,900 square meters. Piling and diaphragm wall were completed in February 2012. It is scheduled that the superstructure of the two buildings will be topped out in the third quarter of 2013 and of 2014 respectively. The entire project is expected to be completed in 2015.

Jinwan Property is planning to develop a high-rise building of 70 stories and the gross floor area of such building above ground will increase to 163,000 square meters after successful acquisition in June 2012 of land use rights of a small parcel of land adjacent to the site on hand. The building will be designed for office, commerce and hotel purposes and the final layout is under review. Construction works are scheduled for commencement in the last quarter of 2012 and it is expected that the construction will take around four years.

Penha Hill Project, Macau

The development of the luxury residential condominium at Penha Hill, within a designated World Heritage zone of Macau is in progress. Piling and foundation works were completed and the construction of the superstructure commenced in July 2012. The construction works are tentatively scheduled to be completed in late 2013. Owing to a change in design and in response to comments from the local authorities, the total gross floor area of the project is adjusted to 22,842 square meters. The Group holds a 70% interest in the project developer.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

Tomson Shanghai Pudong Golf Club generated revenue of approximately HK$32.04 million, being approximately 6.8% of the gross proceeds from operations of the Group, for the six months ended 30th June, 2012. The decline in the operating results of the Club during the period under review was mainly attributable to a drastic decrease in the sale of membership debentures. As a result, the operation only reported a slight segment profit of approximately HK$0.31 million for the first half of 2012.

InterContinental Shanghai Pudong

The Group holds a 50% interest in the InterContinental Shanghai Pudong hotel. The operation gained improvement in both occupancy rate and profit during the period under review. The Group shared a net profit of approximately HK$3.18 million from the operation for the first six months of 2012.

Industrial Operations

Manufacturing operation of PVC pipes and fittings of the Group in Shanghai accounted for approximately 4.3% of the gross proceeds from operations of the Group. Suffering from a slowdown in property development projects in the mainland of the PRC and limited market demand for the PVC products, the operation recorded a drop in turnover during the period under review. In addition, the increase in production cost adversely affected the gross profit margin. As a result, the operation reported a segment loss of approximately HK$6.09 million during the six months ended 30th June, 2012.

Media and Entertainment Business

In anticipation of the potential increase in demand for leisure activities from visitors from mainland of the PRC and the local population in Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Group has set up its film distribution business and participated in investment in live entertainment.

Gross revenue received and receivable from this segment accounted for approximately 2.9% of the Group's gross proceeds from operations during the first six months of 2012. Owing to the cost of setting up the new business, a segment loss of HK$3.76 million was recorded during the period under review.

The Group held an investment of approximately HK$12.05 million and had commitment to pay a further sum of approximately HK$16.49 million as at 30th June, 2012 for acquisition of licensed rights for film distribution. The Group released two films in the last quarter of 2011 and revenue from the theatrical and video rights of these films were recognized in the interim results of the Group for 2012. The Group plans to release a total of six films in 2012.

In view of the Group's minority investment so far in live entertainment, the revenue generated was insignificant and the Group will continue to participate in investments in various live performances in 2012.

Securities Trading

Securities trading activities accounted for around 51.3% of the gross proceeds from operations of the Group for the period under review through sale of and dividend receipt from trading securities held by the Group. After taking into account an unrealized loss on change in fair value of the trading securities of the Group, a net gain in securities investments held for trading of approximately HK$22.93 million was reported for the six months ended 30th June, 2012.

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$2.81 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$6.14 million was charged to the investment reserve of the Group in the first half of 2012.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the period ended 30th June, 2012 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$2,742.72 million. During the period under review, the Group utilized a net cash flow of approximately HK$206.71 million and HK$521.07 million in its operations and investing activities respectively. After taking account of a net cash inflow of approximately HK$527.95 million from its financing activities, the Group recorded a net cash outflow of approximately HK$199.83 million for the period under review (2011: HK$421.15 million). The net cash outflow for the period under review was mainly attributable to addition of properties under development, placement of pledged bank deposits and was partly offset by new bank loans raised for property development and investment.

The Group's borrowings as at 30th June, 2012 amounted to approximately HK$3,986.01 million (31st December, 2011: HK$3,345.58 million), equivalent to 37.54% (31st December, 2011: 30.85%) 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, 44.48% were repayable within one year from the end of the reporting period, 9.22% were repayable more than one year but not exceeding two years from the end of the reporting period, 43.43% 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$2,723.43 million (31st December, 2011: HK$178.68 million). In respect of the licensed rights for film distribution, there were capital commitments of approximately HK$9.73 million (31st December, 2011: HK$9.80 million), which were contracted but not provided for, and of approximately HK$6.76 million (31st December, 2011: HK$5.49 million), which were authorized but not contracted for. The Group anticipates funding those commitments from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 30th June, 2012, the Group recorded a current ratio of 2.33 times (31st December, 2011: 2.49 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 94.39% (31st December, 2011: 85.33%). There was no significant change in the current ratio during the period under review. The rise in the gearing ratio resulted mainly from the increase in bank borrowings during the period under review.

Charge on Assets

As at 30th June, 2012, assets of the Group with an aggregate carrying value of approximately HK$10,603.53 million (31st December, 2011: HK$9,772.09 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 changes 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 Dollar or United States Dollar. Hence, the Group does not anticipate any material foreign exchange exposure.

Contingent Liabilities

As at 30th June, 2012, the Group had a contingent liability of US$1.24 million (31st December, 2011: US$1.31 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 continue to be the Group's business focus. 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 principal sources of profit for the Group in 2012. Though there have been signs of recovery of the property market in Shanghai during the year, both Shanghai and central governments of the PRC reasserted the determination to regulate the real estate market and promulgated a series of measures. There is an inevitable impact on the pace and volume of the property sale of the Group in Shanghai under such market sentiments and uncertainties. It is therefore expected that operations of the Group in the property sector in the mainland of the PRC will still face certain challenges in the second half of 2012 and the coming year.

In the meantime, the Group will focus on the leasing potential of its property portfolio in Shanghai and may launch the residential property project in Macau for pre-sale at an appropriate time.

On the other hand, 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 and Hong Kong financial markets but the Board considers that such possible unrealized loss would not have any material adverse impact on the cash, trading or operational position of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2012, the Company repurchased a total of 1,836,000 shares of HK$0.50 each in its issued capital on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration before expenses of approximately HK$3.78 million.

The said share repurchases were made pursuant to a general mandate granted to the Board by the shareholders of the Company at the 2011 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.

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 period under review.

CORPORATE GOVERNANCE CODE

The Board considers that the Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period of six months ended 30th June, 2012, 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. Responsibilities for the Company's daily business management are 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;

(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;

(c) in accordance with the Articles of Association of the Company as amended at the annual general meeting of the Company held on 1st June, 2012, any Director of the Company appointed by the Board to fill a casual vacancy shall hold office until the next following annual general meeting of the Company instead of being subject to election at the next following general meeting of the Company as stipulated in the Code. Such arrangement not only complies with Appendix 3 to the Listing Rules but also streamlines the mechanism of re-election of Directors so that both new Directors appointed by the Board (either for filling a causal vacancy or as an additional member) and existing Directors retiring by rotation shall be subject to re-election at the same general meeting. Furthermore, extraordinary general meetings are reserved for considering and approving special transactions or other corporate actions under the Listing Rules only, thus facilitating the efficient implementation of the Company's strategies;

(d) the Company has not established a nomination committee comprising a majority of independent non-executive Directors as stipulated in the Code. This is because when identifying individuals of the appropriate qualification to be Board members and when assessing the independence of independent non-executive Directors, it is necessary to have a thorough understanding of the structure, business strategy and daily operation of the Company. The participation of executive Directors during the process was therefore indispensable. Accordingly, the Board as a whole remains responsible for reviewing its own structure, size and composition annually, and also for considering the appointment and re-appointment of Directors as well as assessing the independence of independent non-executive Directors; and

(e) the Company has entered into formal letters of appointment with all the Directors of the Company except for Mr Chuang Hsiao-Chen who, being an executive Director of the Company as well as a director and general manager of Tomson Golf (Shanghai) Limited, a wholly-owned subsidiary of the Company, has entered into a service contract with such subsidiary instead.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

This interim results announcement is published on the HKExnews 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 2012 of the Company will be available on both websites and despatched to the shareholders of the Company by the end of September 2012.

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

Hong Kong, 31st August, 2012

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.