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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, 2014

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, 2014 together with comparative figures for the corresponding period of 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

		Six months ended 30th June	
	Notes	**2014**	2013
		HK$'000	HK$'000
Gross proceeds from operations	4&5	**485,783**	316,861
Revenue	4	**303,466**	286,317
Cost of sales		**(43,362)**	(83,297)
Gross profit		**260,104**	203,020
Other income		**89,760**	92,581
Gain on fair value changes of investment properties		**21,120**	35,150
Net gain in investments held for trading		**31,050**	11,587
Selling expenses		**(74,292)**	(65,939)
Administrative expenses		**(93,928)**	(105,829)
Other gains and losses	6	**(1,885)**	470
Finance costs	7	**(76,572)**	(76,634)
		155,357	94,406
Share of results of associates		**(1,055)**	(742)
Share of results of joint ventures		**731**	1,921
Profit before taxation	8	**155,033**	95,585
Taxation	9	**(65,998)**	(49,780)
Profit for the period		**89,035**	45,805
Profit (loss) for the period attributable to:			
Owners of the Company		**92,588**	53,521
Non-controlling interests		**(3,553)**	(7,716)
		89,035	45,805
Earnings per share (HK cents)	11		
- Basic		**6.29**	3.72
- Diluted		**6.29**	3.72

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

	Six months ended 30th June	
	2014	2013
	HK$'000	HK$'000
Profit for the period	**89,035**	45,805
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of:		
- subsidiaries	**(247,066)**	155,792
- joint ventures	**(26,550)**	17,409
- associates	**(152)**	(12)
Reclassification adjustments:		
- release from exchange differences upon disposal of an associate	**-**	277
- release from reserve on acquisition upon sale of properties held for sale	**229**	-
Gain on changes in fair value of available-for-sale investments	**3,951**	10,227
Other comprehensive (expense) income for the period	**(269,588)**	183,693
Total comprehensive (expense) income for the period	**(180,553)**	229,498
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(157,818)**	224,522
Non-controlling interests	**(22,735)**	4,976
	(180,553)	229,498

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30th June 2014 HK$'000	(Audited) 31st December 2013 HK$'000
Non-Current Assets			
Fixed assets			
- Investment properties		**7,090,103**	7,244,621
- Property, plant and equipment		**312,741**	328,251
Lease premium for land		**54,585**	59,599
Film distribution rights		**9,045**	11,416
Prepayment for film distribution rights		**627**	832
Goodwill		**33,288**	33,288
Deferred tax assets		**267,499**	265,491
Interests in associates		**11,994**	13,228
Interests in joint ventures		**1,069,780**	1,095,599
Other receivables		**230,880**	171,298
Available-for-sale investments		**133,329**	129,378
		9,213,871	9,353,001
Current Assets			
Lease premium for land		**6,357**	6,514
Properties under development		**6,470,051**	6,136,269
Deposit paid for land use right		**1,769,836**	1,119,343
Properties held for sale		**2,686,177**	2,767,997
Trade and other receivables and prepayments	12	**354,507**	318,088
Investments held for trading		**180,980**	240,280
Inventories		**7,198**	7,029
Prepaid tax		**4,040**	-
Pledged bank deposits		**332,996**	806,183
Cash and bank balances		**1,884,551**	2,558,312
		13,696,693	13,960,015
Current Liabilities			
Trade and other payables and accruals	13	**805,497**	791,398
Receipts in advance		**358,077**	146,559
Tax payables		**3,551,206**	3,707,528
Borrowings		**1,325,059**	1,793,691
		6,039,839	6,439,176
Net Current Assets		**7,656,854**	7,520,839
Total Assets Less Current Liabilities		**16,870,725**	16,873,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited) 30th June 2014 HK$'000	(Audited) 31st December 2013 HK$'000
Capital and Reserves		
Share capital	**763,064**	733,992
Share premium and reserves	**10,461,667**	10,702,032
Equity attributable to owners of the Company	**11,224,731**	11,436,024
Non-controlling interests	**850,949**	873,684
Total Equity	**12,075,680**	12,309,708
Non-Current Liabilities		
Amounts due to joint ventures	**113,472**	52,254
Borrowings	**3,057,111**	2,844,582
Deferred tax liabilities	**1,624,462**	1,667,296
	4,795,045	4,564,132
	16,870,725	16,873,840

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 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, 2013.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period. The application of the new interpretation and amendments to HKFRSs has no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

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 PVC pipes and fittings

(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 distribution 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.

Revenue and gross proceeds from each type of business for the period ended 30th June, 2014 consist of the following:

	Six months ended 30th June	
	2014	2013
	HK$'000	HK$'000
Revenue from sale of properties	**122,581**	129,236
Revenue from sale of goods	**4,154**	1,871
Revenue from rendering of services from golf club operations	**27,125**	33,015
Revenue from property rental and management fee	**134,767**	117,419
Revenue from media and entertainment business	**14,839**	4,776
Revenue	**303,466**	286,317
Gross proceeds from sale of and dividend income from investments held for trading	**182,317**	30,544
Gross proceeds from operations	**485,783**	316,861

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 "Operating Segments" include securities trading segment which is dealings in investments held for trading.

	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
For the six months ended 30th June, 2014							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	**134,767**	**122,581**	**4,154**	**27,125**	**14,839**	**182,317**	**485,783**
RESULTS							
Segment profit (loss)	**109,602**	**32,695**	**1,202**	**(3,940)**	**1,628**	**30,870**	**172,057**
Other unallocated income							**86,440**
Unallocated expenses							**(26,568)**
Finance costs							**(76,572)**
							155,357
Share of results of associates							**(1,055)**
Share of results of joint ventures							**731**
Profit before taxation							**155,033**
For the six months ended 30th June, 2013							
GROSS PROCEEDS FROM OPERATIONS							
Segment revenue	117,419	129,236	1,871	33,015	4,776	30,544	316,861
RESULTS							
Segment profit (loss)	104,458	4,810	(16,627)	1,855	(3,048)	11,413	102,861
Other unallocated income							95,336
Unallocated expenses							(27,157)
Finance costs							(76,634)
							94,406
Share of results of associates							(742)
Share of results of joint ventures							1,921
Profit before taxation							95,585

Except for the presentation of segment revenue which is different from the reported revenue in the condensed consolidated statement of profit or loss, 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$303,466,000 (2013: HK$286,317,000), 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 joint ventures, 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	
	2014	2013
	HK$'000	HK$'000
Recovery (allowance) of bad and doubtful debts	**1,435**	(2,285)
Net exchange (loss) gain	**(3,304)**	3,094
(Loss) gain on disposal of property, plant and equipment, net of written off	**(16)**	50
Loss on disposal of an associate	**-**	(389)
	(1,885)	470

7. FINANCE COSTS

	Six months ended 30th June	
	2014	2013
	HK$'000	HK$'000
Interest on loans wholly repayable		
- within five years	**122,983**	130,626
- over five years	**7,247**	8,222
	130,230	138,848
Less: interest capitalised	**(53,658)**	(62,214)
	76,572	76,634

8. PROFIT BEFORE TAXATION

		Six months ended 30th June	
		2014	2013
		HK$'000	HK$'000
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment		**10,103**	10,265
Amortisation of lease premium for land		**3,220**	3,303
Amortisation and impairment of film distribution rights		**3,356**	578
and after crediting:			
Dividends from investments held for trading (included in net gain in investments held for trading)		**4,983**	-
Other income			
- Interest income		**13,143**	6,709
- Dividends from available-for-sale investments	- listed	**5,113**	5,113
	- unlisted	**67,821**	75,114

9. TAXATION

	Six months ended 30th June	
	2014	2013
	HK$'000	HK$'000
The charge comprises:		
The People's Republic of China (i.e. the Mainland) (the "PRC") Enterprise Income Tax calculated at tax rates prevailing in the respective jurisdictions where the relevant individual group companies operate	**30,750**	24,043
PRC Land Appreciation Tax	**57,725**	48,504
Taiwan withholding income tax	**-**	199
Underprovision (overprovision) in prior period		
- PRC Enterprise Income Tax	**2,674**	(932)
- dividend withholding tax	**(14,971)**	-
	76,178	71,814
Deferred tax credit	**(10,180)**	(22,034)
Total tax charges for the period	**65,998**	49,780

The Hong Kong Profits Tax is calculated at 16.5% (2013: 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 income tax rate of the PRC subsidiaries for the period ended 30th June, 2014 is 25% (2013: 25%).

10. DIVIDEND

The Directors do not recommend payment of an interim dividend for the period under review (for the six months ended 30th June, 2013: Nil). In June 2014, an interim dividend of 12 HK cents per share for the year ended 31st December, 2013 (2013: interim dividend of 6.5 HK cents per share for 2012) amounting to approximately HK$176,158,000 (2013: HK$93,313,000) in aggregate was paid to shareholders. Of the dividend paid during the period, approximately HK$122,683,000 was settled in shares under the Company's scrip dividend scheme approved by the Board on 28th March, 2014 in respect of the interim dividend for the year ended 31st December, 2013.

11. EARNINGS PER SHARE

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

	Six months ended 30th June	
	2014	2013
	HK$'000	HK$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**92,588**	53,521
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,471,839,373**	1,437,303,514

The computation of diluted earnings per share for the period did not assume the exercise of the Company's share options because their exercise price was higher than the average share price.

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$20,207,000 (2013: HK$15,035,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June	31st December
	2014	2013
	HK$'000	HK$'000
0 – 3 months	**15,674**	11,119
4 – 6 months	**2,943**	1,685
7 – 12 months	**1,590**	2,231
	20,207	15,035

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables of HK$113,502,000 (2013: HK$151,611,000) and their aged analysis as at the end of the reporting period is as follows:

	30th June	31st December
	2014	2013
	HK$'000	HK$'000
0 – 3 months	**5,308**	23,010
4 – 6 months	**181**	299
7 – 12 months	**268**	119
Over 1 year	**107,745**	128,183
	113,502	151,611

GENERAL OVERVIEW

The Group reported a consolidated profit after taxation attributable to shareholders of the Company of approximately HK$92.59 million (2013: HK$53.52 million) and basic earnings per share of 6.29 HK cents (2013: 3.72 HK cents) for the first six months of 2014.

The improvement in the results of the Group for the period under review was principally attributable to a significant increase in realized gains in the Group's securities trading and dividend receipts. After taking into account the unrealized gain in changes in fair value of the securities investments as at the period end, there was a net gain in investments held for trading of approximately HK$31.05 million for the period under review (2013: HK$11.59 million). In addition, the Group recorded a segment loss of approximately HK$16.63 million of its industrial operations for the first half of 2013 after taking account of a one-off staff redundancy payment and allowance for bad and doubtful debts on commencement of liquidation of the manufacturing operation while no such payment and allowance were made in 2014. The industrial operations recorded a segment profit of approximately HK$1.20 million for the period under review. Besides, there was an increase in the revenue and profit generated from rental and management fee of the Group's property portfolio during the period under review.

The Board does not recommend payment of an interim dividend for the six months ended 30th June, 2014 (interim dividend for the six months ended 30th June, 2013: Nil).

OPERATIONS REVIEW

For the six months ended 30th June, 2014, property investment remained the primary profit contributor of the Group and this generated a segment profit of approximately HK$109.60 million (2013: HK$104.46 million), derived from the steady recurrent rental and management income from the investment properties of the Group in Shanghai, the People's Republic of China (the "PRC") as well as a gain on fair value changes of those investment properties.

Owing to recognition of sale proceeds of the Group's property projects in Shanghai, property development and trading segment reported a profit of approximately HK$32.70 million to the Group for the period under review (2013: HK$4.81 million) and was the secondary profit contributor of the Group.

Securities trading was the tertiary profit maker to the Group by contributing a segment profit of approximately HK$30.87 million for the period under review (2013: HK$11.41 million) as a result of an increase in trading gains and dividend receipts during the period.

The operating results of media and entertainment segment ranked fourth 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$1.63 million for the period ended 30th June, 2014 (2013: loss of HK$3.05 million).

The Group set up a wholly-owned subsidiary in mid-2013 to engage in export trade of PVC fittings and this subsidiary reported an insignificant profit for the period under review. Taking account of the recovery of bad and doubtful debts of the manufacturing operation of PVC pipes and fittings which is under liquidation, the industrial operations segment recorded a segment profit of approximately HK$1.20 million (2013: loss of HK$16.63 million).

The leisure activities segment reported an operating loss of approximately HK$3.94 million for the period under review (2013: profit of HK$1.86 million). Nevertheless, the Group shared a net profit of approximately HK$4.10 million from its hotel operation for the first half of 2014 (2013: HK$4.43 million).

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 ("Macau") are in their 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 generated total revenue of approximately HK$257.35 million and accounted for approximately 52.98% of the gross proceeds from operations of the Group for the six months ended 30th June, 2014. In addition, a gain on fair value changes of the investment properties of the Group of approximately HK$21.12 million was recorded at the end of the period under review.

Tomson Riviera, Shanghai

Tomson Riviera comprises four residential towers erected along the riverfront of Lujiazui of Pudong and overlooking the Bund. The project provides total residential gross floor area of approximately 117,400 square meters. Based on the business strategy of the Group, two residential towers are earmarked for sale while the other two towers are for leasing. As at 30th June, 2014, over 60% of the total residential gross floor area of the project were either sold or leased.

For the first six months of 2014, the project generated revenue of approximately HK$161.02 million that accounted for approximately 33.15% of the gross proceeds from operations of the Group. The revenue was principally attributable to sale proceeds and the rest was derived from rental income and management fee. Besides, receipts in advance in respect of the sale of residential units of the property of approximately HK$24.37 million were credited to the Group as at the end of the period under review and are expected to be recognized in the annual results of the Group for 2014.

Tomson Riviera Garden, Shanghai

Tomson Riviera Garden is a low-density residential project of the Group adjacent to Tomson Shanghai Pudong Golf Club in Sanba River District of Pudong and the Group holds a 70% interest in this project. Two phases of the project have been completed and as at 30th June, 2014, all the residential units of these two phases were sold out.

The Group is developing Phase 3 of the project with a saleable gross floor area of approximately 9,400 square meters. The superstructure of this phase was topped out in January 2014 and construction works are scheduled for completion at the end of 2014. There will be 31 units of townhouses. Pre-sale commenced in mid-June 2014 and a deposit for sale of residential units of Phase 3 of the project of approximately HK$23.15 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 2015 when the property is ready for delivery to its buyers.

For the period under review, total revenue from sale and leasing generated from the project (other than Phase 3) of approximately HK$27.19 million was recognized and this accounted for approximately 5.6% of the gross proceeds from operations of the Group.

Commercial and Industrial Buildings, Shanghai

Rental income and management fee from the Group's commercial and industrial property portfolio in Pudong, which comprised, inter alia, Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park, the commercial podium of Tomson Business Centre and the office premises on the entire 72nd Floor of Shanghai World Financial Centre, provided a steady recurrent revenue of approximately HK$67.53 million to the Group and this accounted for approximately 13.9% of the gross proceeds from operations of the Group for the period under review. The Group also recorded a gain on fair value changes of these investment properties of approximately HK$21.12 million for the period under review.

Miscellaneous Residential Development in Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong and there are now less than 10 units available for sale. During the period under review, an insignificant amount of revenue was generated from sale of car parking spaces and leasing of residential units, which accounted for approximately 0.33% of the gross proceeds from operations of the Group.

Jinqiao-Zhangjiang Project, Shanghai

In September 2010, the Company acquired through a wholly-owned subsidiary the land use rights of a plot of land with a site area of approximately 300,700 square meters (the "Tomson Portion") located at Jinqiao-Zhangjiang District, Pudong and adjacent to Tomson Shanghai Pudong Golf Club. Vacant possession of over 80% of the site area of the Tomson Portion has been delivered to the Group in phases and the time for delivery of vacant possession of the last phase has been extended to the end of 2016.

The Tomson Portion will be developed in phases. Construction works of the Phase 1 commenced in January 2014 and are scheduled for completion in 2015. Phase 1 will be named as Tomson Jiahao Garden and will provide 43 low-density residential units with total saleable gross floor area of approximately 16,000 square meters.

In January 2013, the said wholly-owned subsidiary entered into a conditional framework agreement to acquire the land use rights of a plot of land with a site area of approximately 422,174.6 square meters for landscaping and sports facilities purposes (the "Sports Portion") and a residential development project (the "Development Project") at a plot of land with a site area of approximately 28,286.2 square meters in Jinqiao-Zhangjiang District, Pudong at a tentative total consideration of approximately RMB1,098.16 million. These plots of land are intermingled with the Tomson Portion and the Group intends to incorporate these land lots into the master development plan of the Tomson Portion so as to integrate the development of the Tomson Portion with the Development Project into a low-density residential development. Construction of the Development Project is under-way but there has been certain delay in progress. All contracting parties are working closely towards resolving and satisfying the requisite formalities for transfer of legal title of the Development Project and the Sports Portion, as envisaged in the framework agreement.

Phase 2 of Jinwan Plaza, Tianjin

The Group has 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 (including a 4-level podium) for residential and commercial purposes with total gross floor area of approximately 294,900 square meters. The superstructures of these two buildings were topped out in January and August 2014 respectively. The entire project is expected to be completed in 2015. The residential portion of these two buildings, named "Tomson Riviera Tianjin", is earmarked for sale and provides 749 units of total saleable gross floor area of approximately 155,500 square meters. Pre-sale consent of the residential portion was obtained in December 2013 and the project was formally launched to the market for pre-sale in May 2014. Initial progress in sales was slower than expected and promotional efforts will be strengthened.

Jinwan Property is developing a high-rise building of 70 stories (including a 4-level podium) with total gross floor area of approximately 209,500 square meters for commercial-cum-office uses. Construction of the substructure is in progress and it is scheduled to have the superstructure of the building topped out in the first quarter of 2016. Construction works are expected to be completed at the end of 2016.

One Penha Hill, Macau

The Group holds a 70% interest in the development of a luxury residential condominium at Penha Hill within a designated World Heritage zone of Macau. The development project is named "One Penha Hill" and consists of four blocks of residential towers with a club house, swimming pool, roof garden and car parking spaces with an estimated total gross floor area of approximately 22,842 square meters. The superstructure was topped out in 2013 and construction works of the whole project are scheduled to be completed in September 2014. Pre-sale of the project kicked off in May 2013. Due to the implementation of new laws in Macau in June 2013, the marketing campaign was put on hold until March 2014 after obtaining the pre-sale consent. As at 30th June, 2014, nearly 30% of the total residential gross floor area of this project was pre-sold. The on-site sales office and show flat are being fitted out and are scheduled to open in September 2014.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

Tomson Shanghai Pudong Golf Club generated revenue of approximately HK$27.13 million, being approximately 5.58% of the gross proceeds from operations of the Group, for the six months ended 30th June, 2014. The decline in operating results of the Club for the period under review was mainly attributable to a reduction in sale of membership debentures and there was also a slight drop in the operation revenue from the Club. As a result, the Club reported an operating loss of approximately HK$3.94 million for the first half of 2014.

InterContinental Shanghai Pudong, Shanghai

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel which reported an average occupancy rate of 67% during the period under review. The Group shared a net profit of approximately HK$4.10 million from this investment for the period.

Securities Trading

For the period under review, the Group's securities trading business in Hong Kong Special Administrative Region of the PRC ("Hong Kong") reported revenue of approximately HK$182.32 million and this accounted for around 37.53% of the gross proceeds from operations of the Group.

This revenue was derived from sale proceeds of and dividend receipts from the trading securities held by the Group. After taking into account an unrealized gain on changes in fair value of the trading securities of the Group, a net gain in securities investments held for trading of approximately HK$31.05 million was reported for the six months ended 30th June, 2014.

Media and Entertainment Business

In anticipation of the potential increase in demand for leisure activities from visitors from the mainland of the PRC and the local population in Hong Kong, the Group has set up its film distribution business since 2011 and participated in the production of live entertainment shows, principally local pop concerts. Gross revenue received and receivable from this segment amounted to approximately HK$14.84 million and accounted for approximately 3.05% of gross proceeds from operations of the Group during the first six months of 2014. Taking account of the recognition of revenues from film distribution business, a segment profit of HK$1.63 million was recorded during the period under review.

The Group intends to procure the theatrical release of four films in 2014 and will also continue to participate in investments in various live performances.

Industrial Operations

The manufacturing operation of PVC pipes and fittings in Shanghai, the PRC, in which the Group holds a 58% interest, commenced liquidation in the first quarter of 2013 after the expiry of the land use rights of the factory lot. To capitalize the Group's established brand in the industry, the Group set up a wholly-owned subsidiary in mid-2013 to engage in export trade of PVC fittings. Both the manufacturing operation and trading business generated immaterial revenue totalling approximately HK$4.15 million to the Group and this accounted for approximately 0.86% of the gross proceeds from operations of the Group for the period under review. Taking account of the recovery of bad and doubtful debts of the manufacturing operation, the industrial operations segment recorded a segment profit of approximately HK$1.20 million.

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 unlisted associated company of RHL established in the PRC as long-term investments. Both companies are principally engaged in property development and investment in Shanghai. The Group received dividends of approximately HK$5.11 million and HK$67.82 million from RHL and the unlisted equity investment respectively during the period under review.

In addition, an unrealized gain on changes in fair value of the Group's long-term securities investments of approximately HK$3.95 million was credited to the investment reserve of the Group as at the end of the period under review according to the adopted accounting standards.

FINANCIAL REVIEW

Liquidity and Financing

The Group's capital expenditure and investments for the period ended 30th June, 2014 were mainly funded by cash on hand and revenue from investing activities.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to approximately HK$1,884.55 million. During the period under review, the Group utilized a net cash flow of approximately HK$821.42 million and HK$275.98 million in its operations and financing activities respectively. After taking account of a net cash inflow of approximately HK$478.40 million from its investing activities, the Group recorded a net cash outflow of approximately HK$619 million for the period under review (2013: HK$585.39 million). The net cash outflow for the period under review was mainly attributable to addition of properties under development, deposit paid for land use rights and repayment of bank borrowings and this was partly offset by withdrawal of pledged bank deposits and new bank borrowings.

As at 30th June, 2014, excluding receipts in advance, of the liabilities of the Group of approximately HK$10,476.81 million (31st December, 2013: HK$10,856.75 million), about 41.83% were borrowings, about 33.9% were tax payables within one year from the period end, about 15.51% were deferred tax liabilities, about 7.69% were trade and other payables and accruals while the balance was an amount due to a joint venture.

The Group's borrowings as at 30th June, 2014 amounted to approximately HK$4,382.17 million (31st December, 2013: HK$4,638.27 million), equivalent to 39.04% (31st December, 2013: 40.56%) of the equity attributable to owners of the Company at the same date. All of the borrowings were bank loans under security and were subject to floating interest rate. Of these borrowings, approximately 30.24% were repayable within one year from the end of the reporting period, approximately 14.54% were repayable more than one year but not exceeding two years from the end of the reporting period, approximately 53.69% were repayable more than two years but within five years from the end of the reporting period, while the remainder 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 in relation to expenditure on properties under development of approximately HK$1,863.78 million (31st December, 2013: HK$2,585.14 million) which were contracted but not provided for while there was no such commitment authorized but not contracted for (31st December, 2013: Nil). In respect of the licensed rights for film distribution, there were capital commitments of approximately HK$2.61 million (31st December, 2013: HK$3.53 million), which were contracted but not provided for while there was no such commitment authorized but not contracted for (31st December, 2013: HK$0.41 million). The Group anticipates that these commitments will be funded from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 30th June, 2014, the Group recorded a current ratio of 2.27 times (31st December, 2013: 2.17 times) and a gearing ratio (total liabilities to equity attributable to owners of the Company) of 96.53% (31st December, 2013: 96.22%). There was no significant change in the current ratio and gearing ratio during the period under review.

Charge on Assets

As at 30th June, 2014, assets of the Group with an aggregate carrying value of approximately HK$11,612.66 million (31st December, 2013: HK$12,100.21 million) were pledged to banks for securing bank loans of the Group.

Foreign Exchange Exposure

As 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 the potential to appreciate in value relative to Hong Kong Dollar. Furthermore, all other 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, 2014, the Group had a contingent liability of approximately US$0.94 million (31st December, 2013: US$1.01 million) in respect of a provision of a guarantee to indemnify the management company of 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.

In addition, the Group has provided a financial guarantee of approximately HK$373.66 million (31st December, 2013: HK$384.22 million) to a bank to secure banking facilities for a property development project of a joint venture. Such banking facilities are secured by a floating charge over the property under development of the joint venture with a carrying amount which is much higher than the utilized loan balance at the end of the reporting period. The Board therefore considers that it is unlikely that the guarantee will be enforced.

PROSPECTS

Property development and investment will remain the Group's business focus. It is anticipated that Tomson Riviera in Shanghai will be the Group's principal source of profit for 2014 since the other property projects in Shanghai, Tianjin and Macau are still at different stages of development and those properties may be ready for delivery from 2015. In view of restrictive regulations and measures imposed by both the local and central governments of the PRC on the real estate market, the Board considers that operations of the Group in the property sector in the mainland of the PRC will still face certain challenges in 2014 and in the short-term. Nevertheless, the Group will endeavour to maintain the momentum in its sale and leasing of its property portfolio in Shanghai, Tianjin and Macau in 2014 and will commit to complete the properties under development in these cities on schedule.

At the same time, it is expected that the global and Hong Kong financial markets will remain relatively volatile and the management will be cautious in managing the securities trading portfolio of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2014, 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 Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period of six months ended 30th June, 2014, 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, but 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 (the "Articles");

(c) in accordance with the Articles, 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 first general meeting of the Company after appointment 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 annual general meeting for the relevant year. Furthermore, extraordinary general meetings will be reserved for considering and approving notifiable/connected transactions or other corporate actions under the Listing Rules only, thus facilitating the efficient implementation of the Company's plans; and

(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 calibre and 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 is 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

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 2014 of the Company will be available on both websites and despatched to the shareholders of the Company by the end of September 2014.

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

Hong Kong, 28th August, 2014

As at the date of this announcement, the Board of the Company comprises four executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Albert Tong (Vice-Chairman), Mr Tong Chi Kar Charles (Vice-Chairman) and Mr Yeung Kam Hoi, and three independent non-executive Directors, Mr Cheung Siu Ping, Oscar, Mr Lee Chan Fai and Mr Sean S J Wang.