FRASERS PROPERTY
星獅地产

Frasers Property (China) Limited
星獅地產（中國）有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00535)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2008

2007/2008 INTERIM RESULTS (UNAUDITED)

The Board of Directors ("the Directors") of Frasers Property (China) Limited ("the Company") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 31 March 2008 together with the relevant comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee and auditors, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2008

		Six months ended	
		31 March 2008 (Unaudited)	31 March 2007 (Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**67,307**	87,626
Cost of sales		**(15,457)**	(38,159)
Gross profit		**51,850**	49,467
Direct operating expenses		**(43,779)**	(40,362)
Other income	*2*	**12,143**	20,579
Other gains	*3*	**12,724**	165,286
Provisions written back/(made)	*4*	**19,655**	(95)
Administrative expenses		**(13,694)**	(11,793)
Operating profit		**38,899**	183,082
Finance costs	*5*	**(13,522)**	(13,703)
Share of results of associates		**(11)**	(9)
Profit before tax	*6*	**25,366**	169,370
Tax credit/(charge)	*7*	**19,241**	(51,968)
Profit for the period		**44,607**	117,402
Attributable to:			
Ordinary equity holders of the parent		**23,553**	111,347
Minority interests		**21,054**	6,055
		44,607	117,402
Earnings per share for profit attributable to ordinary equity holders of the parent during the period			
– basic *(HK cents)*	*8*	**0.34**	1.63
– diluted *(HK cents)*	*8*	**0.34**	1.63

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	As at 31 March 2008 (Unaudited) HK$'000	As at 30 September 2007 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,554**	13,097
Investment properties		**1,041,630**	979,336
Land use rights		**–**	1,036
Interests in associates		**43**	54
Available-for-sale financial assets		**14,787**	14,787
Deferred tax assets		**22,675**	22,667
Total non-current assets		**1,084,689**	1,030,977
Current assets			
Properties held for sale		**41,633**	54,521
Properties under development		**1,836,548**	1,638,196
Debtors, deposits and prepayments	*9*	**232,826**	304,673
Amount due from the immediate holding company		**71,443**	71,443
Restricted cash		**468**	7,644
Cash and cash equivalents		**629,784**	591,606
Total current assets		**2,812,702**	2,668,083
LIABILITIES			
Current liabilities			
Creditors and accruals	*10*	**255,890**	252,474
Bank borrowings		**463,856**	944,291
Amount due to the immediate holding company		**91,184**	91,216
Amount due to the minority shareholder		**1,094**	–
Tax payable		**37,591**	66,743
Total current liabilities		**849,615**	1,354,724
Net current assets		**1,963,087**	1,313,359
Total assets less current liabilities		**3,047,776**	2,344,336

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 March 2008

	As at	
	31 March 2008 (Unaudited)	30 September 2007 (Audited)
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**886,075**	247,030
Deferred tax liabilities	**136,677**	164,317
Total non-current liabilities	**1,022,752**	411,347
Net assets	**2,025,024**	1,932,989
EQUITY		
Total equity attributable to the ordinary equity holders of the parent		
Issued share capital	**684,337**	684,248
Reserves	**1,060,109**	986,816
	1,744,446	1,671,064
Minority interests	**280,578**	261,925
Total equity	**2,025,024**	1,932,989

Notes:

1. Basis of preparation and accounting policies

Basis of preparation

The interim 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 the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2007, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs"), which are adopted for the first time in the current period's financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the abovementioned accounting standards has had no material impact on the accounting policies of the Group and the methods of computation of the Group's interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs relevant to the interim condensed consolidated financial statements that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendment to HKFRS 2	Share-based Payments – Vesting Conditions and Cancellation
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK (IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC)-Int 12	Service Concession Arrangements
HK (IFRIC)-Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. Segment information

Revenue, which is also the Group's turnover, represents sales of properties, gross rental income and property management fee received and receivable from the principal activities during the period.

Revenue and other income recognized during the period are as follows:

	Six months ended	
	31 March	31 March
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of properties	**24,912**	51,249
Gross rental income	**32,220**	29,282
Property management fee	**10,175**	7,095
	67,307	87,626
Other income		
Interest income	**8,134**	6,929
Net exchange gain *(Note)*	**–**	10,550
Others	**4,009**	3,100
	12,143	20,579
Total revenue	**79,450**	108,205

Note: Represents exchange gain on settlement of loans with the proceeds from the disposal of interest in the development site in Beijing for the prior period.

The Company is an investment holding company and the following tables present revenues, profit/(loss) and expenditure information for the Group's business segments. Substantially, all of the Group's operating businesses are with customers based in mainland China. Accordingly, no segment analysis by geographical area of operations is provided.

The Group is organized into two main business segments:

Property development – development, investment and management of properties
Business park – development, investment and management of business parks

The segment information about these businesses is presented below:

2008:

INCOME STATEMENT
For the six months ended 31 March 2008

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Group (Unaudited) *HK$'000*
REVENUE				
Total Revenue	**26,581**	**40,726**	**–**	**67,307**
RESULT				
Segment results before other gains	**(5,825)**	**37,407**	**(13,541)**	**18,041**
Gain on disposal of property, plant and equipment	**–**	**–**	**12,724**	**12,724**
Segment results after other gains	**(5,825)**	**37,407**	**(817)**	**30,765**
Interest income				**8,134**
Finance costs				**(13,522)**
Share of results of associates	**(11)**	**–**	**–**	**(11)**
Profit before tax				**25,366**
Tax credit				**19,241**
Profit for the period				**44,607**

BALANCE SHEET
As at 31 March 2008

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Group (Unaudited) *HK$'000*
ASSETS				
Segment assets	**2,472,298**	**1,120,254**	**14,787**	**3,607,339**
Interests in associates	**43**	**–**	**–**	**43**
Corporate and other unallocated assets	**–**	**–**	**290,009**	**290,009**
Consolidated total assets	**2,472,341**	**1,120,254**	**304,796**	**3,897,391**
LIABILITIES				
Segment liabilities	**197,115**	**51,102**	**8,767**	**256,984**
Corporate and other unallocated liabilities	**–**	**–**	**1,615,383**	**1,615,383**
Consolidated total liabilities	**197,115**	**51,102**	**1,624,150**	**1,872,367**

OTHER INFORMATION

	Property development (Unaudited) *HK$'000*	**Business park (Unaudited)** *HK$'000*	**Corporate (Unaudited)** *HK$'000*	**Group (Unaudited)** *HK$'000*
Capital expenditures	**94**	**1,518**	**15**	**1,627**
Depreciation	**674**	**157**	**140**	**971**
Amortisation	**7,743**	**–**	**15**	**7,758**
Provision written back	**(8,492)**	**(11,163)**	**–**	**(19,655)**

2007:

INCOME STATEMENT
For the six months ended 31 March 2007

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate* (Unaudited) *HK$'000*	Group (Unaudited) *HK$'000*
REVENUE				
Total revenue	52,668	34,958	–	87,626
RESULT				
Segment results before other gains	4,475	18,461	(12,069)	10,867
Gain on disposal of investment properties	–	36,246	–	36,246
Compensation income	129,040	–	–	129,040
Segment results after other gains	133,515	54,707	(12,069)	176,153
Interest income				6,929
Finance costs				(13,703)
Share of results of associates	(9)	–	–	(9)
Profit before tax				169,370
Tax charge				(51,968)
Profit for the period				117,402

* *Figures have been restated*

BALANCE SHEET
As at 30 September 2007

	Property development (Audited) *HK$'000*	Business park (Audited) *HK$'000*	Corporate (Audited) *HK$'000*	Group (Audited) *HK$'000*
ASSETS				
Segment assets	2,314,339	1,082,003	14,858	3,411,200
Interests in associates	54	–	–	54
Corporate and other unallocated assets	–	–	287,806	287,806
Consolidated total assets	2,314,393	1,082,003	302,664	3,699,060
LIABILTIES				
Segment liabilities	173,235	68,401	10,838	252,474
Corporate and other unallocated liabilities	–	–	1,513,597	1,513,597
Consolidated total liabilities	173,235	68,401	1,524,435	1,766,071

OTHER INFORMATION

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate* (Unaudited) *HK$'000*	Group (Unaudited) *HK$'000*
Capital expenditures	140	136,083	357	136,580
Depreciation	491	204	347	1,042
Amortisation	6,868	797	46	7,711
Loss/(gain) on disposal of property, plant and equipment	25	–	(3)	22
Provision made	–	95	–	95

* *Figures have been restated*

3. Other gains

The other gains in the interim condensed consolidated income statement include:

	Six months ended **31 March 2008 (Unaudited)** ***HK$'000***	31 March 2007 (Unaudited) *HK$'000*
Gain on disposal of property, plant and equipment *(Note (a))*	**12,724**	–
Gain on disposal of investment properties *(Note (b))*	**–**	36,246
Compensation income *(Note (c))*	**–**	129,040
	12,724	165,286

Notes:

(a) Represents the gain on disposal of non-core asset (Shenzhen villa with the transfer of the ownership of golf club membership) in December 2007.

(b) Represents the gain on disposal of part of Sohu.com Internet Plaza (SIP) to Sohu.com for the prior period. Details of this transaction have been disclosed in the announcement dated 29 January 2007.

(c) Represents the gain of HK$129,040,000 on disposal of interest in the development site in Beijing in relation to the Land Development Construction Compensation Agreement for the prior period. Details of this transaction have been disclosed in the announcement dated 29 November 2006.

4. Provisions written back/(made)

	Six months ended	
	31 March 2008 (Unaudited)	31 March 2007 (Unaudited)
	HK$'000	*HK$'000*
Provisions written back/(made) in relation to:		
Other payables *(Note (a))*	**19,655**	–
Doubtful debts	**–**	(95)
	19,655	(95)

Note:

(a) Represents the over-provision on land appreciation tax regarding to the disposal of part of SIP to Sohu.com. in January 2007 of HK$11,163,000; and also the over-provision for miscellaneous payables relating to the Beijing project of HK$8,492,000.

5. Finance costs

	Six months ended	
	31 March 2008 (Unaudited)	31 March 2007 (Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**43,909**	34,746
Other borrowing costs	**2,908**	2,616
Total borrowing costs incurred	**46,817**	37,362
Less: amounts capitalised to properties held for development	**–**	(1,234)
amounts capitalised to properties under development	**(33,295)**	(22,425)
Total borrowing costs capitalised	**(33,295)**	(23,659)
	13,522	13,703

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 31 March 2008 (Unaudited) *HK$'000*	Six months ended 31 March 2007 (Unaudited) *HK$'000*
Depreciation	**1,020**	1,075
Less: amounts capitalised to properties under development	**(49)**	(33)
	971	1,042
Amortization of land use rights *(Note (a))*	**7,758**	7,711
Direct outgoings arising from investment properties that generate rental income	**9,241**	10,585
Operating lease rentals in respect of land and buildings	**1,782**	723
Staff cost (including directors' remuneration)	**12,028**	11,941
Retirement benefit costs	**305**	114
Share-based compensation expenses	**1,394**	368
Net exchange gains *(Note (b))*	**(13,661)**	(14,040)

Notes:

(a) Includes HK$7,743,000 (2007: HK$7,665,000) related to properties under development or held for development which did not generate any revenue during the period.

(b) Represents exchange gains arising from normal operations during the period; and settlement of loans with proceeds from the disposal of interests in the development site in Beijing and normal operations for the prior period.

7. Tax

Hong Kong profits tax has not been provided in the financial statement as the Group did not derive any assessable profits during the period. Taxation of mainland China profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdiction regions which the Group operates.

The amount of tax credited/(charged) to the interim condensed consolidated income statement represents:

	Six months ended 31 March 2008 (Unaudited) *HK$'000*	Six months ended 31 March 2007 (Unaudited) *HK$'000*
Current – Mainland China *(Note (a))*	**(7,594)**	(59,344)
Deferred *(Note (b))*	**26,835**	7,376
	19,241	(51,968)

Notes:

(a) Includes tax provision of HK$5,760,000 in relation to profit generated from SIP for its normal business during the period. For the prior period, it includes tax provision of HK$29,434,000 in relation to the gain on disposal of interest in the development site in Beijing and HK$21,804,000 in relation to the gain on disposal of part of SIP.

(b) Pursuant to the Corporate Income Tax Rules and Regulations of the PRC, taxation for PRC subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC, which range between 15% to 33% (2007: 15% to 33%). During the fifth session of 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprise at 25%. Thereafter, the State Council passed Circular 39 on 26 December 2007, to clarify the detail arrangements for enterprises enjoying preferential tax treatments. Accordingly, a net deferred tax credit adjustment of HK$25,051,000 was recorded during the period for the unification of PRC income tax rate effective from 1 January 2008.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK$23,553,000 (2007: HK$111,347,000) and the weighted average of 6,842,947,449 (2007: 6,842,477,580) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 March 2008 was based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK$23,553,000 (2007: HK$111,347,000) and on 6,858,708,683 (2007: 6,844,396,909) ordinary shares, being the weighted average number of 6,842,947,449 (2007: 6,842,477,580) ordinary shares in issue during the period, as used in the basic earnings per share calculation, plus the weighted average of 15,761,234 (2007: 1,919,329) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all potential share options into ordinary shares.

9. Debtors, deposits and prepayments

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and other receivables represent consideration in respect of sold properties and rental receivables, which are non-interest-bearing and the land premium rebate receivable in relation to the disposal of interest in the development site in Beijing. At 30 September 2007, a land premium rebate receivable of HK$76,662,000 was still outstanding. The claim could not proceed as planned following the successful bidder's payment of the land premium in June 2007 as a result of the disputed boundary line of the site. This issue will take time to resolve as it requires the involvement of certain government agencies to coordinate. The amount is fully provided for to reflect any uncertainty and unforeseen circumstances which may adversely impact on its recoverability.

Consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental receivables are billed in advance and are payable by tenants upon receipts of billings.

Included in debtors, deposits and prepayments are trade receivables and its ageing analysis as at the balance sheet date, net of impairment allowances on receivables, is as follows:

	As at	
	31 March 2008	30 September 2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**6,884**	5,472
3 to 12 months	**–**	–
Over 1 year	**70**	73
	6,954	5,545

10. Creditors and accruals

At the balance sheet date, the ageing analysis of the trade payables as at the balance sheet date is as follows:

	As at	
	31 March 2008	30 September 2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**1,215**	20,245
3 months to 12 months	**18,562**	11,643
Over 1 year	**4,172**	9,745
	23,949	41,633

Trade payables are non-interest bearing and are normally settled within an average term of one month.

Comparative figures

Certain prior period figures have been restated to conform with the presentation of the current period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2008 (31 March 2007: Nil).

OVERVIEW

The Group recorded a profit attributable to the equity holders of HK$23.6 million during the period under review against a profit of HK$111.3 million for the corresponding period ended 31 March 2007.

A noteworthy event was the completion of the construction of the final portion of the phase 2 Vision Shenzhen Business Park (VSBP) site in August 2007, followed by the marketing and occupation by the first tenant of the newly created office space. Today, VSBP has established itself as a high-quality business park facility and a location of choice for domestic and international enterprises in need of a world-class work environment. With a total leaseable space of over 125,000 sm within 7 medium-rise blocks sited around a 16,000 sm landscaped park complete with sporting and recreational facilities, VSBP has won many accolades from visitors and tenants. This flagship asset is expected to contribute a growing recurrent income base in the years ahead.

To boost future development income, the Group progressed the development process of the first phase of the Shanghai Songjiang project and achieved substantial early pre-construction works for the second phase of the project during the period under review.

More importantly, during the period under review, the Group continued to execute the strategy to seek sustainable growth and business expansion. Consistent with this strategy, the Group explored several investment opportunities, including participation in land tender exercises in mainland China and investigation of possible joint ventures with suitable partners. The Group expects to channel on-going financial and other resources to identify and secure new investments and projects.

REVIEW OF OPERATIONS

During the six months ended 31 March 2008, the Group focused its efforts to improve yields and operating efficiencies from its existing portfolio of assets, both those held for investment and trading income.

Business park sector

Vision Shenzhen Business Park (VSBP)

The completion of phase 2B added another 65,000 sm of leasable office space contained in two identical 9-storey office blocks and a 5-storey office block. The whole of VSBP now offers some 125,000 sm of office space and about 1,000 carpark lots for lease. This is now a substantial asset in terms of capital value, size and management attention. With its sufficiently large critical mass, VSBP is being managed to realize operating efficiency from economies of scale and to raise service level to a new high.

During the period under review, VSBP continued to provide a consistently high-quality office space and reliable quality property management services to all its tenants, both big and small. This has differentiated VSBP from its numerous competitors within the Shenzhen High-tech Industrial Park and throughout Shenzhen. VSBP's competitive position as an established market leader in the business park sector is demonstrated by the consistently near-full occupancy for both phases 1 and 2A during the period under review. As at the date of this announcement, over 50% of the phase 2B space had been occupied by or committed to new tenants. Today, VSBP has established a strong reputation for quality and attracted considerable attention from both well-known international and domestic names – a further testament to VSBP's position as a location of choice for exacting tenants.

During the period under review, the Group continued to engage the Shenzhen authorities to determine the future directions of VSBP phase 3 site, which occupies an area of 254,000 sm, with a developable gross floor area of over 400,000 sm. The Group is still communicating with the authorities with the view to reach an amicable conclusion, including an extension of the lapsed construction deadline of 31 December 2005. The Group remains fully committed to develop this site and plans to undertake a world-class landmark development within Shenzhen and the greater Pearl River Delta region, subject to obtaining the necessary approvals.

Sohu.com Internet Plaza (SIP), formerly known as Vision International Centre (VIC)

SIP, the Group's joint venture project with Beijing Tsinghua Science Park Co., Ltd., a subsidiary of the prestigious Tsinghua University, is a 13-storey high quality and state-of-the-art business park facility located within the Tsinghua Science Park in Zhongguancun, Haidian district, Beijing.

The building offers an international standard of property management, with a comprehensive range of value-added services and amenities to all its occupants. Today, it has established itself as a landmark building and sought-after address within the environs of Zhongguancun. Subsequent to the sale to Sohu.com in January 2007, the building was renamed SIP and a subsidiary now holds the remaining gross floor area comprising 10,145 sm of office and 4,786 sm of retail space. For the period under review, the space was fully leased to several acclaimed tenants, such as Juniper Networks, Sun Microsystems and Starbucks.

Real estate development

Property projects in China

The Ninth ZhongShan, Dalian

The Ninth ZhongShan, a twin-tower development, one 30-storey and the other 32-storey, is superbly located at the core of the central business district of Dalian and offers panoramic views of the city and its coastline. As at 31 March 2008, 98% of the total of 453 units had been sold.

Songjiang Project, Shanghai

This 71-hectare development site, in which the Group holds a controlling 52.04%-interest, was acquired in September 2005. This huge site has a permissible gross floor area of about 830,000 sm to be developed in phases. The pace of such development will be dictated by market conditions. It is expected that phase 1 will have a total gross floor area of about 100,340 sm (excluding basement area), comprising 418 units of terrace and semi-detached houses, a clubhouse and some commercial and retail space.

The marketing of the first batch of units under phase 1 is expected to be launched in mid-2008. The designs for phase 2, with an estimated gross floor area of about 164,000 sm, were in the process of being approved as at the date of this announcement. With its tranquil suburban location, easy accessibility and quality design concept, the Group is confident that the project will be well received. Given its size and market position, this development will raise the profile of the Group and reinforce its commitment to quality and customer satisfaction.

Carpark spaces in Hong Kong

As all the apartments developed in Hong Kong had been sold, the Group now holds only 133 car parking spaces for lease at Greenery Place in Yuen Long.

Business development

During the period under review, the Group focused on the execution of its growth strategy. Much resources and efforts were channeled into identifying new investment opportunities to secure the Group's future growth. It is expected that this process will continue and gather momentum during the year.

In pursuit of new investments, the Group is careful not to overpay for any acquisition, driven by the conviction that the scarce financial resource must be allocated optimally while remaining vigilant to investment risk and market uncertainty. The Group will continue to exercise discipline and prudence in this process and invest only in projects which can meet its criteria.

As reported in the Group's 2006/07 annual report, negotiations continued during the period under review with the relevant authorities regarding the possible acquisition of a prime site located along one of Shenyang's busiest thoroughfares and within short walking distance of a proposed underground metro station, which is planned to be operational in 2010. A development concept plan was submitted in early 2008 and received in-principle approval. The Group hopes to secure this site during the current financial year, as soon as detailed arrangements have been completed.

Besides this Shenyang site, the Group had explored other opportunities in several cities deemed suitable on the basis of their rapid economic growth, urban redevelopment and market conditions. Certain potential acquisitions were in the pipeline and undergoing the various stages of investigation and review.

FINANCIAL REVIEW

The Group recorded a profit attributable to shareholders of HK$23.6 million for the six months ended 31 March 2008 compared to HK$111.3 million for the corresponding six months ended 31 March 2007. On a per-share basis, the Group recorded earnings of HK0.34 cents.

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 31 March 2008 were consistent with those used in the last financial year ended 30 September 2007.

The profits for the six months ended 31 March 2008 were mainly attributable to the gain on the disposal of a non-core asset (a villa with the transfer of the ownership of golf club membership in Shenzhen) of HK$12.7 million, the write-back of a provision on other payables of HK$19.7 million and the deferred tax credit adjustment of HK$25.1 million due to the unification of PRC income tax rate effective from 1 January 2008, partially offset by the additional land appreciation tax provision of HK$13.1 million of the completed Dalian Ninth ZhongShan project.

Review of overall performance

The revenue for the six months ended 31 March 2008 decreased by 23.2% to HK$67.3 million from HK$87.6 million for the corresponding six months ended 31 March 2007. The lower revenue was primarily due to the reduced sales realized from the Ninth ZhongShan project and the fall in rental income following the disposal of a portion of Sohu.com Internet Plaza (SIP) in Beijing (formerly known as Vision International Centre) to Sohu.com in January 2007, partially offset by the higher rental and property management income produced by Vision Shenzhen Business Park (VSBP).

Operating profit for the six months ended 31 March 2008 amounted to HK$38.9 million, compared to HK$183.1 million for the six months ended 31 March 2007. The higher profit of the previous period had been bolstered by the non-recurrent gains on the disposal of interest in the development site in Beijing and the sale of the seven floors (with naming right) and ten car-park lots in SIP totalling HK$165.3 million.

Business segments

Property development

For the six months ended 31 March 2008, the revenue of the property development segment was HK$26.6 million or 39.5% of the total revenue, compared to HK$52.7 million or 60.1% of the total revenue of the six months ended 31 March 2007. Of the HK$26.6 million revenue, HK$22.9 million was contributed by the sale of apartments and the property management income at The Ninth ZhongShan.

Business park

The revenue generated by the business park segment grew by 16.5%, from HK$34.9 million for the six months ended 31 March 2007 to HK$40.7 million, representing 60.5% of the total revenue for the six months ended 31 March 2008. This improved revenue was due to the higher yield of VSBP phase 1 and the incremental rental income from a newly completed part of phase 2, partially offset by the fall in rental income following the disposal of seven floors and ten car-park lots in SIP.

Geographical markets

Hong Kong

Reflecting the consequences of the shift of the Group's investment focus to the mainland and with no new projects in Hong Kong, the revenue derived from Hong Kong remained relatively stable, up marginally from HK$0.5 million (0.6% of total revenue) for the six months ended 31 March 2007 to HK$0.6 million (0.9% of total revenue) for the six months period ended 31 March 2008. With the apartments completely sold as at 30 September 2006, the revenue of HK$0.6 million represented the rental income from the car-park lots held.

Mainland China

Revenue from operations in mainland China amounted to HK$66.7 million (99.1% of total revenue) for the six months ended 31 March 2008 compared to HK$87.1 million (99.4% of total revenue) for the six months ended 31 March 2007. The revenue during the period under review comprised the rental income and property management fee income (HK$40.7 million) contributed by VSBP and SIP and the sale of apartments and the property management income (HK$22.9 million) realized from The Ninth ZhongShan.

Assets

The value of the Group's total assets increased by 5.4% to HK$3,897.4 million as at 31 March 2008 compared to HK$3,699.1 million as at 30 September 2007.

Assets held under the property development segment amounted to HK$2,486.8 million (63.8% of total assets) as at 31 March 2008 compared to HK$2,314.4 million (62.6% of total assets) as at 30 September 2007. The higher amount reflected the increase in capitalized development costs incurred in connection with the Shanghai Songjiang project.

Assets held under the business park segment increased to HK$1,105.8 million as at 31 March 2008, up from HK$1,082.0 million as at 30 September 2007, reflecting the construction costs and related expenses incurred for the development of phase 2B of VSBP.

Total assets held in mainland China amounted to HK$3,580.4 million as at 31 March 2008, representing 91.9% of the Group's total assets.

Shareholders' funds

The Group's total shareholders' funds increased by 4.4% from HK$1,671.1 million as at 30 September 2007 to HK$1,744.4 million as at 31 March 2008. On a per-share basis, the consolidated net asset value of the Group as at 31 March 2008 increased to HK25.5 cents, compared to HK24.4 cents as at 30 September 2007. The total shareholders' funds constituted 44.8% of the total assets of HK$3,897.4 million as at 31 March 2008.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings increased by 13.3% to HK$1,349.9 million as at 31 March 2008 from HK$1,191.3 million as at 30 September 2007 and the net debt (measured by total bank borrowings minus cash and bank deposits) increased to HK$719.6 million as at 31 March 2008 from HK$592.1 million as at 30 September 2007. The increase in net debts was mainly due to the drawdown of new loans for financing the development costs of HK$121.4 million incurred in the Shanghai Songjiang project, partially offset by refund of a land auction deposit of RMB50.0 million (approximately HK$51.7 million). In tandem with the increased borrowings, the Group's gearing ratio (defined as the total borrowings over total equity, including minority interests) rose to 66.7% as at 31 March 2008, from 62.0% as at 30 September 2007. The Group's cash and bank balances increased by 5.2% to HK$630.3 million as at 31 March 2008 from HK$599.3 million as at 30 September 2007.

Short-term and long-term borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 31 March 2008 and 30 September 2007 are summarized as below:

	As at	
	31 March 2008 (Unaudited)	30 September 2007 (Audited)
	HK$'000	*HK$'000*
Within the first year	**463,856**	944,291
In the second year	**660,226**	22,222
In the third to fifth year	**225,849**	224,808
Wholly repayable within five years	**1,349,931**	1,191,321

Financial management

Foreign currency risk

Borrowings denominated in United States dollar and Renminbi both increased during the period under review. Most of the borrowings were matched by assets denominated in Renminbi. The foreign currency risk exposure was considered minimal and no hedging was considered necessary on top of the undrawn facilities arranged in Hong Kong dollars.

The currency denominations of the Group's bank borrowings outstanding as at 31 March 2008 and 30 September 2007 are summarized below:

	As at	
	31 March 2008 (Unaudited)	30 September 2007 (Audited)
	HK$'000	*HK$'000*
Renminbi	**1,072,551**	1,034,285
United States dollar	**277,380**	157,036
	1,349,931	1,191,321

Interest rate risk

With borrowings applied to finance the development projects, the Group was exposed to changes in interest rate fluctuations to the extent that they affected the cost of funds for floating rate borrowings. As at 31 March 2008 and 30 September 2007, all borrowings of the Group were on a floating rate basis. The interest rate risk exposure was considered acceptable and no hedging was considered necessary on top of the undrawn facilities arranged in Hong Kong dollars. The Group would continue to regularly monitor the suitability and cost efficiency of hedging and the need for a mix of fixed and floating rate borrowings.

Pledge of assets

At 31 March 2008, the Group's bank borrowings were secured by certain investment properties with value of HK$144.6 million (30 September 2007: HK$136.4 million).

Contingent liabilities

At 31 March 2008, the Company issued guarantees to the extent of HK$202.3 million (30 September 2007: HK$201.6 million) of which HK$191.4 million (30 September 2007: HK$201.6 million) was utilised in respect of bank borrowings granted to its subsidiaries.

PROSPECTS

In the current global climate of economic instability, China's export growth is forecast to slow and 2008 GDP growth to ease. However, as China's domestic demand remains strong and economic fundamentals remain sound, the Group believes that there will be strong and sustainable demand in all property sectors, in tier one as well as secondary cities.

The Group's priority today is to build a business platform quickly to expand its property development and investment activities in mainland China. Consistent with this, the development of its existing project in Shanghai is progressing satisfactorily and expected to generate revenue in 2009. More importantly, the Group will continue to pursue the acquisition of new sites for development in an endeavour to ensure the Group's future earnings and profitability and deliver shareholders' value in the longer term.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 31 March 2008.

AUDIT COMMITTEE

The Audit Committee currently comprises five non-executive directors, four of whom are independent non-executive directors. It is chaired by an independent non-executive director. The Board has adopted a set of written terms of reference, which described the authority and duties of the Audit Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "CG Code"). The said terms of reference of the Audit Committee adopted by the Board are posted on the Company's website.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is also provided with other resources enabling it to discharge its duties fully.

The Audit Committee has reviewed with the management of the Company and Ernst & Young, the auditors of the Company, the accounting principles and practices adopted by the Group and have discussed auditing, internal controls and financial reporting matters, including the review of the interim report of the Company for the six months ended 31 March 2008.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the CG Code throughout the accounting period covered by the interim report of the Company, except for the deviations from Code Provisions A.4.1 and B.1.1 which, in the Company's opinion, are unsuitable or inappropriate for adoption. Explanations for such non-compliance are provided and discussed below:

1. The non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. According to bye-law 100 of the bye-laws of the Company, directors appointed to fill any casual vacancy shall hold office only until the next general meeting after their appointment and shall be subject to re-election by the shareholders of the Company. According to bye-law 109(A) and bye-law 189(vii) of the bye-laws of the Company, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third, shall retire from office and shall be eligible for re-election at each annual general meeting. Therefore, the Board considers that non-compliance with Code A.4.1 of the CG Code is acceptable since, with nine directors and at least one-third of them being subject to retirement at every annual general meeting, all of them should be retired by rotation at least once every three years so as to comply with Code A.4.2 of the CG Code.

2. The majority of the members of the Remuneration Committee are not independent non-executive directors. The Board will continue with this composition and not comply with Code B.1.1 of the CG Code because it considers that it is appropriate for the non-executive director(s) representing the controlling shareholder to play an active role in appointing the key executives and setting their remuneration.

The above deviations are similar to those set out in the Corporate Governance Report contained in the immediately preceding annual report of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the period, the Company has adopted its own Code for Securities Transactions by Officer (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors of the Company have confirmed their compliance with the required standards set out in the Model Code and the Code during the period.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises one executive director, namely Mr. Ang Ah Lay; four non-executive directors, namely Mr. Lim Ee Seng, Mr. Goh Yong Chian, Patrick, Mr. Tang Kok Kai, Christopher and Ms. Chong Siak Ching (whose alternate is Mr. Yee Hsien Wee); and four independent non-executive directors, namely Mr. Alan Howard Smith, *J.P.*, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, *J.P.* and Mr. Chong Kok Kong.

By Order of the Board
Frasers Property (China) Limited
Ang Ah Lay
Executive Director and Chief Executive Officer

Hong Kong, 6 May 2008