方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產（中國）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

- Revenue for the six months ended 30 June 2008 amounted to HK$870.3 million, increased by 797% compared with the same period of 2007

- Profit attributable to equity holders of the Company rose by 682% to HK$937.0 million as compared with the corresponding period in 2007

- Profit attributable to equity holders excluding fair value gains on investment properties, net of deferred tax, amounted to HK$302.2 million, representing an increase of 185% over the same period of 2007

- Basic earnings per share reported at HK19.06 cents, an increase of 16% from HK16.49 cents compared with the corresponding period in 2007

- The Board of Directors does not recommend distributing any interim dividend for the six months ended 30 June 2008

UNAUDITED INTERIM RESULTS

The board of the directors (the “Board“) of Franshion Properties (China) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
			(Restated)
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**870,274**	97,005
Cost of sales		**(275,308)**	(31,844)
Gross profit		**594,966**	65,161
Other income and gains	*4*	**954,230**	137,725
Selling and marketing expenses		**(13,846)**	(21,158)
Administrative expenses		**(98,347)**	(77,592)
Other expenses		**(525)**	(138)
Finance costs	*6*	**(55,243)**	(70,005)
Share of profit of an associate		**–**	69
PROFIT BEFORE TAX	*5*	**1,381,235**	34,062
Tax	*7*	**(422,067)**	56,464
PROFIT FOR THE PERIOD		**959,168**	90,526
Attributable to:			
Equity holders of the Company		**936,971**	119,821
Minority interests		**22,197**	(29,295)
		959,168	90,526
		HK cents	HK cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	*9*	**19.06**	16.49

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**315,901**	303,706
Properties under development		**5,833,139**	3,744,701
Investment properties		**6,156,095**	4,964,576
Prepaid land lease payment		**110,124**	104,843
Available-for-sale investment		**319**	299
Pledged deposits		**284,425**	267,200
Deferred tax assets		**46,473**	14,000
Total non-current assets		**12,746,476**	9,399,325
CURRENT ASSETS			
Properties under development		**585,903**	429,870
Properties held for sale		**422,360**	598,377
Inventories		**3,220**	2,583
Trade receivables	*10*	**68,785**	148,394
Prepayments, deposits and other receivables		**106,663**	69,684
Due from related parties		**233,832**	220,169
Tax recoverable		**33,952**	28,706
Pledged deposits		**1,680,732**	427,520
Cash and cash equivalents		**5,633,664**	6,294,489
Total current assets		**8,769,111**	8,219,792
CURRENT LIABILITIES			
Trade and bills payables	*11*	**998,223**	897,953
Other payables and accruals		**3,129,275**	2,539,527
Interest-bearing bank and other borrowings		**2,819,221**	3,083,488
Due to related parties		**266,389**	268,355
Tax payables		**85,897**	54,638
Provision for land appreciation tax		**410,012**	278,782
Dividend payables		**98,305**	–
Total current liabilities		**7,807,322**	7,122,743
NET CURRENT ASSETS		**961,789**	1,097,049
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,708,265**	10,496,374

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,025,106**	780,224
Deferred tax liabilities		**990,465**	718,399
Total non-current liabilities		**3,015,571**	1,498,623
Net assets		**10,692,694**	8,997,751
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**4,915,264**	4,915,264
Reserves		**4,947,690**	3,600,248
Proposed final dividend		**–**	98,305
		9,862,954	8,613,817
Minority interests		**829,740**	383,934
Total equity		**10,692,694**	8,997,751

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at 30 June 2008

1. CORPORATE INFORMATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the Company's ultimate holding company is Sinochem Corporation, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 August 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2007.

In December 2007, the Company acquired a 100% equity interest in Glory First Enterprises Limited ("GFEL") and Shing Wing International Investment Limited ("SWIL"). Since the Company, GFEL and SWIL were ultimately controlled by Sinochem Corporation both before and after the completion of the acquisition, the acquisition is considered as a business combination under common control and was accounted for using the principles of merger accounting according to Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA. These interim financial statements for the six months ended 30 June 2007 have been restated and prepared as if current group structure had been in existence throughout the six months ended 30 June 2007 or since their respective dates of incorporation/establishment, whichever is the shorter period.

Accounting Policies

The Group has adopted a number of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time for the condensed consolidated financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new revised standards and interpretation has had no material effect on these financial statements.

HK(IFRIC) 11	–	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) 12	–	Service Concession Arrangements
HK(IFRIC) 14	–	HKAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

The Group has assessed the impact of the adoption of these new standards and interpretations and considered that there was no significant impact on the Group's results and financial position.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment and management segment comprises the leasing of office and commercial premises, and the provision of property management services; and

(c) the hotel operations segment engages in the provision of hotel accommodation services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and results information for the Group's business segment for periods ended 30 June 2008 and 2007:

Period ended 30 June 2008

	Property development (Unaudited) *HK$'000*	**Property Investment and management (Unaudited)** *HK$'000*	**Hotel operations (Unaudited)** *HK$'000*	**Eliminations (Unaudited)** *HK$'000*	**Consolidated (Unaudited)** *HK$'000*
Segment revenue:					
Sales to external customers	603,875	208,815	57,584	–	870,274
Intersegment sales	–	4,674	–	(4,674)	–
Total	603,875	213,489	57,584	(4,674)	870,274
Segment results	317,723	998,907	12,250	–	1,328,880
Interest and dividend income and unallocated gains					107,598
Finance costs					(55,243)
Profit before tax					1,381,235
Tax					(422,067)
Profit for the period					959,168

Period ended 30 June 2007

	Property development (Restated) (Unaudited) *HK$'000*	Property Investment and management (Restated) (Unaudited) *HK$'000*	Hotel operations (Restated) (Unaudited) *HK$'000*	Eliminations (Restated) (Unaudited) *HK$'000*	Consolidated (Restated) (Unaudited) *HK$'000*
Segment revenue:					
Sales to external customers	–	44,351	52,654	–	97,005
Total	–	44,351	52,654	–	97,005
Segment results	50,418	34,584	9,814	–	94,816
Interest and dividend income and unallocated gains					9,182
Share of profit of an associate					69
Finance costs					(70,005)
Profit before tax					34,062
Tax					56,464
Profit for the period					90,526

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds, net of business tax, from the sale of properties; gross rental income received and receivable from investment properties; and the income from hotel operations, property management and related services.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**603,875**	–
Hotel operation	**57,584**	52,654
Rental income	**166,375**	25,168
Income from property management	**42,440**	19,183
	870,274	97,005
Other income and gains		
Bank interest income	**107,598**	9,182
Gain on disposal of subsidiaries	**–**	108,720
Fair value gains on investment properties	**846,353**	18,220
Foreign exchange differences, net	**–**	752
Others	**279**	851
	954,230	137,725

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of properties sold	**208,404**	–
Depreciation	**12,139**	10,147
Less: Amount capitalised in properties under development	**(120)**	(596)
	12,019	9,551
Recognition of prepaid land lease payments	**1,478**	1,404
Loss on disposal/write-off of items of property, plant and equipment*	**525**	138

* These items are included in "Other expenses" on the face of the condensed consolidated income statements of the Group during the period.

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Interest on bank loans wholly repayable within five years	**145,140**	23,674
Interest on other loans from the immediate holding company and a fellow subsidiary	**–**	72,852
Total interest	**145,140**	96,526
Less: Interest capitalised in properties under development	**(89,897)**	(26,521)
	55,243	70,005

7. TAX

	Six months ended 30 June	
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current		
PRC corporate income tax	**121,219**	4,956
Land appreciation tax ("LAT") in the PRC	**112,262**	–
	233,481	4,956
Deferred	**188,586**	(61,420)
Total tax charge/(credit) for the period	**422,067**	(56,464)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2007: Nil). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2007 and 2008, based on the existing legislation, interpretations and practices in respect thereof.

Under the relevant PRC income tax law, except for certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six months ended 30 June 2007: 33%) on their respective taxable income. Currently, the Company's subsidiaries, namely, Shanghai Ke Yi Franshion Business Consultancy Company Limited and Shanghai Pudong Jinxin Real Estate Development Co., Ltd, which were established and located in Shanghai Pudong New Area, are subject to income tax at a preferential rate of 18%. Sinochem Franshion Real Estates (Zhuhai) Co., Ltd., which was established and located in Zhuhai is subject to income tax at a preferential rate of 18% and is entitled to full exemption from such tax for the first year and 50% reduction in the next two years, commencing from the first profitable year.

In the prior period, share of tax charge attributable to an associate amounting to HK$21,000 is included in "Share of profit of an associate" on the face of the unaudited condensed consolidated income statements.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales from properties less deductible expenditures including borrowing costs and all property development expenditures.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit attributable to ordinary equity holders of the Company, used in basic earnings per share calculation	**936,971**	119,821

	Number of shares	
	30 June	30 June
	2008	2007
		(Restated)
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**4,915,264,000**	726,489,000

Diluted

As the adjusted exercise price of the share options outstanding during the period ended 30 June 2008 is higher than the respective average market price of the Company's shares during the period, there is no dilution effect on the basic earnings per share.

10. TRADE RECEIVABLES

The Group's trade receivable arise mainly from the sale of properties, leasing of investment properties and provision of hotel and property management services. Considerations in respect of properties sold are payable in accordance with the terms of the related sales and purchase agreements. The Group's trading terms with its customers in relation to the leasing of investment properties and provision of hotel and property management services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limited.

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Within 1 month	**24,648**	14,531
1 to 3 months	**33,678**	16,503
4 to 6 months	**452**	109
Over 6 months	**10,007**	117,251
	68,785	148,394

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Due within 1 year or on demand	**998,223**	897,953

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a developer and investor of large-scale and quality real estate projects in the PRC, with an emphasis on commercial real estate. For the six months ended 30 June 2008, profit attributable to equity holders of the Company amounted to HK$937.0 million, an increase of 682% compared with HK$119.8 million in the same period of 2007. Profit attributable to equity holders excluding fair value gains on investment properties, net of deferred tax, amounted to HK$302.2 million, an increase of 185% compared with HK$106.2 million in the same period of 2007.

BUSINESS REVIEW

Market Review

In the first half of 2008, although China faced difficulties and challenges from the domestic and global markets, the general PRC economy maintained a stable and rapid growth. The central government continued to implement a sound fiscal policy and a tight monetary policy, which included regulation on rural collective constructional land, introduction of housing security system, and austerity measures and related tax policies on real estate industry such as regulating loans of housing accumulation fund. At the same time, the People's Bank of China also applied its tight monetary policy by continually raising the deposit reserve ratio. According to the statistics published by the National Bureau of Statistics of China, the GDP of China was RMB13 trillion in the first half of 2008, representing an increase of 10.4% over the same period of last year but a decrease of 1.8% in growth rate. The consumer price index dropped from the highest of 8.5% in the first half to 7.1% in June 2008. The slow down of the rapid growth rate of China's economy and the decline of consumer price index from high level showed the success of the austerity measures of the central government and that the economy of China is developing as targeted.

The above statistics also indicated that the per capita disposable income of urban residents in the first half of 2008 increased 14.4% over the same period of 2007. According to the information published by the People's Bank of China, Renminbi deposit balance of domestic financial institutions amounted to RMB44 trillion, representing an 18.8% rise compared with the corresponding period of last year, of which RMB2.2 trillion deposits was from the individuals.

Although the transaction volume of urban housing in the first half of 2008 was lower than the same period of 2007, the sale price increased significantly. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2008, the sale price of urban housing in 70 medium and large cities in China rose 10.2% over the same period of last year, representing an increase of 4.2% in growth rate. The healthy overall economy and the higher income of people drove the demand for housing and supported the stability of the real estate market. Among the entire market, high-end commercial properties in first-tier cities of China were less affected by the austerity measures of the state which showed a robust demand and supply with prices going up and became the focus of the capital market. In the long term, high-end commercial property market will still have enormous appreciation potential as it enjoys the advantage of regional economic development and limited supply. Meanwhile, the good momentum of the overall domestic economy motivated the travel industry and maintained the steady growth of the hotel sector in the PRC, which fuelled up local economic growth.

Corporate Business Review

During the reporting period, the principal three business sectors, property development, property operation and hotel operation of the Group made smooth progress.

Property Development

Site B of the Shanghai Gaoyang International Passenger Transport Centre Project

Located along the 880-meter stretch of the western bank of the Huangpu river, the complex is adjacent to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Gaoyang International Passenger Transport Centre is a major project for the Shanghai Municipal Government and is designed to be an integrated commercial area comprising a cruise terminal and business offices in the heart of Shanghai city.

The project will be divided into two parts: one on Site A, and the other on Site B. The Group holds a 50% economic interest in the Site B developments. Developments on Site B will include nine office buildings (the two original serviced apartment buildings have been converted into office buildings), a music and cultural centre and an art gallery. Site B of the Shanghai Gaoyang International Passenger Transport Centre project occupies a total area of approximately 85,089 square metres. Upon completion, Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction on this site began in May 2004 and progress has met the expected target.

As at 30 June 2008, the six riverfront office buildings have capped the roofs and were installing external curtain walls. The main structure of the art gallery was completed and bridge trestle was being installed. Other buildings have completed concrete placing and construction was progressing smoothly.

Currently, the Company's interest in Site B of the Shanghai Gaoyang International Passenger Transport Centre project is held through its 50%-owned subsidiary Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Shanghai Pudong Jinxin"). Pursuant to our contractual arrangements, the Group owns a 50% economic interest in Site B of the Shanghai Gaoyang International Passenger Transport Centre project.

Sites of Huishan Dock Project

The project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The west side of the site is adjacent to Shanghai Gaoyang International Passenger Transport Centre, the two of which form a coastal area that doubled the length of the bund. The project is designed to realize the core functions and the economies of scale of the shipping service industry, and to achieve synergies of international shipping enterprises. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including the yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use right of the Eastern Site of the project in 2007, with an area of 35,210 square metres. Upon completion, the development is expected to have a total gross floor area of approximately 200,000 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of 19,039 square metres. Pursuant to the non-competition undertaking signed by the Company and Sinochem Corporation on 6 July 2007 (the "Non-competition Undertaking"), Sinochem Corporation has granted to the Group an option to acquire its 50% interests in Shanghai Yin Hui. Upon the completion of acquisition of 50% interests in Shanghai Yin Hui, the Group will obtain the land use right of the Western Site of the project, with an area of 43,172 square metres held by Shanghai Yin Hui.

The Group planned to consolidate the development of the Eastern, Western and Central Sites and is optimizing various comprehensive design proposals of the project. Upon completion, the project will comprise a total gross floor area of approximately 584,000 square metres. The preparation work of the Eastern Site of Huishan Dock Project is doing well currently and a sunshine survey has been completed. Clearing up of the construction site of the Eastern Site of Huishan Dock Project is in progress.

Currently, the Company's 50% economic interest in the Eastern and Central Sites of the Huishan Dock project is held through its 50%-owned subsidiary, Shanghai Huigang Real Estate Development Co., Ltd ("Huigang Real Estate").

Zhuhai Every Garden Project

The Zhuhai Every Garden project is located on the eastern side of Zhuhai's harbour, on the coast of the South China Sea, with beautiful views of the ocean on one side and mountains on the other. It comprises of a complex of thirteen 8 to 31-storey residential apartment buildings. The project has a land area of approximately 43,499 square metres and a total gross floor area of approximately 136,339 square metres. The Group expects to construct approximately 728 apartment units, 80% of which will have floor areas ranging between 80 and 150 square metres each. The remaining units are expected to have floor areas of more than 150 square metres each. The Group also expects to develop approximately 713 car parking spaces.

Construction of the Zhuhai Every Garden project began in June 2006, and is expected to be completed in the second half of 2008. Zhuhai Every Garden was open for pre-sale in July 2007 and received good market response. As at 30 June 2008, the Group has altogether pre-sold 574 units, which comprised a gross floor area of approximately 79,574 square metres and represented 77% of the total saleable area.

In the first half of 2008, the second phase of the Zhuhai Every Garden project was offered for pre-sale. As at 30 June 2008, 110 units were offered and 68 units were pre-sold, which represented 62% of the units offered for pre-sale.

Currently, the Company's 100% interest in Zhuhai Every Garden project is held through its 100%-owned subsidiary, Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. ("Franshion Zhuhai").

Beijing Chemsunny World Trade Centre Project

The development project is located on Fuxingmen Nei Street in Beijing, adjacent to the Financial Street – which is just less than a ten minute walk from two subway lines and one block to the west of the Second Ring Road. Beijing Chemsunny World Trade Centre was named as one of the Beijing Municipal Government's key construction projects, consisting of three parallel and interconnected 14-storey office buildings, divided into the East, Central and West Towers. The project occupies a land area of approximately 21,659 square meters and a total gross floor area of approximately 193,936 square meters. Construction of the Beijing Chemsunny World Trade Centre commenced in April 2004 and the major construction was completed in December 2006. The Central and West Towers of the Beijing Chemsunny World Trade Centre are intended to be held as the Group's long-term investment available for lease, while the East Tower is available for sale by floor.

Pre-sale of the East Tower commenced in October 2006. As at 30 June 2008, out of the total gross floor area of 44,939 square metres of the offices at the Eastern Tower, 36,917 square metres and 59 parking spaces had been sold. Among which, approximately 12,436 square metres were sold in the first half of 2008.

Currently, the Company's 100% interest in Beijing Chemsunny World Trade Centre is held through its 100%-owned subsidiary, Beijing Chemsunny Property Company Limited ("Beijing Chemsunny").

Leasing of Properties and Property Services

The Group consolidated the property operation business in the reporting period and divided and reorganized the property leasing and services business of the subsidiaries of the Group to enhance professionalism and achieve optimization on resources sharing.

As at 30 June 2008, the carrying value of investment properties held by the Group was approximately HK$6,156.1 million, which is stated at fair value according to the Group's accounting policy. Investment properties of the Group mainly comprise Beijing Chemsunny World Trade Centre and Sinochem Tower.

Leasing business of Beijing Chemsunny World Trade Centre

According to the Group's strategy of achieving a balanced revenue profile, the Group will hold the Central and West Towers of Beijing Chemsunny World Trade Centre for long-term investment. The total leaseable area of the Central and West Towers is approximately 102,739 square metres.

As at 30 June 2008, occupancy rate of the Central and West Towers of Beijing Chemsunny World Trade Centre was 94.2% (30 June 2007: not applicable). The principal tenants were Sinochem Corporation and its related companies, and other eminent enterprises of the finance, real estate and consultancy industries.

Leasing business of Sinochem Tower

Situated in the heart of Beijing on Fuxingmen Wai Street, in the Xicheng District and within Beijing's financial district, Sinochem Tower is a 26-storey office building in the neighbourhood of well-known landmarks such as the Forbidden City, Tiananmen Square and Zhongnanhai. Sinochem Tower was constructed on a site area of approximately 5,833 square metres. The office building contains a gross floor area of approximately 49,066 square metres. Approximately 30,365 square metres of gross floor area are designated as office space and approximately 15,005 square metres of gross floor area are designated as retail space.

As at 30 June 2008, occupancy rate of the Sinochem Tower was 95.1% (30 June 2007: 99.8%). The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

Currently, the Company's 100% interest in the Sinochem Tower is held through its 100%-owned subsidiary, Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management").

Property Services Business

The Company currently provides property management services through its 100%-owned subsidiaries Sinochem Property Management and Beijing Century Chemsunny Property Management Co., Ltd. for not less than six properties with more than 1.1 million square metres of gross floor area, including Sinochem Tower and Beijing Chemsunny World Trade Centre.

The Group's property service business had a smooth and steady performance throughout the reporting period. The consolidated property service business of the Group further strengthened the operation of our integrated value chain of real estate development, and improved the brand advantage and asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect gains for the Group.

Hotel Operations

Wangfujing Grand Hotel is located at the north of Wangfujing Street, Beijing's main commercial and shopping area. It is also within walking distance of the Forbidden City, Tiananmen Square and Beihai Park. The Wangfujing Grand Hotel attracts both leisure and business travellers due to its convenient location. In particular, it has established business relationships with a number of multinational companies which form a substantial base of its business.

Wangfujing Grand Hotel was opened in 1995. This 14-storey building has 405 rooms as well as a number of conference rooms, food and beverage outlets and other facilities. The hotel is constructed on a site area of 9,858 square metres, and has a total gross floor area of approximately 41,349 square metres.

The average occupancy rate of Wangfujing Grand Hotel as at 30 June 2008 was 70.1% (30 June 2007: 72.6%).

Currently, the Company's 100% interest in the Wangfujing Grand Hotel is held through its 100%-owned subsidiary, Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management").

Land Bank

On 31 March 2008, the Group entered into a land use right grant contract with Shanghai Municipal Housing, Land And Resource Administration Bureau to acquire a central parcel of land situated in Huishan Dock on the North Bund of Hongkou District, Shanghai. The site has an area of 19,039 square metres, and the planned above-ground gross floor area of the site is 73,790 square metres.

Acquisition of options

Pursuant to the Non-competition Undertaking, Sinochem Corporation has granted to the Group options to acquire its 54.87% interests in Jin Mao Group, its 15% interests in China Shimao Investment Company Limited ("Shimao Investment") and the 55% interests in Shanghai Yin Hui held by Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong").

On 22 April 2008, the Independent Board Committee of the Company unanimously resolved to exercise the options to acquire Sinochem Corporation's 54.87% interest in Jin Mao Group and 50% indirect interest in Shanghai Yin Hui, but not to exercise the option to acquire Sinochem Corporation's 15% interest in Shimao Investment.

On 5 June 2008, the Company, Sinochem Corporation and Sinochem Hong Kong entered into an acquisition agreement pursuant to which the Company has agreed to acquire, and Sinochem Hong Kong has agreed to sell, its entire interest in Wise Pine Limited (which represents a 54.87% attributable interest in Jin Mao Group) for a total consideration of RMB6,035.8 million (equivalent to approximately HK$6,791.2 million). On the same day, the Company entered into seven other acquisition agreements with each of the seven other shareholders ("Other Shareholder ") of Wise Pine Limited to acquire such Other Shareholder's entire interest in Wise Pine Limited, which in aggregate represents a 45.13% attributable interest in Jin Mao Group, for a total consideration of RMB4,964.2 million (equivalent to approximately HK$5,585.5 million). Pursuant to the agreements, the Company will acquire the 100% interests in Jin Mao Group for an aggregate consideration of RMB11,000 million (equivalent to approximately HK$12,376.7 million), which will be satisfied by the Company in cash and the allotment and issue of consideration shares, to Sinochem Hong Kong and each Other Shareholder. Among which, RMB4,421.3 million (equivalent to approximately HK$4,974.6 million), representing approximately 40% of the aggregate consideration, will be paid by cash and RMB6,578.7 million (equivalent to approximately HK$7,402.1 million), representing approximately 60% of the aggregate consideration, will be paid by allotting and issuing consideration shares at a price of HK$3.43 per share (a total of approximately 2,158 million consideration shares).

During the extraordinary shareholders' general meeting of the Company held on 18 July 2008, the resolution regarding the acquisition of 100% interests in Jin Mao Group was passed. The acquisition has not yet been completed.

The Company is undergoing negotiations with Sinochem Corporation in relation to the acquisition of the 50% interests in Shanghai Yin Hui held by Sinochem Corporation to complete the acquisition of the interests in Shanghai Yin Hui held by Sinochem Hong Kong, a wholly-owned subsidiary of Sinochem Corporation, as soon as possible.

(Note: In December 2007, the directors of Shanghai Yin Hui unanimously resolved to increase the registered share capital of Shanghai Yin Hui from RMB20 million to RMB500 million. Both Sinochem Hong Kong and Shanghai International Port (Group) Co., Ltd. increased their respective contributions, of which RMB251 million was provided by Shanghai International Port (Group) Co., Ltd. and RMB239 million by Sinochem Hong Kong. After the capital contribution, the shareholding in Shanghai Yin Hui held by Sinochem Hong Kong decreased from 55% to 50%.)

FUTURE OUTLOOK

Looking forward to the second half of 2008, we have every confidence in the high-end commercial property market in the PRC and in the prospects of the Group. The Group will continue to develop steadily and strive to develop and expand its business, with a view to becoming a quality property developer, investor and high-end hotel operator in the major cities and economic zones across the nation.

The Group will also further increase the proportion of its hotel operation and investment properties to achieve a balanced revenue stream in the future. With the completion of the acquisition of Jin Mao Group, the overall competitiveness of the Group will be greatly enhanced. The Group will make full use of the comprehensive hotel management platform possessed by Jin Mao Group and its excellent brand image to provide a solid support for expanding the luxury hotel business of the Group.

The Group will continue to carry out its core strategy of "developing and holding quality commercial properties in first-tier cities and prime locations", and actively increase our land bank in the cities of Beijing, Tianjin, Shanghai and Zhuhai, etc. to further enhance our capability of ongoing operation. We will also consider developing mid-range and high-end residential projects with high return and short cycle. With the confirmation and completion of the acquisition of Shanghai Yin Hui, the Group will fully capitalize the land use right of the Western Site of Huishan Dock Project in Shanghai and further integrate the development of the entire Huishan Dock Project with the existing land use rights of the Eastern Site and Central Site of the project.

The Group will continue to strive to create higher value and return for its shareholders and create more wealth for the society.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2008, revenue of the Group amounted to HK$870.3 million (30 June 2007: HK$97.0 million), increased by 797% compared with the same period of 2007, which was mainly attributable to the increased sale of properties.

Revenue by business segments

	For the six months ended 30 June				
	2008		2007		
	HK$ million	**Percentage of the total revenue** *(%)*	HK$ million	Percentage of the total revenue *(%)*	Change *(%)*
Property Sales	**603.9**	**69%**	–	0%	N/A
Property Operations	**208.8**	**24%**	44.4	46%	370%
Hotel Operations	**57.6**	**7%**	52.6	54%	10%
Total	**870.3**	**100%**	97.0	100%	797%

In the first half of 2008, property sales revenue of the Group was approximately HK$603.9 million, representing 69% of the total revenue, which was mainly derived from sales of some floors of the Beijing Chemsunny World Trade Centre. Property operations revenue increased by 370% over the corresponding period of 2007, which was mainly attributable to the growth of leasing business of Beijing Chemsunny World Trade Centre. Hotel operation revenue rose slightly by 10% from the first half of 2007.

Cost of sales and gross profit margin

Cost of sales of the Group for the six months ended 30 June 2008 was approximately HK$275.3 million (30 June 2007: HK$31.8 million). Overall gross profit margin of the Group in the first half of 2008 was 68%, increased from 67% of the corresponding period of 2007.

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2008 amounted to HK$954.2 million, representing an increase of 593% from HK$137.7 million in the same period in 2007, which was mainly attributable to: (i) in April 2007, the Group disposed of its interests in two subsidiaries in Zhuhai, namely Zhong Yi Hua Hai and Zhuhai Hong Hua, resulting in a gain of HK$108.7 million, and there was no gain on disposal of subsidiaries in the first half of 2008; (ii) the fair value gain on the investment properties held by the Group amounted to HK$846.4 million in the first half of 2008, increased by 4,551% from HK$18.2 million in the same period of 2007; (iii) interest income received from bank deposits by the Group in the first half of 2008 was far higher than that in the same period of 2007. The combined outcome of the above factors resulted in the substantial increase of other income and gains over the two periods.

Selling and marketing expenses

Selling and marketing expenses of the Group for the six months ended 30 June 2008 amounted to HK$13.8 million, representing a decrease of 35% from HK$21.2 million in the same period in 2007. This decrease was mainly attributable to a drop of advertising and marketing expenses incurred for the sale of our Beijing Chemsunny World Trade Centre in the first half of 2008 from the same period of 2007.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2008 amounted to HK$98.3 million, representing an increase of 27% from HK$77.6 million in the same period in 2007. The increase was mainly attributable to increase in staff salary and wages as a result of expansion of the Group, and increase in consultancy fees and administrative expenses.

Finance cost

Finance cost of the Group for the six months ended 30 June 2008 was HK$55.2 million, representing a decrease of 21% from HK$70.0 million in the same period of 2007. The decrease was mainly due to the capitalization of the finance cost incurred from the borrowings of main development projects of the Group.

Share of profit of an associate

For the six months ended 30 June 2008, the Group did not have any share of profits of an associate. The share of profit of an associate of HK$69,000 in the same period of 2007 was derived from the profit contribution of Beijing Century Chemsunny Property Management Co., Ltd..

Tax

The Group had a tax charge of HK$422.1 million in the six months ended 30 June 2008, compared with a tax credit of HK$56.5 million in the same period of 2007. The tax charge in the first half of 2008 was primarily attributable to the deferred tax charge arising from the fair value gains on the Group's investment properties and the profit from the sales and lease of Beijing Chemsunny World Trade Centre and the tax credit in the same period of 2007 was mainly due to the tax losses of Beijing Chemsunny World Trade Centre project available to offset future taxable profit.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 682% to HK$937.0 million in the six months ended 30 June 2008 from HK$119.8 million in the corresponding period of 2007. Excluding fair value gains on investment properties, net of deferred tax, profit attributable to equity holders increased by 185% to HK$302.2 million (30 June 2007: HK$106.2 million) over the same period of last year.

Properties under development

As at 30 June 2008, the non-current portion of properties under development comprised property development costs of Site B of Shanghai Gaoyang International Passenger Transport Centre and Eastern Site and Central Site of Huishan Dock project, whereas the current portion of properties under development comprised property development costs for Zhuhai Every Garden projects.

The increase in properties under development (current and non-current) from HK$4,174.6 million as at 31 December 2007 to HK$6,419.0 million as at 30 June 2008 was mainly attributable to the additional costs incurred for Site B of Shanghai Gaoyang International Passenger Transport Centre, Eastern Site and Central Site of Huishan Dock and Zhuhai Every Garden projects.

Properties held for sale

As at 30 June 2008, properties held for sale included East Tower of the Beijing Chemsunny World Trade Centre. The decrease in properties held for sale from HK$598.4 million as at 31 December 2007 to HK$422.4 million as at 30 June 2008 was mainly attributable to sale of some floors of East Tower of the Beijing Chemsunny World Trade Centre.

Investment properties

As at 30 June 2008, investment properties included Sinochem Tower, and the Central and West Towers of Beijing Chemsunny World Trade Centre. Investment properties increased from HK$4,964.6 million as at 31 December 2007 to HK$6,156.1 million as at 30 June 2008. The increase was mainly due to the valuation gains of investment properties.

Trade receivables

As at 30 June 2008, the trade receivables were HK$68.8 million, decreased by 54% from that of HK$148.4 million as at 31 December 2007. The decrease in trade receivables was primarily due to the receipt of receivables in the first half year incurred by the sales of some floors of the East Tower of Beijing Chemsunny World Trade Centre in 2007.

Trade and bills payables

As at 30 June 2008, the trade and bills payables were HK$998.2 million, increased by 11% from that of HK$898.0 million as at 31 December 2007. The increase in trade and bills payables was primarily due to the rise in accounts payable incurred from the development of Site B of Shanghai Gaoyang International Passenger Transport Centre and Eastern Site and Central Site of Huishan Dock project.

Interest-bearing bank and other borrowings

As at 30 June 2008, the interest-bearing bank and other borrowings were HK$4,844.3 million, increased by 25% over that of HK$3,863.7 million as at 31 December 2007. The increase in the interest-bearing bank and other borrowings was primarily due to the rise in entrustment loans provided to subsidiaries of the Group by the Group and minority shareholders of its subsidiaries through financial institutions.

Analysis of interest-bearing bank and other borrowings

	For the six months ended 30 June 2008 *(HK$ million)*	For the year ended 31 December 2007 *(HK$ million)*
Interest-bearing bank and other borrowings	**4,844.3**	3,863.7
Less: entrustment loans	**(2,580.3)**	(1,565.8)
	2,264.0	2,297.9
Less: loans pledged by bank deposits of the Group	**(555.6)**	–
Interest-bearing bank and other borrowings, net of entrustment loans and loans pledged by bank deposits	**1,708.4**	2,297.9

Gearing ratio

The Group monitors its capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity, and includes the amount due to related parties. The Group aims to maintain the debt-to-adjusted capital ratio at a reasonable level. The debt-to-adjusted capital ratios at 30 June 2008 and 31 December 2007 were as follows:

	For the six months ended 30 June 2008 ***(HK$ million)***	For the year ended 31 December 2007 *(HK$ million)*
Interest-bearing bank and other borrowings	**4,844.3**	3,863.7
Less: cash and cash equivalents	**(5,633.7)**	(6,294.5)
pledged deposits	**(1,965.2)**	(694.7)
Net debt	**(2,754.6)**	(3,125.5)
Equity	**10,692.7**	8,997.8
Add: amount due to related parties	**266.4**	268.4
Adjusted capital	**10,959.1**	9,266.2
Debt-to-adjusted capital ratio	**-25%**	-34%

Liquidity and capital resources

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service our indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements through a combination of internal resources, bank borrowings and issue of new shares.

As of 30 June 2008, the Group had cash and cash equivalents of HK$5,633.7 million, which was mainly denominated in RMB, HK dollar and US dollar.

As at 30 June 2008, the Group had total interest-bearing bank and other borrowings of HK$4,844.3 million (as at 31 December 2007: HK$3,863.7 million). Set out below is an analysis of interest-bearing bank and other borrowings of the Group:

	For the six months ended 30 June 2008 *(HK$ million)*	For the year ended 31 December 2007 *(HK$ million)*
Within one year	**2,819.2**	3,083.5
In the second year	**659.9**	32.1
In the third to fifth years, inclusive	**1,365.2**	748.1
Total	**4,844.3**	3,863.7

Interest-bearing bank and other borrowings of approximately HK$2,819.2 million repayable within one year shown under current liabilities include entrustment loans totalling approximately HK$2,011.5 million provided by the Group and minority shareholders of its subsidiaries to subsidiaries of the Group through financial institutions, of which HK$1,722.5 million will be renewed upon their maturity dates.

Interest-bearing bank and other borrowings of approximately HK$659.9 million repayable in the second year include entrustment loans totalling approximately HK$568.8 million provided by the Group and minority shareholders of its subsidiaries to subsidiaries of the Group through financial institutions

All of the Group's borrowings are denominated in RMB and bear interest at floating rates. There is no material effect of seasonality on the Group's borrowing requirements.

As at 30 June 2008, the Group had banking facilities of HK$8,086.8 million, all were denominated in RMB. The amount of banking facilities utilised was HK$4,844.3 million, the amount of unutilised banking facilities was HK$3,242.5 million.

On 31 December 2007, members of the Group entered into an entrustment loan framework agreement, pursuant to which separate entrustment loan agreements can be made between members of the Group in accordance with the terms and conditions set out in the framework agreement. This agreement has come into effect on 1 January 2008.

The Group's net cash outflow of HK$978.7 million for the six months ended 30 June 2008 consists of:

1. A net cash outflow of HK$819.9 million from operating activities, which was mainly attributable to the payment of construction costs, selling expenses and administrative expenses of the Group partially offset by the receipt of payment of sale of Beijing Chemsunny World Trade Centre and pre-sale of Zhuhai Every Garden.

2. A net cash outflow of HK$1,259.6 million from investing activities, which was mainly attributable to the purchase of fixed assets and addition of pledged deposits of the Group.

3. A net cash inflow of HK$1,100.8 million from financing activities, which was mainly attributable to the contribution from other shareholders of the joint ventures of the Group and addition of bank and other borrowings, partially offset by repayments of bank and other borrowings.

Pledge of assets

As at 30 June 2008, certain of the Group's bank borrowings were secured by the Group's investment properties with fair value of HK$6,156.1 million and bank deposits of HK$1,965.2 million.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2008.

Capital Commitments

The Group had the following capital commitments at the balance sheet date:

	For the six months ended 30 June 2008 ***(HK$ million)***	For the year ended 31 December 2007 *(HK$ million)*
Contracted, but not provided for capital expenditure in respect of properties under development in the PRC	**193.2**	740.1
Total	**193.2**	740.1

Market risk

The Group's assets are predominantly in the form of land use rights, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the domestic property market, these assets may not be readily realized.

Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increases in interest rates would increase interest expenses relating to the Group's outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. The Group does not currently use any derivative instruments to manage the Group's interest rate risk.

Foreign exchange risk

Substantially all of the Group's turnover and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates. The Group is not currently engaged in hedging to manage currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed 1,254 staff in total. The Group provides competitive salaries and bonuses for its employees, as well as other benefits, including retirement schemes, medical insurances schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are regularly reviewed against market standards.

OTHER INFORMATION

Share Capital

As at 30 June 2008, the authorized capital of the Company was 8,000,000,000 ordinary shares and the total issued share capital was 4,915,264,000 ordinary shares.

Upon the completion of the acquisition of the entire interests in Wise Pine Limited (representing 100% interest in Jin Mao Group) and the allotment and issue of new shares as part of the consideration, the total issued share capital of the Company will increase to 7,073,292,268 ordinary shares.

Disclosure of Interests

Substantial Shareholders

So far as is known to the Directors of the Company, as at 30 June 2008, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

Name of the substantial shareholder	Capacity	Number of ordinary shares	Number of underlying shares	Percentage in total issued share capital
Sinochem Hong Kong	Beneficial owner	4,489,031,900 (L) (Note 1)	–	91.33% (L)
Sinochem Corporation	Interest of controlled corporation	4,489,031,900 (L) (Note 2)	–	91.33% (L)
COFCO Limited	Interest of controlled corporation	433,002,519 (L) (Note 3)	–	8.81% (L)
COFCO (BVI) Limited	Interest of controlled corporation	363,163,543 (L)	–	7.39% (L)
Charm Glory Holdings Limited	Beneficial owner	363,163,543 (L)	–	7.39% (L)

(L) *Denotes long positions.*

Note 1: The interests include (a) 3,301,070,000 shares of the Company directly held by Sinochem Hong Kong, representing approximately 67.16% of the total issued share capital; and (b) 1,187,961,900 new shares deemed to be held by Sinochem Hong Kong upon the signing of the acquisition agreement entered between the Company, Sinochem Corporation and Sinochem Hong Kong on 5 June 2008, pursuant to which the Company agreed to acquire the entire interests in Wise Pine Limited (representing 54.8709% attributable interests in Jin Mao Group) held by Sinochem Hong Kong, and to allot and issue 1,187,961,900 new shares to Sinochem Hong Kong as consideration. The 1,187,961,900 new shares represent approximately 24.17% of the total issued share capital of the Company. Upon the completion of the allotment and issue of new shares to Sinochem Hong Kong and other investors and the acquisition of the entire interests in Wise Pine Limited held by Sinochem Hong Kong, Sinochem Hong Kong will hold approximately 63.47% of the enlarged issued share capital of the Company.

Note 2: Sinochem Hong Kong is wholly-owned by Sinochem Corporation and therefore Sinochem Corporation is deemed to be interested in all of the shares which are owned by Sinochem Hong Kong.

Note 3: 433,002,519 shares represent:

(a) 363,163,543 new shares deemed to be held by Charm Glory Holdings Limited upon the signing of the acquisition agreement entered between the Company, Sinochem Corporation and Charm Glory Holdings Limited, pursuant to which the Company agreed to acquire the entire interests in Wise Pine Limited held by Charm Glory Holdings Limited (representing 16.7742% attributable interests in Jin Mao Group), and to allot and issue 363,163,543 new shares, which represent 7.39% of the total issued share capital (unenlarged) of the Company, to Charm Glory Holdings Limited as consideration. Upon the completion of the acquisition of the entire interests in Wise Pine Limited and allotment and issue of new shares as part of the consideration, Charm Glory Holdings Limited will hold approximately 5.13% of the enlarged issued share capital of the Company. Charm Glory Holdings Limited is a wholly-owned subsidiary of COFCO (BVI) Limited which is a wholly-owned subsidiary of COFCO Limited. Therefore, COFCO Limited and COFCO (BVI) Limited are deemed to have interests in the 363,163,543 shares pursuant to the SFO;

(b) 69,838,976 new shares deemed to be held by Grand Neway Limited upon the signing of the acquisition agreement entered between the Company, Sinochem Corporation and Grand Neway Limited, pursuant to which the Company agreed to acquire the entire interests in Wise Pine Limited held by Grand Neway Limited (representing 3.2258% attributable interests in Jin Mao Group), and to allot and issue 69,838,976 new shares, which represent 1.42% of the total issued share capital (unenlarged) of the Company, to Grand Neway Limited as consideration. Upon the completion of the acquisition of the entire interests in Wise Pine Limited and allotment and issue of new shares as part of the consideration, Grand Neway Limited will hold approximately 0.99% of the enlarged issued share capital of the Company. Grand Neway Limited is a wholly-owned subsidiary of Sunry (Holdings) Hong Kong Limited which is a wholly-owned subsidiary of China National Native Produce & Animal By-Products Imp. & Exp. Corp. China National Native Produce & Animal By-Products Imp. & Exp. Corp. is wholly-owned by COFCO Limited. Therefore, COFCO Limited is deemed to have interests in the 69,838,976 shares pursuant to the SFO.

Save as disclosed above, as at 30 June 2008, the Directors of the Company were not aware of any person (other than the Directors or chief executive of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange.

Directors and Chief Executives' Interests in Shares of the Company

Save as disclosed below, as at 30 June 2008, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register kept by the Company; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange.

Name	Capacity	Position	Number of shares held	Number of underlying shares held (Note 1)	Percentage in total issued share capital
PAN Zhengyi	Beneficial owner	Chairman and Non-executive Director	356,000 (L)	488,000 (L)	0.02%
LI Lun	Beneficial owner	Vice Chairman and Non-executive Director	–	488,000 (L)	0.01%
WANG Hongjun	Beneficial owner	Non-executive Director	–	416,000 (L)	0.01%
LI Xuehua	Beneficial owner	Executive Director and Chief Executive Officer	–	488,000 (L)	0.01%
HE Binwu	Beneficial owner	Executive Director and Vice President	400,000 (L)	488,000 (L)	0.02%
JIANG Nan	Beneficial owner	Executive Director and Chief Financial Officer	–	422,000 (L)	0.01%

(L) *Denotes long positions.*

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Save as the new shares agreed to be allotted and issued by the Company as part of the consideration for the acquisition of the entire interests in Wise Pine Limited, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any securities of the Company for the six months ended 30 June 2008.

REVIEW BY AUDIT COMMITTEE

The audit committee under the Board of the Company has reviewed the unaudited condensed interim consolidated financial statements of the Company for the six months ended 30 June 2008 and also discussed with the Company's senior management matters such as the accounting policies and practices adopted by the Company.

INTERIM DIVIDEND

The board of directors of the Company did not recommend distributing any interim dividend for the six months ended 30 June 2008.

MATERIAL LITIGATION

For the six months ended 30 June 2008, the Group was not subject to any material litigation that could have a material adverse impact on the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. Having made specific enquiries of all the Directors, the Company confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2008.

All the employees of the Group shall comply with "Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the Model Code in their dealings in the Company's securities. For the six months ended 30 June 2008, the Directors of the Company were not aware of any non-compliance with the rules by any employee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2008.

By order of the Board of
FRANSHION PROPERTIES (CHINA) LIMITED
PAN Zhengyi
Chairman

Hong Kong, 8 September 2008

As at the date of this announcement, the Directors of the Company are Ms. LI Xuehua, Mr. HE Binwu and Mr. JIANG Nan as Executive Directors; Mr. PAN Zhengyi (Chairman), Ms. LI Lun (Vice Chairman) and Mr. WANG Hongjun as Non-executive Directors; Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia, Professor LIU Hongyu, Mr. NGAI Wai Fung and Dr. GAO Shibin as independent non-executive Directors.