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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 2009

2008/2009 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 2009 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 Engagements 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 2009

	Notes	Six months ended 31 March 2009 (Unaudited) *HK$'000*	31 March 2008 (Unaudited) *HK$'000*
Revenue	3	**59,756**	67,307
Cost of sales		**(1,628)**	(15,457)
Gross profit		**58,128**	51,850
Direct operating expenses		**(40,859)**	(30,484)
Other income	3	**14,334**	12,143
Changes in fair values of investment properties		**(60,924)**	—
Gain on disposal of property, plant and equipment		**—**	12,724
Provisions written back	4	**—**	8,492
Administrative expenses		**(13,802)**	(13,705)
Operating (loss)/profit		**(43,123)**	41,020
Finance costs	5	**(13,686)**	(13,522)
(Loss)/Profit before tax	6	**(56,809)**	27,498
Tax credit	7	**19,879**	17,109
(Loss)/Profit for the period		**(36,930)**	44,607
(Loss)/Profit attributable to:			
Ordinary equity holders of the Company		**(30,905)**	23,553
Minority interests		**(6,025)**	21,054
		(36,930)	44,607
(Loss)/Earnings per share for (loss)/ profit attributable to ordinary equity holders of the Company during the period:			
- basic (HK cent)	8	**(0.45)**	0.34
- diluted (HK cent)	8	**N/A**	0.34

Condensed Consolidated Balance Sheet

As at 31 March 2009

		As at	
		31 March	30 September
		2009	2008
		(Unaudited)	(Audited)
	Notes	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,704**	4,063
Investment properties		**987,712**	1,054,454
Prepayment for acquisition of land use rights		**436,890**	419,749
Available-for-sale financial assets		**14,787**	14,787
Deferred tax assets		**15,048**	23,625
Total non-current assets		**1,458,141**	1,516,678
CURRENT ASSETS			
Properties held for sale		**35,236**	37,055
Properties under development		**2,319,921**	2,205,630
Trade receivables	9	**6,262**	6,618
Prepayments, deposits and other receivables		**40,662**	23,316
Due from the immediate holding company		**71,443**	71,443
Restricted cash		**227**	334
Cash and cash equivalents		**892,483**	596,096
Total current assets		**3,366,234**	2,940,492
CURRENT LIABILITIES			
Trade payables	10	**9,800**	15,587
Accruals and other payables		**454,872**	369,791
Interest-bearing bank borrowings		**1,047,880**	195,502
Due to the immediate holding company		**91,291**	91,291
Due to fellow subsidiaries		**48,915**	220,107
Tax payable		**18,805**	52,493
Total current liabilities		**1,671,563**	944,771
NET CURRENT ASSETS		**1,694,671**	1,995,721
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,152,812**	3,512,399

Condensed Consolidated Balance Sheet (continued)

As at 31 March 2009

	As at	
	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,011,536**	1,310,363
Deferred tax liabilities	**113,261**	122,951
Total non-current liabilities	**1,124,797**	1,433,314
NET ASSETS	**2,028,015**	2,079,085
EQUITY		
Equity attributable to the ordinary equity holders of the Company		
Issued capital	**684,337**	684,337
Reserves	**1,067,832**	1,110,781
	1,752,169	1,795,118
Minority interests	**275,846**	283,967
Total equity	**2,028,015**	2,079,085

Notes:

1. **Basis of preparation and accounting policies**

Basis of preparation

The unaudited interim condensed consolidated financial information 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 (the "Listing Rules") 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 and methods of computation used in the preparation of this unaudited interim condensed consolidated financial information are consistent with those in the financial statements for the year ended 30 September 2008, except for the adoption of the following Hong Kong Financial Reporting Standards ("HKFRS") (which include all HKFRSs, HKASs and Interpretations), which are adopted for the first time in the current period.

HKAS 39 and HKFRS 7 Amendments	*Reclassification of Financial Assets*
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*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

The adoption of the above HKFRS has had no material effect on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial information.

The Group has not early applied the following new and revised HKFRS that have been issued but are not yet effective, in the unaudited interim condensed consolidated financial information.

HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [4]
HKAS 32 and HKAS 1 (Amendment)	*HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and obligations arising on Liquidation* [1]
HKAS 39 (Amendment)	*Eligible Hedged Items* [4]
HKFRSs Amendments	*Improvements to HKFRS* [2]
HKFRS 1 & HKAS 27 (Amendments)	*Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associates* [1]
HKFRS 2 (Amendment)	*Share-based Payment — Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [4]
HKFRS 7 (Amendment)	*Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HK(IFRIC)-Int 9 & HKAS 39 (Amendment)	*Embedded Derivatives* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [4]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [5]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 June 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for transfers on or after 1 July 2009

The Group expects that while the adoption of the HKAS 1 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRS will not have any material impact on the Group's financial statements in the period of initial application.

2. **Segment information**

The Company is an investment holding company and the following tables present revenue, profit/(loss) and expenditure information for the Group's business segments. The Group's operating businesses are almost exclusively 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 is presented as follows:

2009:

	Property development (Unaudited) *HK$'000*	**Business park (Unaudited)** *HK$'000*	**Corporate (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
REVENUE				
Total revenue	**4,817**	**54,939**	**—**	**59,756**
RESULTS				
Segment results	**(20,859)**	**43,437**	**(13,830)**	**8,748**
Changes in fair values of investment properties	**—**	**(60,924)**	**—**	**(60,924)**
	(20,859)	**(17,487)**	**(13,830)**	**(52,176)**
Interest income				**9,053**
Finance costs				**(13,686)**
Loss before tax				**(56,809)**
Tax credit				**19,879**
Loss for the period				**(36,930)**

2008:

	Property development (Unaudited) *HK$'000* *(Restated)*	Business park (Unaudited) *HK$'000* *(Restated)*	Corporate (Unaudited) *HK$'000* *(Restated)*	Total (Unaudited) *HK$'000* *(Restated)*
REVENUE				
Total revenue	26,581	40,726	—	67,307
RESULTS				
Segment results	7,459	26,244	(13,541)	20,162
Gain on disposal of property, plant and equipment	—	—	12,724	12,724
	7,459	26,244	(817)	32,886
Interest income				8,134
Finance costs				(13,522)
Profit before tax				27,498
Tax credit				17,109
Profit for the period				44,607

3. Revenue and other income

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

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

	Six months ended	
	31 March	31 March
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
REVENUE		
Sales of properties	**3,063**	24,912
Gross rental income	**42,705**	32,220
Property management fee income	**13,988**	10,175
	59,756	67,307
OTHER INCOME		
Interest income	**9,053**	8,134
Utility revenue	**3,027**	1,311
Others	**2,254**	2,698
	14,334	12,143

4. Provisions written back

	Six months ended	
	31 March	31 March
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Provisions written back:		
Other payables	**—**	8,492

Note: Represented the over-provision written back of overprovided miscellaneous payables relating to the Beijing residential project.

5. **Finance costs**

	Six months ended	
	31 March	31 March
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**51,647**	43,909
Other borrowing costs	**600**	2,908
Total borrowing costs incurred	**52,247**	46,817
Less: Amounts capitalised to properties under development	**(38,561)**	(33,295)
Amount charged to the consolidated income statement	**13,686**	13,522

6. **(Loss)/Profit before tax**

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

	Six months ended	
	31 March	31 March
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation	**1,020**	1,020
Less: Amounts capitalised to properties under development	**(133)**	(49)
	887	971
Gross rental income	**(42,705)**	(32,220)
Less: Outgoing expenses (Note (a))	**8,743**	9,241
	(33,962)	(22,979)
Amortisation of land use rights (Note (b))	**8,026**	7,758
Operating lease rentals in respect of land and buildings	**1,942**	1,782
Employees benefit expenses (including directors' remuneration)		
Wages and salaries	**13,044**	13,039
Equity-settled share option expenses	**933**	1,394
Net pension schemes contributions (after deducting forfeited contribution of HK$Nil (2008:HK$8,000))	**371**	305
	14,348	14,738
Foreign exchange losses/(gains), net	**599**	(13,661)

Notes:

(a) The outgoing expenses for the period are included in "direct operating expenses" on the face of the interim condensed consolidated income statement.

(b) Includes HK$8,026,000 (2008: HK$7,743,000) related to properties under development or held for development which did not generate any revenue during the 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 profits 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 2009 (Unaudited) *HK$'000*	31 March 2008 (Unaudited) *HK$'000* *(Restated)*
Corporate Income tax in mainland China (Note (a))	**207**	(7,594)
LAT in mainland China (Note (b))	**11,009**	(2,132)
Deferred (Note (c) & (d))	**8,663**	26,835
	19,879	17,109

Notes:

(a) Includes tax provision of HK$5,018,000 and the write back of overprovided tax in prior years of HK$5,225,000 for the current period.

(b) The provision of land appreciation tax ("LAT") is estimated according to the requirements set forth in the relevant The People's Republic of China ("PRC") laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. For the current period, mostly represented the over-provision written back regarding Dalian project after the actual payment of LAT. For the prior period, the provision for LAT amounted to HK$13,295,000 in relation to Dalian project and the over-provision written back on LAT regarding the disposal of part of Sohu.com Internet Plaza in January 2007 of HK$11,163,000.

(c) For the current period, the deferred tax arising on fair value losses for investment properties with credit adjustment and normal operations of HK$15,231,000 and HK$5,216,000 respectively. For the prior period, a net deferred tax credit adjustment of HK$25,051,000 was recorded for the unification of PRC income tax rate effective from 1 January 2008.

(d) Deferred tax liability of HK$1,352,000 (2008: HK$Nil) regarding withholding income tax on the undistributed earnings (future dividend) of PRC subsidiaries has been charged to the interim condensed consolidated income statement for the current period.

8. **(Loss)/Earnings per share for (loss)/profit attributable to ordinary equity holders of the Company during the period**

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK$30,905,000 (2008: a profit of HK$23,553,000) and the weighted average of 6,843,371,580 (2008: 6,842,947,449) ordinary shares in issue during the period.

(b) **Diluted (loss)/ earnings per share**

Diluted loss per share for the six months ended 31 March 2009 has not been disclosed as the share options outstanding during the period has an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the six months ended 31 March 2008 was based on the profit for that period attributable to ordinary equity holders of the Company of approximately HK$23,553,000 and on 6,858,780,683 ordinary shares, being the weighted average number 6,842,947,449 ordinary shares in issue during that period, as used in the basic earnings per share calculation, plus the weighted average of 15,761,234 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all potential share options into ordinary shares.

9. **Trade receivables**

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, is as follows:

	As at	
	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
Within 1 month	**6,208**	6,557
1 to 2 months	**—**	—
2 to 3 months	**—**	—
Over 3 months	**54**	61
	6,262	6,618

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 receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables represent consideration in respect of sold properties and rental receivables. 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 within an average credit terms of one month.

The carrying amounts of trade receivables approximates to its fair value.

10. **Trade payables**

At the balance sheet date, the ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at	
	31 March	30 September
	2009	2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**708**	5,781
3 months to 12 months	**7,683**	1,051
Over 1 year	**1,409**	8,755
	9,800	15,587

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

The carrying amounts of the trade payables approximates to its fair value.

Comparative Figures

Certain prior period figures have been restated to conform with the presentation of the current period. The major restated figures include: land appreciation tax ("LAT") included in "direct operating expenses" and over-provision written back for LAT included in "provision" for the six months ended 31 March 2008 amounting to approximately HK$13,295,000 and HK$11,163,000 respectively, have been reclassified to "tax" in the interim condensed consolidated income statement with its net amount of HK$2,132,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2009 (31 March 2008: Nil).

OVERVIEW

The Group achieved a gross profit of HK$58.1 million for the 6-month period ended 31 March 2009, higher than the HK$51.9 million realized for the corresponding period of the previous financial year. However, after accounting for the decrease in fair values for the Group's investment properties totaling HK$60.9 million, a loss attributable to the equity holders of HK$30.9 million was incurred against a profit of HK$23.6 million for the corresponding period of the previous financial year.

The period under review witnessed the unprecedented global financial turmoil. In the aftermath of the turmoil, many major economies are now struggling with negative growth, rising unemployment, low consumption, stock market volatility, large-scale corporate failures and significantly reduced asset and property values, all pointing towards a global recession in 2009 and possibly stretching into 2010. Against this grim global environment, the world's third largest economy, China, recorded its lowest growth rate in almost a decade of 6.1% for the first quarter of 2009, battered by declining exports. In an effort to mitigate the adverse impact inflicted by the external environment, China moved swiftly to focus on increasing domestic spending by announcing an unprecedented RMB4.1 trillion stimulus package in November 2008.

In tandem with the economic downturn, China's real estate sector suffered across-the-board declines in prices and volumes transacted, particularly pronounced in certain major cities, in the last quarter of 2008. However, by the beginning of 2009, some optimism had returned and a sustainable rebound in volumes transacted was perceptible as developers cut prices to entice buyers. These emerging trends bode well for the Group, which has almost all its assets located and operations conducted in mainland China.

Notwithstanding these recent encouraging signs of an early economic recovery, there are still several uncontrollable factors that may thwart China's capacity to realize its target of 8% annual growth. In the face of such uncertainty and while cautiously optimistic about the mainland real estate market, the Group has taken early steps to mitigate downside risks while trimming operating costs, including payroll, to remain nimble and in readiness to respond to market changes. The Group will continue to channel resources towards the optimal and cost-effective management of its existing portfolio of assets so as to maximize yields and shareholders' value in the current financial year and beyond.

All key operating assets performed well during the period under review despite the decrease in fair values for the Group's investment properties. The two business park properties, namely Vision Shenzhen Business Park (VSBP) and Sohu.com Internet Plaza (SIP), enjoyed over 90% occupancy rates during the period under review. Both have established themselves solidly as landmark facilities within their respective districts in Shenzhen and Beijing. VSBP is the Group's flagship asset and a major contributor of recurrent rental income during the period under review. Discussions with the Shenzhen authorities on the future development plans for the phase 3 site are still in progress.

The construction of the first phase of the Group's Shanghai Songjiang residential project progressed satisfactorily during the period under review and some 35% or 146 of the 418 units available for pre-sales were committed as at 31 March 2009, notwithstanding the challenging environment. Since 31 March 2009, a further 90 units had been pre-sold as at the date of this announcement, bringing the total to 236 units. The completion of construction and thereafter the handover of units to the purchasers are scheduled for December 2009. The design and pre-construction works for the second phase of the project are on-going. The conceptual design process of the Shenyang site started during the period under review. The Group expects to take vacant possession of the site by about January 2010.

REVIEW OF OPERATIONS

Business park sector

Vision Shenzhen Business Park (VSBP)

VSBP offers some 125,000sm of office space and about 1,000 carpark lots for lease. This property comprises seven medium-rise blocks built around a 16,000sm lush landscaped park complete with sporting and recreational facilities. It 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 offer an unrivalled service standard.

During the period under review, VSBP continued to provide high-quality office space and consistently reliable 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 position as market leader in the business park sector is demonstrated by the consistently high occupancy of over 90% achieved. Today, VSBP has established a reputation for quality and won accolades from well-known international and domestic names, both tenants and visitors.

During the period under review, the Group continued to engage the Shenzhen authorities to determine the future directions of phase 3 development site, which occupies an area of 254,000sm, with a developable gross floor area of over 400,000sm. As at the date of this announcement, the Group was still in the process of negotiating with the authorities to conclude a comprehensive settlement of the issues afflicting VSBP, including the expired construction deadline of the phase 3 site. The Group remains fully committed and plans to undertake a world-class landmark development within Shenzhen and the greater Pearl River Delta region on this site, subject to the conclusion of acceptable terms and conditions. It is hoped that an amicable agreement can be concluded in due course to enable the development process of the site to proceed in phases as determined by market forces.

Sohu.com Internet Plaza (SIP)

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. Since its completion in 2004, it has stood as a landmark building with a sought-after address within Zhongguancun. Following the sale of certain floors to Sohu.com in January 2007, the building was renamed SIP and the joint venture now holds the remaining gross floor area comprising 10,145sm of office and 4,786sm of retail space. For the period under review, the occupancy rate was over 95% with several acclaimed tenants, such as Juniper Networks, Sun Microsystems and Starbucks, in addition to owner-occupier Sohu.com - one of China's most reputable world-class corporate names.

Real estate development

Property projects in mainland China

Shanshui Four Seasons, Songjiang, 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 830,000sm to be developed in phases. The pace of such development will be dictated by market conditions. The structural works for phase 1, with a total gross floor area of about 100,340sm (excluding basement area), comprising 418 units of terrace and semi-detached houses, a clubhouse and some commercial and retail space, were completed in late 2008 and the remaining works are expected to be completed before the end of this year.

The marketing of the first batch of units under phase 1 started in July 2008. Despite the tough market conditions, about 35% or 146 of 418 units had been pre-sold as at 31 March 2009. Since 31 March 2009, a further 90 units had been pre-sold as at the date of this announcement, bringing the total to 236 units. With its tranquil suburban location, easy accessibility and quality design concept, the Group is confident that the project will continue to 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.

Qingniandajie project, Shenyang

The Group secured this commercial development site (referred to as Jin Lang site no. 9-4) located at Shenyang's busiest thoroughfare, Qingniandajie, at a public auction on 2 July 2008. The 15,630sm site has a potential permissible gross floor area of 187,568sm. The cost of the site is RMB386 million, equivalent to an accommodation value (land cost per sm permissible gross floor area) of about RMB2,060. The site is situated within the Shenhe district and is within walking distance to a proposed subway station. The site is now undergoing resettlement of its existing occupants by the Shenyang Land Reserve Center, which is expected to deliver vacant possession by 31 January 2010. The preliminary conceptualization and planning works for this project have started. Subject to approvals being obtained, the development will comprise office, retail and serviced apartment components. It is envisaged that the construction of this high-rise multi-tower project will commence in 2010 and finish in 2013.

The Group is taking the opportunity presented by the lead time prior to site possession to review the changing market conditions and make necessary adjustments to ensure this investment is capable of yielding an acceptable risk-adjusted return. The Group is confident of the long-term prospects of Shenyang — the largest city in northeast China and the political, economical and cultural centre of Liaoning province. Shenyang is particularly well positioned to be a major beneficiary of the central government's strategy to accelerate the development of the north-east region and its real estate sector holds much promise in tandem with its economic growth prospects and physical transformation.

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 activities

In its drive to build a business platform for sustainable growth and creation of shareholders' value, the Group has always exercised caution and prudence to ensure that its scarce financial resource is allocated optimally while remaining vigilant to investment risk. It is fortuitous that this philosophy has borne out particularly well for the Group, in the light of current global financial turmoil and uncertainty. Despite the current weakness of the mainland economy, the Group is confident of the long-term prospects of the property market. In this context, the Group intends to concentrate in the execution of its existing portfolio of projects and will selectively consider new investment opportunities when there are compelling strategic and economic reasons to do so.

FINANCIAL REVIEW

The Group recorded a loss attributable to shareholders of HK$30.9 million for the six months ended 31 March 2009 compared to a profit of HK$23.6 million for the corresponding six months ended 31 March 2008. On a per-share basis, the Group recorded loss of HK0.45 cent.

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 31 March 2009 were consistent with those used in the last financial year ended 30 September 2008.

The loss for the six months ended 31 March 2009 were mainly due to the fair value losses of investment properties amounting to HK$60.9 million and partially offset by the reversal of the excess for land appreciation tax ("LAT") of HK$11.0 million provided for The Ninth ZhongShan project in Dalian.

Review of overall performance

The revenue for the six months ended 31 March 2009 decreased by 11.2% to HK$59.8 million from HK$67.3 million for the corresponding six months ended 31 March 2008. The lower revenue was primarily due to the reduced sales realized from The Ninth ZhongShan project and partially offset by the higher rental and property management income produced by VSBP.

During the period, another 59 units of the Shanshui Four Seasons project in Songjiang, Shanghai were pre-sold in addition to the 87 units pre-sold as at the last financial year end date of 30 September 2008. However, no revenue had been recognised in the period under review. In compliance with accounting standards, revenue will be recognised upon the issue of building occupation permit for the pre-sold units by the relevant authority. All payments received prior to this stage were recorded as sales deposits received.

Operating loss for the six months ended 31 March 2009 amounted to HK$43.1 million, compared to an operating profit of HK$41.0 million for the corresponding period ended 31 March 2008. The loss incurred during the current period was largely due to the fair value losses of investment properties amounting to HK$60.9 million. The profit of the corresponding period was 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$8.5 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 LAT provision of HK$13.1 million of The Ninth ZhongShan project in Dalian.

Business segments

Property development

For the six months ended 31 March 2009, the revenue of the property development segment fell to HK$4.8 million or 8.1% of the total revenue, compared to HK$26.6 million or 39.5% of the total revenue of the six months ended 31 March 2008. Of the HK$4.8 million revenue, HK$2.9 million consisted of proceeds from the sale of a residential unit and the property management fee income received from The Ninth ZhongShan project.

Business park

The revenue generated by the business park segment grew by 34.9%, from HK$40.7 million for the six months ended 31 March 2008 to HK$54.9 million, representing 91.9% of the total revenue for the six months ended 31 March 2009. This improved revenue was due to the incremental maiden rental income received from the progressively higher occupancy achieved at the latest completed VSBP phase 2.

Geographical markets

Hong Kong

Reflecting the impact of the shift of the Group's investment focus to the mainland in the past few years and with no new projects in Hong Kong, the revenue derived from Hong Kong remained relatively insignificant at HK$0.6 million for both the six months ended 31 March 2008 (0.9% of total revenue) and the six months ended 31 March 2009 (1.1% of total revenue). This revenue represented the rental income from the car-park lots held in a completely sold residential development, Greenery Place in Yuen Long.

Mainland China

Revenue from operations in mainland China amounted to HK$59.2 million (98.9% of total revenue) for the six months ended 31 March 2009 compared to HK$66.7 million (99.1% of total revenue) for the six months ended 31 March 2008. The revenue during the period under review comprised the rental income and property management fee income (HK$54.9 million) contributed by VSBP and SIP and the sale of a residential unit and the property management fee income (HK$2.9 million) realized from The Ninth ZhongShan project.

Assets

The value of the Group's total assets increased by 8.2% to HK$4,824.4 million as at 31 March 2009 compared to HK$4,457.2 million as at 30 September 2008.

Assets held under the property development segment amounted to HK$3,469.4 million (71.9% of total assets) as at 31 March 2009 compared to HK$3,305.0 million (74.1% of total assets) as at 30 September 2008. The higher amount reflected the increase in capitalised development costs incurred in connection with the Shanghai Songjiang project.

Assets held under the business park segment decreased to HK$1,033.9 million as at 31 March 2009, down from HK$1,085.6 million as at 30 September 2008, reflecting the dimunition in fair values of investment properties, namely VSBP and SIP.

Total assets held in mainland China amounted to HK$4,507.4 million as at 31 March 2009, representing 93.4% of the Group's total assets.

Shareholders' funds

The Group's total shareholders' funds decreased by 2.4% from HK$1,795.1 million as at 30 September 2008 to HK$1,752.2 million as at 31 March 2009, reflecting mainly the fair value losses of the investment properties. On a per-share basis, the consolidated net asset value of the Group as at 31 March 2009 decreased to HK25.6 cents, compared to HK26.2 cents as at 30 September 2008. The total shareholders' funds constituted 36.3% of the total assets of HK$4,824.4 million as at 31 March 2009.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings increased by 36.8% to HK$2,059.4 million as at 31 March 2009 from HK$1,505.9 million as at 30 September 2008 and the net debt (measured by total bank borrowings minus cash and bank deposits) increased to HK$1,166.7 million as at 31 March 2009 from HK$909.4 million as at 30 September 2008. The increase in net debts was mainly due to the drawdown of new loans for funding the development costs incurred in the Shanghai Songjiang project. In tandem with the increased borrowings, the Group's gearing ratio (defined as the total borrowings over total equity, including minority interests) rose to 101.5% as at 31 March 2009, from 72.4% as at 30 September 2008. The Group's cash and bank balances increased by 49.7% to HK$892.7 million as at 31 March 2009 from HK$596.4 million as at 30 September 2008.

Short-term and long-term borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 31 March 2009 and 30 September 2008 are summarized as below:

	As at	
	31 March 2009 (Unaudited) *HK$'000*	30 September 2008 (Audited) *HK$'000*
Within the first year	**1,047,880**	195,502
In the second year	**802,793**	949,229
In the third to fifth year	**208,743**	361,134
Wholly repayable within five years	**2,059,416**	1,505,865

Financial management

Foreign currency risk

Borrowings denominated in United States dollar remained at the same level while in Renminbi 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 2009 and 30 September 2008 are summarized below:

	As at	
	31 March	30 September
	2009	2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong dollar	**498,687**	138,274
Renminbi	**1,281,514**	1,086,844
United States dollar	**279,215**	280,747
	2,059,416	1,505,865

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 2009 and 30 September 2008, 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 yet 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 2009, the Group's bank borrowings were secured by certain investment properties with carrying values of HK$136.9 million (30 September 2008: HK$147.1 million).

Contingent liabilities

At 31 March 2009, the Company issued guarantees to the extent of HK$186.1 million (30 September 2008: HK$199.5 million) of which HK$174.8 million (30 September 2008: HK$188.1 million) was utilised in respect of bank borrowings granted to its subsidiaries.

PROSPECTS

That 2009 will turn out to be a most challenging year, fraught with major difficulties and unknowns resulting from the global crisis, is now widely accepted. In line with this global trend, mainland China's economic growth is expected to ease. However, the mainland economy is considered to be better-positioned to recover faster and earlier than other major economies, driven by Beijing's desire to maintain a GDP growth rate of 8% and supported by the massive spending and other policy initiatives. With China's domestic demand remaining strong and economic fundamentals sound, the Group believes that there will be strong and sustainable demand in all property sectors in the years ahead. Moving forward, the Group will manage the potential challenges emanating from market shifts with care and diligence and position itself to seize suitable opportunities that may become available to strengthen and broaden its business platform.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2009, the Company and its subsidiaries had approximately 205 employees (31 March 2008: 204 employees). Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

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 2009.

AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive directors and one non-executive director. It is chaired by an independent non-executive director. A new set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board during the period and the contents of which are in compliance with the new amendments to the Code Provisions and Recommended Best Practices of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code") which became effective on 1 January 2009. The said terms of reference of the Audit Committee are posted on the Company's website.

The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The 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 has 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 2009.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the CG Code from time to time as set out in the Appendix 14 of the Listing Rules 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. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

2. The Remuneration Committee does not have a majority of independent non-executive directors. The Board will continue with this composition and not comply with Code B.1.1 of the CG Code because the Board 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 the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") which became effective on 1 January 2009 as its own code for dealing in securities of the Company by the directors of the Company. Having made specific enquiry, all directors of the Company have confirmed their compliance with the required standards set out in the Model Code applying before and after 1 January 2009 throughout the period. The Model Code also applies to other specified senior management of the Company.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises one executive director, namely Mr. Ang Ah Lay; five non-executive directors, namely Mr. Lim Ee Seng, Mr. Goh Yong Chian, Patrick, Mr. Tang Kok Kai, Christopher, Mr. Hwang Soo Chin and Ms. Chong Siak Ching (whose alternate is Mr. Chia Nam Toon); 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, 5 May 2009