FRASERS PROPERTY 星狮地产

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 535)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

2009/2010 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 2010 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 2010

		Six months ended 31 March	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**1,222,025**	59,756
Cost of sales		**(985,709)**	(1,628)
Gross profit		**236,316**	58,128
Direct operating expenses		**(44,779)**	(40,859)
Other income	3	**12,182**	14,334
Changes in fair values of investment properties		**—**	(60,924)
Provision written back	4	**69,599**	—
Administrative expenses		**(11,782)**	(13,802)
Finance costs	5	**(19,995)**	(13,686)
Profit/(loss) before tax	6	**241,541**	(56,809)
Tax (charge)/credit	7	**(89,904)**	19,879
Profit/(loss) for the period		**151,637**	(36,930)
Profit/(loss) attributable to:			
Ordinary equity holders of the parent		**113,562**	(30,905)
Non-controlling interests		**38,075**	(6,025)
		151,637	(36,930)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
- basic (HK cent)	8	**1.66**	(0.45)
- diluted (HK cent)	8	**1.66**	N/A

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 31 March 2010

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**151,637**	(36,930)
Other comprehensive loss for the period		
Exchange differences arising on translating foreign operations	**(13,946)**	(15,073)
Other comprehensive loss for the period, net of tax	**(13,946)**	(15,073)
Total comprehensive income/(loss) for the period	**137,691**	(52,003)
Total comprehensive income/(loss) attributable to:		
Ordinary equity holders of the parent	**101,507**	(43,882)
Non-controlling interests	**36,184**	(8,121)
	137,691	(52,003)

Condensed Consolidated Statement Of Financial Position

As at 31 March 2010

	Notes	31 March 2010 (Unaudited) HK$'000	30 September 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,159**	3,115
Investment properties		**1,040,517**	1,047,561
Prepayment for acquisition of land use rights		**438,898**	442,142
Prepayments, deposits and other receivables		**1,821**	1,855
Available-for-sale financial assets		**8,822**	8,822
Deferred tax assets		**—**	15,278
Total non-current assets		**1,492,217**	1,518,773
CURRENT ASSETS			
Properties held for sale		**73,010**	35,173
Properties under development		**1,633,303**	2,550,357
Trade receivables	9	**39,066**	4,775
Prepayments, deposits and other receivables		**22,199**	80,681
Due from the immediate holding company		**64,300**	66,213
Restricted cash		**23,037**	45,574
Cash and cash equivalents		**916,381**	812,316
Total current assets		**2,771,296**	3,595,089
CURRENT LIABILITIES			
Trade payables	10	**4,445**	7,947
Advanced receipts, accruals and other payables		**302,043**	1,267,403
Interest-bearing bank borrowings		**1,215,758**	478,532
Due to the immediate holding company		**91,291**	91,291
Due to a fellow subsidiary		**641**	54
Tax payable		**43,855**	2,463
Total current liabilities		**1,658,033**	1,847,690
NET CURRENT ASSETS		**1,113,263**	1,747,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,605,480**	3,266,172

Condensed Consolidated Statement Of Financial Position (continued)
As at 31 March 2010

	31 March 2010 (Unaudited) *HK$'000*	30 September 2009 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**216,522**	1,026,593
Deferred tax liabilities	**133,115**	122,253
Total non-current liabilities	**349,637**	1,148,846
NET ASSETS	**2,255,843**	2,117,326
EQUITY		
Equity attributable to the ordinary equity holders of the parent		
Issued capital	**684,337**	684,337
Reserves	**1,221,286**	1,118,953
	1,905,623	1,803,290
Non-controlling interests	**350,220**	314,036
Total equity	**2,255,843**	2,117,326

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 (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 2009, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 October 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 1 (Revised)	Amendments to HKFRS 1 *First-time Adoption of HKFRSs*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Amendment to HK(IFRIC) — Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*
HKFRSs (Amendments)	*Improvements to HKFRSs* issued in 2008

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

HKFRS 8, which replaced HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, in which the Group operate, and revenue from the Group's major customers. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

Except for the adoption of HKAS 1 (Revised), Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations and HKFRS 8, the adoption of other new and revised HKFRSs 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 HKFRSs that have been issued but are not yet effective, in the unaudited interim condensed consolidated financial information.

HKAS 24 (Revised)	*Related Party Disclosures* [1]
HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2009* [2]
HKFRS 9	*Financial Instruments* [3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]

1 Effective for annual periods beginning on or after 1 January 2011

2 Except for the amendments to HKFRS 2, HKFRS 5, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009,

and no effective date or transitional provisions for the amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain standards

[3] Effective for annual periods beginning on or after 1 January 2013

[4] Effective for annual periods beginning on or after 1 July 2010

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. **Segment information**

The Group is principally engaged in property development, investment and management of residential, commercial and business park projects. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. The Group's operating businesses are almost exclusively with customers based in mainland China and almost all of the Group's assets are located in mainland China. Accordingly, no segment analysis by geographical area of operations is provided.

Operating segments are reported in the manner consistent with the ways in which information is reported internally to the Group's chief operating decision maker for the purpose of assessing the segment information and allocating resources between segments. The application of HKFRS 8 had no material effect on the presentation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

An analysis of the Group's revenue and profit before tax by reportable segments for the period under review was as follows:

2010:

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REPORTABLE SEGMENT REVENUE				
Revenue from external customers	**1,154,577**	**67,448**	**—**	**1,222,025**
REPORTABLE SEGMENT PROFIT/(LOSS)				
Segment results	**214,023**	**53,030**	**(11,736)**	**255,317**
Interest income				**6,219**
Finance costs				**(19,995)**
Profit before tax				**241,541**

2009:

	Property development (Unaudited) *HK$'000*	Business park (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REPORTABLE SEGMENT REVENUE				
Revenue from external customers	4,817	54,939	—	59,756
REPORTABLE SEGMENT LOSS				
Segment results	(20,859)	(17,487)	(13,830)	(52,176)
Interest income				9,053
Finance costs				(13,686)
Loss before tax				(56,809)

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 were as follows:

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
REVENUE		
Sale of properties	**1,152,353**	3,063
Gross rental income	**47,292**	42,705
Property management fee income	**22,380**	13,988
	1,222,025	59,756
OTHER INCOME		
Interest income	**6,219**	9,053
Utility revenue	**3,205**	3,027
Others	**2,758**	2,254
	12,182	14,334

4. **Provision written back**

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision written back:		
Other receivables	**69,599**	—

Note: Represented the provision written back upon the receipt of land premium rebate.

5. **Finance costs**

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**26,745**	51,647
Other borrowing costs	**2,111**	600
Total borrowing costs incurred	**28,856**	52,247
Less: Amounts capitalised to properties under development	**(8,861)**	(38,561)
Amount charged to the consolidated income statement	**19,995**	13,686

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

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

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**673**	1,020
Less: Amounts capitalised to properties under development	**(105)**	(133)
	568	887
Gross rental income	**(47,292)**	(42,705)
Less: Outgoing expenses *(Note (a))*	**12,164**	8,743
	(35,128)	(33,962)
Amortisation of land use rights	**7,400**	8,026
Change in fair values of investment properties	**—**	60,924
Minimum lease payments under operating lease in respect of land and building	**2,065**	1,942
Employees benefit expenses (including directors' remuneration)		
Wages and salaries	**12,040**	13,044
Equity-settled share option expenses	**826**	933
Net pension schemes contributions (after deducting forfeited contribution of HK$Nil (2009: HK$Nil))	**362**	371
	13,228	14,348
Auditors' remuneration	**844**	553
Foreign exchange losses, net	**354**	599

Note:

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

7. **Tax (charge)/credit**

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 (charged)/credited to the interim condensed consolidated income statement represented:

	Six months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Corporate income tax in mainland China *(Note (a))*	**(36,160)**	207
LAT in mainland China *(Note (b))*	**(28,368)**	11,009
Deferred *(Notes (c) & (d))*	**(25,376)**	8,663
	(89,904)	19,879

Notes:

(a) The provision for corporate income tax was related to the normal operations for the current period. In the prior period, there was a write back of overprovided tax of HK$5,225,000.

(b) The provision of LAT was estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT had been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. For the current period, the amounts substantially represented the provision for LAT relating to the Shanghai project. For the prior period, amount mostly represented the over-provision written back regarding Dalian project after the final payment of LAT.

(c) For the current period, the deferred tax arising on provision written back of a land premium rebate receivable and normal operations of HK$14,601,000 and HK$4,567,000 respectively. For the prior period, the deferred tax arising on fair values losses for investment properties with credit adjustment and normal operations of HK$15,231,000 and HK$5,216,000 respectively.

(d) Deferred tax liability of HK$6,208,000 (2009: HK$1,352,000) regarding withholding income tax on the undistributed earnings (future dividend) of PRC subsidiaries had been charged to the interim condensed consolidated income statement for the current period.

8. **Earnings/(loss) per share attributable to ordinary equity holders of the parent**

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

The calculation of basic earnings/(loss) per share was based on the profit for the period attributable to ordinary equity holders of the parent of approximately HK$113,562,000 (2009: loss of HK$30,905,000) and the weighted average of 6,843,371,580 (2009: 6,843,371,580) ordinary shares in issue during the period.

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

The calculation of diluted earnings per share was based on the profit for the period attributable to ordinary equity holders of the parent of HK$113,562,000. The weighted average number of 6,853,482,631 ordinary shares used in the calculation was the number of ordinary shares in issues during the period, as used in the basic earnings per share calculation, and the weighted average number of 10,111,051 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share for the six months period ended 31 March 2009 had been presented because the exercise prices of the Company's share options were higher than the average market price for shares for that period.

9. **Trade receivables**

An aged analysis of the trade receivables at the reporting date, based on payment due date, was as follows:

	31 March 2010 (Unaudited) *HK$'000*	30 September 2009 (Audited) *HK$'000*
Within 1 month	**28,731**	4,723
1 to 2 months	**5,831**	—
2 to 3 months	**4,452**	—
Over 3 months	**52**	52
	39,066	4,775

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.

10. **Trade payables**

At the reporting date, the ageing analysis of the trade payables, based on the invoice date, was as follows:

	31 March 2010	30 September 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**549**	784
3 months to 12 months	**388**	575
Over 1 year	**3,508**	6,588
	4,445	7,947

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2010 (31 March 2009: Nil).

OVERVIEW

The Group's revenue amounted to HK$1,222.0 million for the 6-month period ended 31 March 2010, substantially higher than the HK$59.8 million realized for the corresponding period of the previous financial year, reflecting the recognition of revenue from the sale of phase 1 units of the Shanghai Shanshui Four Seasons project. This maiden revenue together with the write-back of a land premium rebate boosted the Group's profit attributable to the shareholders for the period under review to HK$113.6 million, against a loss of HK$30.9 million for the corresponding period ended 31 March 2009.

Propelled by the government's massive RMB4.1 trillion stimulus package announced in November 2008, China's economy grew at 10.7% in the fourth quarter of 2009 and 11.9% in the first quarter of 2010 — the fastest pace since 2007 and 5.7 percentage points up on the same period last year when the economy was still reeling from the 2008 financial crisis. The World Bank expects China's full year 2010 GDP growth to hit 9.5%. This positive outlook bodes well for the Group, which has significant operations in the mainland.

In tandem with the robust economic performance, property prices rose rapidly despite several rounds of tightening policies. The latest data showed residential property prices in 70 cities surged 11.7% in March 2010 alone from a year earlier, the fastest since records began in 2005. Both prices and volumes of residential properties rose sharply in major markets like Beijing and Shanghai during the period under review. In response, the central government has taken several policy steps to curb soaring prices, including the imposition of a higher minimum down payment from 20% to 30% on the purchase of first homes of more than 90 sm and 40% to 50% on second homes. The minimum mortgage rate on second homes was also raised. Such tightening of mortgage conditions are expected to push down property prices as mainland banks work towards compliance with the central bank's guideline to raise the reserve ratio to further curb lending with effect from 10 May 2010.

In this environment, the Group continues to be prudent and to take steps to mitigate downside risks where possible, while remaining nimble and in readiness to respond to market changes and opportunities. The Group will channel resources towards the optimal and cost-effective management of its existing portfolio of assets to maximize yields and shareholders' value while maintaining long-term sustainable growth.

All key operating assets performed well during the period under review. The two business park properties, namely Vision Shenzhen Business Park (VSBP) and Sohu.com Internet Plaza (SIP), enjoyed over 95% occupancy rates during the period under review. Both have established themselves as landmark facilities within their respective districts in Shenzhen and Beijing. VSBP is now the Group's flagship asset and a major contributor of recurrent rental income.

The marketing of 418 residential units under the first phase of the Shanghai Shanshui Four Seasons project during the period under review was an overwhelming success. As at 31 March 2010, 387 units were sold. Since then, another 4 units had been sold as at the date of this announcement, bringing the total to 391 units or 93.5% sold. Most units have been handed over to the purchasers. Riding on the success of the first phase, the design and pre-construction works for the second phase of the project are on-going and it is expected that construction will start later this year.

REVIEW OF OPERATIONS

Business park sector

Vision Shenzhen Business Park (VSBP)

VSBP offers some 125,000 sm of office space and about 1,000 carpark lots for lease. This property comprises seven medium-rise blocks built around a 16,000 sm 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.

VSBP provides high quality office space and consistently reliable property management services to both big and small tenants. 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 95% 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 intensified discussions with the Shenzhen authorities to determine the future directions of the phase 3 development site, which occupies an area of 254,000 sm, with a developable gross floor area of over 400,000 sm. As at the date of this announcement, the Group is still negotiating certain details with the authorities to reach a comprehensive settlement of the various outstanding issues, including the expired construction deadline of the phase 3 site. The Group plans to undertake a world-class landmark development in Shenzhen and within the greater Pearl River Delta region on this site. The Group believes that Shenzhen has the potential to grow into a metropolis of southern China in the years ahead. In this context, it is hoped that firm agreements can be signed as soon as possible with the Shenzhen authorities to enable the initial phase of the development process of the site to start in 2011.

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 modern 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 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 10,145 sm of office and 4,786 sm of retail space. As at the date of this announcement, the building is fully occupied.

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 830,000 sm to be developed in phases. The pace of such development will be dictated by market conditions.

Over 92% of 418 units in phase 1 had been sold and the revenue was recognized during the period under review. Following receipt of the occupation permits in end 2009, most of the sold units were handed over to the purchasers. Phase 2 comprising some 245,000 sm of saleable area is at an advanced stage of planning and construction is expected to commence in the current year. 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.

Development site at Qingniandajie, Shenyang, Liaoning province

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 15,630 sm site has a potential permissible gross floor area of 187,568 sm. 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 in Shenhe district and is within walking distance of a subway station under construction. Due to a delay in the resettlement of existing occupants, the Shenyang Land Reserve Centre failed to deliver the site with vacant possession by the stipulated deadline of 31 January 2010. The authorities have advised that the site can be cleared and possession delivered by August 2010.

Based on the preliminary conceptualization and design planning of the site, construction of this mixed-use, high-rise multi-tower commercial development was scheduled to start in 2011. However, in view of the uncertainty of timely site possession and the possibility of a further delay, the Group is now assessing its various options in the light of the changing trends and shifts in the Shenyang property market.

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. The Group is confident of the long-term prospects of the mainland property market. In this context, the Group has focused on the execution of its existing portfolio of projects during the year under review and will selectively consider new investment opportunities when there are compelling strategic and economic reasons to do so.

FINANCIAL REVIEW

The Group recorded a profit attributable to shareholders of HK$113.6 million for the six months ended 31 March 2010 compared to a loss of HK$30.9 million for the corresponding six months ended 31 March 2009. On a per-share basis, the Group recorded earnings of HK1.66 cent.

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 31 March 2010 were consistent with those used in the last financial year ended 30 September 2009.

The substantial improvement in the profit attributable to shareholders for the six months ended 31 March 2010 was due to the recognition of revenue from the sale of residential units of phase 1 of the Shanghai Shanshui Four Seasons project and the write-back of a land premium rebate which was received.

Review of overall performance

The revenue for the six months ended 31 March 2010 increased sharply by over 20 times to HK$1,222.0 million from HK$59.8 million for the corresponding six months ended 31 March 2009 boosted mainly by the recognition of revenue from the sale of units of phase 1 in the Shanghai Shanshui Four Seasons project. The sale of the remaining commercial space of The Ninth ZhongShan project and rental income from the higher occupancy rate enjoyed by VSBP also contributed to the increased revenue.

In compliance with the relevant accounting standards, revenue from the sale of units of the Shanghai Shanshui Four Seasons project was recognised upon the receipt of the building occupation permits in December 2009. All payments received from pre-sold units prior to this stage had been recorded as pre-sales receipts as at 30 September 2009 and were recognised as revenue in the period under review.

The profit attributable to shareholders for the six months ended 31 March 2010 amounted to HK$113.6 million, against a loss of HK$30.9 million for the corresponding period ended 31 March 2009. This improved performance arose from the recognition of revenue from the sale of the units in the Shanghai Shanshui Four Seasons project and the write-back of a land premium rebate of HK$69.6 million which was received. The loss incurred during the prior period was largely due to the fair value losses of investment properties amounting to HK$60.9 million and tax adjustments.

Business segments

Property development

For the six months ended 31 March 2010, the revenue of the property development segment increased to HK$1,154.6 million, representing 94% of the total revenue, compared to HK$4.9 million, representing 8% of the total revenue, of the corresponding period ended 31 March 2009. Of the HK$1,154.6 million revenue, HK$1,135.7 million was derived from the sale of residential units of the Shanghai Shanshui Four Seasons project, while another HK$16.3 million was from the sale of commercial space of The Ninth ZhongShan project.

Business park

The revenue earned by the business park segment grew by 23%, from HK$54.9 million for the six months ended 31 March 2009 to HK$67.4 million, representing 6% of the total revenue, for the six months ended 31 March 2010. This improved revenue was due to the higher occupancy achieved at VSBP.

Geographical markets

Hong Kong

Reflecting the impact of the shift of the Group's investment focus to the mainland in recent 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 2010 and for the six months ended 31 March 2009, in both periods constituting less than 1% of total revenue. This revenue represented the rental income of 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$1,221.4 million for the six months ended 31 March 2010 compared to HK$59.2 million for the six months ended 31 March 2009. In both periods, the revenue earned constituted about 99% of total revenue. The revenue during the period under review included HK$1,135.7 million from Shanghai Shanshui Four Seasons project, the rental income and property management fee income of HK$67.4 million from VSBP and Sohu.com Internet Plaza (SIP) and HK$16.3 million from The Ninth ZhongShan project.

Assets

The value of the Group's total assets decreased by 17% to HK$4,263.5 million as at 31 March 2010 compared to HK$5,113.9 million as at 30 September 2009.

Assets held under the property development segment amounted to HK$2,749.7 million (64% of total assets) as at 31 March 2010 compared to HK$3,651.7 million (71% of total assets) as at 30 September 2009, reflecting the sales of units of the Shanghai Shanshui Four Seasons project and The Ninth ZhongShan project.

Assets held under the business park segment increased to HK$1,124.4 million as at 31 March 2010 from HK$1,105.7 million as at 30 September 2009, as a result of the cash and cash equivalents from the rental income received.

Total assets held in mainland China amounted to HK$3,862.8 million as at 31 March 2010, representing 91% of the Group's total assets.

Shareholders' funds

The results of the period under review caused the Group's total shareholders' funds to increase by 6% from HK$1,803.3 million as at 30 September 2009 to HK$1,905.6 million as at 31 March 2010. On a per-share basis, the consolidated net asset value of the Group as at 31 March 2010 increased to HK27.9 cents, against HK26.4 cents as at 30 September 2009. The total shareholders' funds constituted 45% of the total assets of HK$4,263.5 million as at 31 March 2010.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings fell by 5% to HK$1,432.3 million as at 31 March 2010 from HK$1,505.1 million as at 30 September 2009 while the net debt (measured by total bank borrowings minus cash and bank deposits) fell to HK$492.9 million as at 31 March 2010 from HK$647.2 million as at 30 September 2009. The reduction in the net debt was mainly due to the repayment of loans with the sales proceeds received from the Shanghai Shanshui Four Seasons project. The Group's gearing ratio (defined as the total borrowings over total equity, including non-controlling interests) fell to 63% as at 31 March 2010, down from 71% as at 30 September 2009. The Group's cash and bank balances increased by 10% to HK$939.4 million as at 31 March 2010 from HK$857.9 million as at 30 September 2009.

Short-term and long-term borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 31 March 2010 and 30 September 2009 are summarized as below:

	31 March 2010 (Unaudited) ***HK$'000***	30 September 2009 (Audited) *HK$'000*
Within the first year	**1,215,758**	478,532
In the second year	**47,737**	833,442
In the third to fifth year	**168,785**	193,151
Wholly repayable within five years	**1,432,280**	1,505,125

Financial management

Foreign currency risk

Borrowings denominated in United States dollar and Hong Kong dollar remained at about the same levels while those in renminbi decreased 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.

The currency denominations of the Group's bank borrowings outstanding as at 31 March 2010 and 30 September 2009 are summarized below:

	31 March 2010 (Unaudited) *HK$'000*	30 September 2009 (Audited) *HK$'000*
Hong Kong dollar	**500,000**	499,102
Renminbi	**652,977**	724,507
United States dollar	**279,303**	281,516
	1,432,280	1,505,125

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 2010 and 30 September 2009, 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. 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 2010, the Group's bank borrowings were secured by certain investment properties with a carrying value of HK$143.2 million (30 September 2009: HK$143.7 million).

Contingent liabilities

At 31 March 2010, the Company issued guarantees to the extent of HK$181.9 million (30 September 2009: HK$183.2 million) of which HK$170.5 million (30 September 2009: HK$171.8 million) was utilised in respect of bank borrowings granted to its subsidiaries.

PROSPECTS

With China's growing domestic consumption and sound economic fundamentals, the Group believes that there will be strong and sustainable demand in all property sectors in the years ahead. Moving forward, the Group will continue to explore selective investment opportunities to strengthen and broaden its business platform.

With existing projects in Beijing, Shanghai and Shenzhen, the Group feels particularly well-positioned to capitalize on and benefit from the enormous market forces which will further propel these cities' transformation into vibrant world-class metropolises. Barring unforeseen circumstances, the Group expects the performance for this current financial year to be satisfactory.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Company and its subsidiaries had approximately 191 employees (31 March 2009: 205 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 2010.

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 set of written terms of reference, which described the authority and duties of the Audit Committee, has adopted by the Board and the contents of which are in compliance with to the Code Provisions and Recommended Best Practices of the

Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). 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 2010.

CORPORATE GOVERNANCE

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

1. The non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. 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 majority of the members of the Remuneration Committee are not independent non-executive directors. The Board will continue with this composition and not comply with Code B.1.1 of the CG Code because 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") 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 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. Chia Khong Shoong, Ms. Chong Siak Ching (whose alternate is Mr. Chia Nam Toon) Mr. Hui Choon Kit and Mr. Hwang Soo Chin; 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, 8 May 2010