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 ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

ANNUAL RESULTS

The Board of Directors (the "Board") of Frasers Property (China) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 September 2010 together with the comparative figures for the previous year as follows:

**For identification purpose only*

Consolidated Income Statement

Year ended 30 September 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	3	**1,339,765**	124,796
Cost of sales		**(984,634)**	(1,990)
Gross profit		**355,131**	122,806
Direct operating expenses		**(86,392)**	(99,359)
Other income	3	**25,398**	25,590
Changes in fair values of investment properties		**99,240**	(14,826)
Gain on disposal of an available-for-sale financial investment		**—**	1,412
Provision written back, net	4	**69,516**	—
Administrative expenses		**(28,993)**	(25,894)
Finance costs	5	**(43,848)**	(24,442)
Profit/(loss) before tax	6	**390,052**	(14,713)
Tax (charge)/credit	7	**(142,755)**	11,743
Profit/(loss) for the year		**247,297**	(2,970)
Attributable to:			
Owners of the parent		**194,044**	3,169
Non-controlling interests		**53,253**	(6,139)
		247,297	(2,970)
Earnings per share attributable to ordinary equity holders of the parent	8		
- basic (HK cent)		**2.84**	0.05
- diluted (HK cent)		**2.83**	0.05

Consolidated Statement of Comprehensive Income

Year ended 30 September 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**247,297**	(2,970)
Other comprehensive income for the year		
Exchange differences arising on translating foreign operations	**2,040**	8,198
Other comprehensive income for the year, net of tax	**2,040**	8,198
Total comprehensive income for the year	**249,337**	5,228
Total comprehensive income/(loss) attributable to:		
Owners of the parent	**196,239**	10,308
Non-controlling interests	**53,098**	(5,080)
	249,337	5,228

Consolidated Statement of Financial Position
30 September 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,090**	3,115
Investment properties		**1,149,680**	1,047,561
Prepayment for acquisition of land use rights		**442,181**	442,142
Prepayments, deposits and other receivables		**1,814**	1,855
Available-for-sale financial investments		**8,822**	8,822
Deferred tax assets		**—**	15,278
Total non-current assets		**1,604,587**	1,518,773
CURRENT ASSETS			
Properties held for sale		**149,436**	35,173
Properties under development		**1,565,607**	2,550,357
Trade receivables	9	**4,692**	4,775
Prepayments, deposits and other receivables		**12,119**	80,681
Due from the immediate holding company		**63,995**	66,213
Restricted cash		**399**	45,574
Cash and cash equivalents		**767,617**	812,316
Total current assets		**2,563,865**	3,595,089
CURRENT LIABILITIES			
Trade payables	10	**3,583**	7,947
Advanced receipts, accruals and other payables		**296,664**	1,267,403
Interest-bearing bank borrowings		**867,577**	478,532
Due to the immediate holding company		**81,634**	91,291
Due to a fellow subsidiary		**4**	54
Tax payable		**57,230**	2,463
Total current liabilities		**1,306,692**	1,847,690
NET CURRENT ASSETS		**1,257,173**	1,747,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,861,760**	3,266,172
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**342,777**	1,026,593
Deferred tax liabilities		**162,295**	122,253
Total non-current liabilities		**505,072**	1,148,846
NET ASSETS		**2,356,688**	2,117,326

Consolidated Statement of Financial Position (continued)
30 September 2010

	2010	2009
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**684,702**	684,337
Reserves	**1,317,023**	1,118,953
	2,001,725	1,803,290
Non-controlling interests	**354,963**	314,036
Total equity	**2,356,688**	2,117,326

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

1.1 Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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)	*First-time Adoption of Hong Kong Financial Reporting Standards*
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*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments — Disclosure of information about segment assets (early adopted)*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
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 and 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	*Transfer of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs
Improvements to HKFRSs (May 2009)	Amendments to HKAS 38, HKFRS 2, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

1.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemption for First-time Adopters* [1]
HKFRS 1 Amendment	Amendment to HKFRS 1 — *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters* [3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* [1]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [4]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [3]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* and *Improvements to HKFRSs 2010* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Under the *Improvements to HKFRSs 2009*, the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. Under the *Improvements to HKFRSs 2010*, the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

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

[2] Effective for annual periods beginning on or after 1 February 2010

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

[4] Effective for annual periods beginning on or after 1 January 2011

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) property development segment - development, investment and management of properties;

(b) business park segment - development, investment and management of business parks; and

(c) corporate segment - the Group's corporate management services to the residential, commercial and business park projects.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets and certain cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and amounts due to the immediate holding company and a fellow subsidiary as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Year ended 30 September 2010

	Property development HK$'000	Business park HK$'000	Corporate HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	1,202,199	137,566	—	1,339,765
Segment results:	243,220	206,062	(28,946)	420,336
Reconciliation				
Interest income				13,564
Finance costs				(43,848)
Profit before tax				390,052
Segment assets:	2,581,576	1,223,486	10,156	3,815,218
Reconciliation				
Other unallocated assets				353,234
Total assets				4,168,452
Segment liabilities:	241,252	43,444	15,551	300,247
Reconciliation				
Other unallocated liabilities				1,511,517
Total liabilities				1,811,764
Other segment information:				
Changes in fair values of investment properties	—	(99,240)	—	(99,240)
Provision written back, net	(69,516)	—	—	(69,516)
Depreciation	610	352	94	1,056
Amortisation of land use rights	14,520	—	—	14,520
Capital expenditure	609	2,851	33	3,493*

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

Year ended 30 September 2009

	Property development	Business park	Corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	7,417	117,379	—	124,796
Segment results:	(56,879)	76,516	(25,508)	(5,871)
Reconciliation				
Interest income				15,600
Finance costs				(24,442)
Loss before tax				(14,713)
Segment assets:	3,651,743	1,105,727	10,600	4,768,070
Reconciliation				
Other unallocated assets				345,792
Total assets				5,113,862
Segment liabilities:	1,223,455	46,196	5,699	1,275,350
Reconciliation				
Other unallocated liabilities				1,721,186
Total liabilities				2,996,536
Other segment information:				
Changes in fair values of investment properties	—	14,826	—	14,826
Gain on disposal of an available-for-sale financial investment	—	—	(1,412)	(1,412)
Depreciation	1,100	329	196	1,625
Amortisation of land use rights	16,053	—	—	16,053
Capital expenditure	666	3,881	15	4,562*

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

3. Revenue and other income

Revenue, which is also the Group's turnover, represents sales of properties, gross rental income received and receivable from investment properties and property management fees received and receivable during the year.

An analysis of revenue and other income recognised is as follows:

	2010	2009
	HK$'000	*HK$'000*
REVENUE		
Sales of properties	**1,198,301**	3,697
Gross rental income	**95,216**	88,737
Property management fee income	**46,248**	32,362
	1,339,765	124,796
OTHER INCOME		
Interest income	**13,564**	15,600
Utility revenue	**7,855**	5,774
Others	**3,979**	4,216
	25,398	25,590

4. Provision written back, net

	Note	2010	2009
		HK$'000	*HK$'000*
Provision written back/(made) for doubtful debts:			
Trade receivables	9(b)	**(12)**	—
Other receivables		**69,528**	—
		69,516	—

Note: Substantially represented the provision written back upon the receipt of land premium rebate receivable.

5. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**50,512**	92,010
Other finance costs	**2,198**	1,146
Total borrowing costs incurred	**52,710**	93,156
Less: Interest capitalised to properties under development	**(8,862)**	(68,714)
	43,848	24,442

6. Profit/(loss) before tax

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

		2010	2009
	Notes	***HK$'000***	*HK$'000*
Depreciation		**1,260**	1,912
Less: Amounts capitalised to properties under development		**(204)**	(287)
		1,056	1,625
Gross rental income	3	**(95,216)**	(88,737)
Less: Outgoing expenses	(a)	**24,619**	18,639
Net rental income	(b)	**(70,597)**	(70,098)
Loss on disposal of items of property, plant and equipment		**589**	—
Changes in fair values of investment properties		**(99,240)**	14,826
Gain on disposal of an available-for-sale financial investment		**—**	(1,412)
Amortisation of land use rights		**14,520**	16,053
Minimum lease payments under operating leases in respect of land and buildings		**4,146**	3,874
Auditors' remuneration		**1,667**	1,516
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**29,292**	26,873
Equity-settled share option expense		**1,703**	1,739
Pension scheme contributions		**726**	735
Less: Forfeited contributions		**(13)**	(—)
Net pension scheme contributions		**713**	735
	(c)	**31,708**	29,347

	2010	2009
	HK$'000	*HK$'000*
Provision written back, net	**(69,516)**	—
Foreign exchange differences, net	**(1,809)**	60

Notes:

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

(b) Rental income on investment properties was included in net rental income.

(c) Included in the balance HK$20,494,000 (2009: HK$18,689,000) was charged to administrative expenses and HK$11,214,000 (2009: HK$10,658,000) was charged to direct operating expenses.

7. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2009: Nil). Taxation on mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdiction in which the Group operates.

The provision of LAT was estimated according to the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. During the current year, LAT was amounted to HK$38,261,000 which substantially came from the Shanghai project. For the prior year, tax credit mostly represented the write-back of the over-provided LAT of HK$12,101,000 after the settlement was made during that year.

The deferred tax for the year ended 30 September 2010 arose mainly from fair value gains for investment properties of HK$24,810,000 (2009: deferred tax effect arising from fair value losses of investment properties of HK$3,706,000).

At the end of the reporting period, deferred tax liability of HK$11,253,000 (2009: HK$2,668,000) regarding withholding income tax on the undistributed earnings (future dividend) of PRC subsidiaries has been provided for.

The amount of tax charge/(credit) to the consolidated income statement represented:

	2010	2009
	HK$'000	*HK$'000*
Current - Hong Kong	**—**	—
Current - mainland China		
Charge for the year	**49,681**	6,528
Under/(over)-provision in prior years	**419**	(6,599)
LAT in mainland China	**38,261**	(12,101)
Deferred	**54,394**	429
	142,755	(11,743)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rate, is as follows:

	2010		2009	
	HK$'000	%	*HK$'000*	%
Profit/(loss) before tax	**390,052**		(14,713)	
Tax at Hong Kong profits tax rate at 16.5% (2009: 16.5%)	**64,359**	**16.5**	(2,428)	(16.5)
Effect of different taxation rate of specific province or local authority in mainland China	**34,302**	**8.8**	647	4.4
Income not subject to tax	**(33,708)**	**(8.6)**	(6,860)	(46.6)
Expenses not deductible for tax	**16,313**	**4.1**	16,558	112.5
Utilisation of previously unrecognised tax losses	**(3,969)**	**(1.0)**	(6,638)	(45.1)
Tax losses for which no deferred income tax asset recognised	**15,525**	**4.0**	3,010	20.5
LAT in mainland China	**38,261**	**9.8**	(12,101)	(82.3)
Others	**11,672**	**3.0**	(3,931)	(26.7)
Tax charge/(credit) at the effective rate	**142,755**	**36.6**	(11,743)	(79.8)

8. **Earnings per share attributable to ordinary equity holders of the parent**

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent, and the weighted average of 6,844,523,996 (2009: 6,843,371,580) ordinary shares in issue during the year.

(b) **Diluted earnings per share**

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 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.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**194,044**	3,169

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,844,523,996**	6,843,371,580
Effect of dilution - weighted average number of ordinary shares:		
Share options	**8,834,286**	39,749,633
	6,853,358,282	6,883,121,213

9. **Trade receivables**

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**4,704**	4,775
Impairment	**(12)**	—
	4,692	4,775

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.

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 reviewed regularly 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 are non-interest-bearing and unsecured.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on payment due date and net of provision, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 1 month	**4,692**	4,723
1 to 2 months	**—**	—
2 to 3 months	**—**	—
Over 3 months	**—**	52
	4,692	4,775

(b) The movements in provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At the beginning of the financial year	**—**	—
Impairment losses recognised	**12**	—
At 30 September	**12**	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$12,000 (2009: Nil) with a carrying amount before provision of HK$12,000 (2009: Nil). The individually impaired trade receivables relate to customers that were experiencing delinquency in interest or principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

(c) An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**—**	—
Less than 1 month past due	**4,692**	4,723
2 to 3 months past due	**—**	—
More than 3 months past due	**—**	52
	4,692	4,775

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**1,170**	784
3 months to 12 months	**234**	575
Over 1 year	**2,179**	6,588
	3,583	7,947

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

FINANCIAL REVIEW

Results for the year ended 30 September 2010

The Group recorded a profit attributable to owners of the parent of HK$194.0 million for the year ended 30 September 2010 versus HK$3.2 million for the year ended 30 September 2009. On a per-share basis, the Group recorded earnings of HK2.84 cents.

The substantial improvement in profit for the year ended 30 September 2010 resulted from the recognition of revenue from the sale of units of phase 1 in the Shanghai

Shanshui Four Seasons project, the write-back of a land premium rebate of HK$69.6 million which was received and increases in fair values of investment properties amounting to HK$99.2 million but partially offset by higher finance costs and tax.

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

Review of overall performance

The revenue for the year ended 30 September 2010 increased sharply to HK$1,339.8 million from HK$124.8 million for the year ended 30 September 2009 boosted mainly by the recognition of revenue from the sale of residential units of phase 1 in Shanghai Shanshui Four Seasons project. The sale of remaining commercial spaces of the Ninth ZhongShan project and rental income from the higher occupancy rate enjoyed by Vision Shenzhen Business Park ("VSBP") also contributed to the increased revenue. As a result, the gross profit (revenue less cost of sales) improved to HK$355.1 million for the year ended 30 September 2010 from HK$122.8 million for the year ended 30 September 2009.

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 for the year under review.

The profit attributable to owners of parent for the year ended 30 September 2010 amounted to HK$194.0 million, against HK$3.2 million for the year ended 30 September 2009. This improved performance arose from the recognition of revenue for the sale of the residential units in the Shanghai Shanshui Four Seasons project, the write-back of a land premium rebate of HK$69.6 million which was received and increases in fair values of investment properties of HK$99.2 million. The corresponding profit of the prior financial year included net decreases in fair values of investment properties of HK$14.8 million.

The higher tax was provided substantially due to the contribution of Shanghai Shanshui Four Seaons project for the current year. It included the corporate income tax, land appreciation tax ("LAT") and deferred tax of HK$33.2 million, HK$38.2 million and HK$9.2 million respectively.

Final dividend

The Board has resolved not to propose any final dividend for the year ended 30 September 2010 (year ended 30 September 2009: Nil).

Business segment

Property development

For the year ended 30 September 2010, the property development segment contributed a higher revenue of HK$1,202.2 million or 90% of the total revenue, compared to HK$7.4 million or 6% of the total revenue of the year ended 30 September 2009. Of the HK$1,202.2 million revenue, HK$1,177.3 million was contributed by Shanghai Shanshui Four Seasons project; HK$19.2 million by The Ninth ZhongShan, Dalian, while another HK$4.4 million by Scenic Place, Beijing.

Business park

During the year under review, revenue generated by the business park segment grew by 17%, from HK$117.4 million for the year ended 30 September 2009 up to HK$137.6 million, representing 10% of the total revenue for the year ended 30 September 2010. This improved revenue was due to the higher occupancy and rental rates achieved by VSBP.

Assets

The value of the Group's total assets decreased by 18% to HK$4,168.5 million as at 30 September 2010, from HK$5,113.9 million as at 30 September 2009.

Assets held under the property development segment decreased to HK$2,581.6 million (62% of total assets) as at 30 September 2010 compared with 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 amounted to HK$1,223.5 million as at 30 September 2010 compared with HK$1,105.7 million as at 30 September 2009, as a result of increases in fair values of investment properties.

Shareholders' funds

The results of the year under review caused the Group's total shareholders' funds to increase from HK$1,803.3 million as at 30 September 2009 to HK$2,001.7 million as at 30 September 2010. On a per-share basis, the consolidated net asset value of the Group as at 30 September 2010 increased to HK29.2 cents, against of HK26.4 cents as at 30 September 2009. The total shareholders' funds constituted 48% of the total assets of HK$4,168.5 million as at 30 September 2010.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings decreased by 20% to HK$1,210.4 million as at 30 September 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$442.3 million as at 30 September 2010 from HK$647.2 million as at 30 September 2009. For the year under review, the reduction in net debt was mainly due to the net repayment of HK$294.8 million bank borrowings out of the sale proceeds of the Shanghai Shanshui Four Seasons project and the rental income of VSBP. The Group's gearing ratio (defined as the total borrowings over total equity, including non-controlling interests) fell to 51% as at 30 September 2010 down from 71% as at 30 September 2009. The Group's cash and bank balances decreased to HK$768.0 million as at 30 September 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 borrowings outstanding as at 30 September 2010 and 30 September 2009 are summarised below:

	As at	
	30 September 2010	30 September 2009
	HK$'000	*HK$'000*
Within the first year *(Note)*	**867,577**	478,532
In the second year	**342,777**	833,442
In the third to fifth year, inclusive	**—**	193,151
Wholly repayable within five years	**1,210,354**	1,505,125

Note:

A new HK$1,000 million 3-year term loan facility was arranged to refinance the HK$500 million term loan matured in October 2010 and to finance general working capital requirements of the Group in respect of real estate projects.

Financial management

Foreign currency risk

Borrowings denominated in Hong Kong dollar and United States dollar remained at similar level while borrowings in Renminbi decreased during the year 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 30 September 2010 and 30 September 2009 are summarised below:

	As at	
	30 September 2010	30 September 2009
	HK$'000	*HK$'000*
Hong Kong dollar	**500,000**	499,102
Renminbi	**430,557**	724,507
United States dollar	**279,797**	281,516
Total	**1,210,354**	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 floating rate borrowings. As at 30 September 2010, 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 30 September 2010, no bank borrowing was secured by assets of the Group. At 30 September 2009, the Group's bank borrowings were secured by certain investment properties with a carrying value of HK$143.7 million.

Contingent liabilities

At 30 September 2010, the Company issued guarantees to the extent of HK$183.2 million (30 September 2009: HK$183.2 million) of which HK$85.9 million (30 September 2009: HK$171.8 million) was utilised in respect of bank borrowings granted to its subsidiaries.

REVIEW OF OPERATIONS

Real estate development

Shanshui Four Seasons, Songjiang, Shanghai

This 71-hectare development site, in which the Group holds a controlling 54.85%-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. As at 30 September 2010, over 95% of the 418 residential units in phase 1, comprising a total gross floor area of about 100,000 sm of terrace and semi-detached houses, a clubhouse and some retail space, has been sold and the design and pre-construction works for phase 2 are being completed. Phase 2, with a gross floor area of over 250,000 sm, comprises predominantly residential units with some retail and supporting amenities. 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 site is situated within the Shenhe district and is within walking distance to a proposed subway station. The 15,630 sm site has a potential permissible gross floor area of 187,568 sm. Based on initial preliminary concept and design plans, the construction of this mixed use, high-rise commercial development was scheduled to start in 2011. The Shenyang authorities had not been able to deliver vacant possession of the site as at 30 September 2010. In view of the uncertainty of site possession date, the Group is now assessing its various options in light of the changing trends and shifts in the Shenyang property market.

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 realise operating efficiency from economies of scale and to offer an unrivalled service standard.

During the financial year ended 30 September 2010, the Group successfully concluded negotiations with the Shenzhen authorities in relation to the development of the phase 3 site. According to the framework agreement signed on 9 June 2010, the Group will retain a 51,000 sm site which can yield 240,000 sm gross floor area. The Group plans to undertake a landmark development on the site, which is to be built in phases to meet market demand.

Sohu.com Internet Plaza (SIP)

SIP, the Group's joint venture project with 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 10,145 sm of office and 4,786 sm of retail space. For the year under review, the occupancy rate was over 95%.

PROSPECTS

The Group is confident that there is sustainable demand to be satisfied in both major and emerging cities, particularly in the residential sector as the pace of urbanisation and demand from new family units continue to grow. With major on-going projects in both Shanghai and Shenzhen, the Group will seek to explore suitable opportunities with a view to build a stronghold in select regions. At the same time, the Group will continue to push for commencement of construction for phase 2 of the Shanghai Shanshui Four Seasons project and completion of the design and planning for VSBP phase 3 at the earliest possible dates. The Group firmly believes that conscientious execution of its projects will add value to its investments and shareholders alike.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2010, the Company and its subsidiaries had 178 (2009: 202) employees. Salaries of employees are maintained at competitive levels while bonuses may be granted on a discretionary basis with reference to the performance of the Group as well as the individual's performance. 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 year.

AUDIT COMMITTEE

The Audit Committee of the Board was formed in August 2001. It 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, was adopted by the Board and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the Code on Corporate Governance Practices (the "CG Code"). 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 to enable 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 annual report of the Company for the year ended 30 September 2010.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices as set out in the CG Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The corporate governance principles of the Company emphasise a quality board of directors, sound internal control, principles and practices, and transparency and accountability to all shareholders of the Company. The Company has complied with the CG Code throughout the accounting year covered by the 09/10 Annual Report 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 Code A.4.1 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 year. The Model Code also applies to other specified senior management of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 January 2011 to Thursday, 13 January 2011 (both days inclusive), during which period, no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 10 January 2011.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises one executive Director, namely Mr. Leung Ka Hing, Harry; 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. Chong Kok Kong, Mr. Hui Chiu Chung, *J.P.,* Mr. Kwong Che Keung, Gordon and Mr. Alan Howard Smith, *J.P.*

By Order of the Board
Frasers Property (China) Limited
Leung Ka Hing, Harry
Executive Director and Chief Executive Officer

Hong Kong, 5 November 2010