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 2011

2010/2011 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 2011 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 2011

		Six months ended 31 March	
		2011	2010
		HK$'000	*HK$'000*
	Notes	***(Unaudited)***	*(Unaudited)*
Revenue	3	**178,009**	1,225,230
Cost of sales		**(51,235)**	(985,709)
Gross profit		**126,774**	239,521
Direct operating expenses		**(34,922)**	(44,779)
Other income	3	**7,077**	8,977
Provision (made)/written back	4	**(29,271)**	69,599
Administrative expenses		**(12,345)**	(11,782)
Finance costs	5	**(15,944)**	(19,995)
Profit before tax	6	**41,369**	241,541
Tax charge	7	**(18,227)**	(89,904)
Profit for the period		**23,142**	151,637
Attributable to:			
Owners of the Company		**9,582**	113,562
Non-controlling interests		**13,560**	38,075
		23,142	151,637
Earnings per share attributable to owners of the Company:			
- Basic (HK cent)	8	**0.14**	1.66
- Diluted (HK cent)	8	**0.14**	1.66

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2011

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	**23,142**	151,637
Other comprehensive income/(loss) for the period		
Exchange differences on translating foreign operations	**95,591**	(13,946)
Other comprehensive income/(loss) for the period, net of tax	**95,591**	(13,946)
Total comprehensive income for the period	**118,733**	137,691
Total comprehensive income attributable to:		
Owners of the Company	**79,631**	101,507
Non-controlling interests	**39,102**	36,184
	118,733	137,691

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**31 March 2011** *HK$'000* *(Unaudited)*	30 September 2010 *HK$'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,958**	2,090
Investment properties		**1,194,403**	1,149,680
Prepayment for acquisition of land use rights		**458,515**	442,181
Prepayments, deposits and other receivables		**1,860**	1,814
Available-for-sale financial investment		**8,822**	8,822
Deferred tax assets		**4,332**	—
Total non-current assets		**1,669,890**	1,604,587
CURRENT ASSETS			
Properties held for sale		**103,917**	149,436
Properties under development		**1,629,398**	1,565,607
Trade receivables	9	**3,162**	4,692
Prepayments, deposits and other receivables		**21,806**	12,119
Due from the immediate holding company		**63,472**	63,995
Restricted cash		**91**	399
Cash and cash equivalents		**715,951**	767,617
Total current assets		**2,537,797**	2,563,865
CURRENT LIABILITIES			
Trade payables	10	**2,987**	3,583
Advanced receipts, accruals and other payables		**261,117**	296,664
Interest-bearing bank borrowings		**106,280**	867,577
Due to the immediate holding company		**81,634**	81,634
Due to fellow subsidiaries		**903**	4
Tax payable		**57,553**	57,230
Total current liabilities		**510,474**	1,306,692
NET CURRENT ASSETS		**2,027,323**	1,257,173
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,697,213**	2,861,760

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2011

	31 March 2011 *HK$'000* *(Unaudited)*	30 September 2010 *HK$'000* *(Audited)*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**823,211**	342,777
Deferred tax liabilities	**161,761**	162,295
Total non-current liabilities	**984,972**	505,072
NET ASSETS	**2,712,241**	2,356,688
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**684,869**	684,702
Reserves	**1,397,325**	1,317,023
	2,082,194	2,001,725
Non-controlling interests	**630,047**	354,963
TOTAL EQUITY	**2,712,241**	2,356,688

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 annual financial statements for the year ended 30 September 2010, 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 2010.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

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.

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.

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

For the six months ended 31 March 2011:

	Property development *HK$'000* *(Unaudited)*	**Business park** *HK$'000* *(Unaudited)*	**Corporate** *HK$'000* *(Unaudited)*	**Total** *HK$'000* *(Unaudited)*
Segment revenue				
Sales to external customers	**101,124**	**76,885**	**—**	**178,009**
Segment results	**5,855**	**57,538**	**(12,216)**	**51,177**
Reconciliation				
Interest income				**6,136**
Finance costs				**(15,944)**
Profit before tax				**41,369**

For the six months ended 31 March 2010:

	Property development *HK$'000* *(Unaudited)*	Business park *HK$'000* *(Unaudited)*	Corporate *HK$'000* *(Unaudited)*	Total *HK$'000* *(Unaudited)*
Segment revenue				
Sales to external customers	1,154,577	70,653	—	1,225,230
Segment results	214,023	53,030	(11,736)	255,317
Reconciliation				
Interest income				6,219
Finance costs				(19,995)
Profit before tax				241,541

3. Revenue and other income

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

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

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Sale of properties	**99,473**	1,152,353
Gross rental income	**49,588**	47,292
Property management fee income	**24,736**	22,380
Utility revenue	**4,212**	3,205
	178,009	1,225,230
Other income		
Interest income	**6,136**	6,219
Others	**941**	2,758
	7,077	8,977

4. Provision (made)/written back

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Provision (made)/written back:		
Accrued expense	**(29,271)**	—
Other receivables	**—**	69,599
	(29,271)	69,599

Note: Represented the provision for litigation claims for the current period and the provision written back upon the receipt of land premium rebate for the prior period.

5. Finance costs

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings wholly repayable within five years	**11,843**	26,745
Other borrowing costs	**4,101**	2,111
Total borrowing costs incurred	**15,944**	28,856
Less: Amounts capitalised to properties under development	**—**	(8,861)
	15,944	19,995

6. Profit before tax

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

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Depreciation of property, plant and equipment	**562**	673
Less: Amounts capitalised to properties under development	**(282)**	(105)
	280	568
Gross rental income	**(49,588)**	(47,292)
Less: Outgoing expenses	**9,999**	12,164
Net rental income	**(39,589)**	(35,128)
Amortisation of land use rights	**7,264**	7,400
Minimum lease payments under operating lease in respect of land and building	**1,420**	2,065
Employees benefits expenses(including directors' remuneration):		
Wages and salaries	**12,890**	12,040
Share-based compensation expenses	**633**	826
Net pension schemes contributions (after deducting forfeited contribution of Nil (2010: Nil))	**367**	362
	13,890	13,228
Auditors' remuneration	**836**	844
Foreign exchange (gains)/losses, net	**(5,975)**	354

7. Tax charge

Hong Kong profits tax has not been provided in the financial statement as the Group did not derive any assessable profits in Hong Kong 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 in which the Group operates.

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

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Corporate income tax in mainland China *(Note (a))*	**22,080**	36,160
Land appreciation tax ("LAT") in mainland China *(Note (b))*	**2,005**	28,368
Deferred *(Notes (c) & (d))*	**(5,858)**	25,376
	18,227	89,904

Notes:

(a) The provision for corporate income tax provision was related to the normal operations for the both periods.

(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 both periods, the amounts substantially represented the provision for LAT regarding to Shanghai project.

(c) For the current period, the amounts substantially represented the deferred tax assets arising on provision for litigation claims of HK$7,357,000. For the prior period, the deferred tax arising on provision written back of a land premium rebate receivable of HK$14,601,000.

(d) Deferred tax liability of HK$3,469,000 (2010: HK$6,208,000) 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 per share attributable to owners of the Company

(a) Basic earnings per share

The calculation of basic earnings per share was based on the profit for the period attributable to owners of the Company of approximately HK$9,582,000 (2010: HK$113,562,000) and the weighted average of 6,848,015,855 (2010: 6,843,371,580) ordinary shares in issue during the period.

(b) **Diluted earnings per share**

The calculation of diluted earnings per share was based on the profit for the period attributable to owners of the Company of HK$9,582,000 (2010: HK$113,562,000). The weighted average number of 6,861,012,897 (2010: 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 12,997,042 (2010: 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.

9. Trade receivables

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

	31 March 2011 *HK$'000* *(Unaudited)*	30 September 2010 *HK$'000* *(Audited)*
Within 1 month	**3,162**	4,692

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 2011 *HK$'000* *(Unaudited)*	30 September 2010 *HK$'000* *(Audited)*
Within 3 month	**687**	1,170
3 to 12 months	**846**	234
Over 1 year	**1,454**	2,179
	2,987	3,583

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

11. Comparative Figures

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2011 (31 March 2010: Nil).

OVERVIEW

China had launched several rounds of measures since April 2010 to contain and stabilise price escalation in the residential property market. As part of the measures, the central bank increased interest rates and reserve ratio several times. The funding environment is expected to remain challenging the rest of the year. Financing conditions for developers are getting tougher.

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 31 March 2011, over 98% 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, had been sold. Phase 2, with a gross floor area of 255,000 sm, comprises predominantly residential units with some retail and supporting amenities. Piling works for phase 2A (comprising over 147,000 sm gross floor area) have begun in March 2011 and pre-sales is targeted for next 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.

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 originally scheduled to start in 2011. Regrettably, the Shenyang authorities had failed to clear and deliver the Qingniandajie development site with vacant possession despite extensions of the handover deadline. In view of the uncertainty of site possession date and other business considerations, the Group is now taking steps to divest its interest in the project.

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.

The Group entered into a framework settlement agreement with the Shenzhen authorities on 9 June 2010 in relation to the development plans for VSBP phase 3 site, thus resolving long outstanding issues. Accordingly, 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 as determined by market forces. Concept planning and preliminary design of phase 3 commenced during the period under review. Riding on the success of VSBP phases 1 and 2 (with full occupancy), this will enhance the Group's competitive advantage and market leadership position while laying the foundation for stable growth going forward.

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 period under review, the building enjoyed full occupancy rate.

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 31 March 2011 were consistent with those used in the last financial year ended 30 September 2010.

The revenue for the six months ended 31 March 2011 decreased by 85% to HK$178.0 million from HK$1,225.2 million for the corresponding six months ended 31 March 2010. The substantial decrease was primarily due to the lower sales from remaining units of phase 1 of Shanghai Shanshui Four Seasons project given revenue for over 90% of the units had been captured in the last financial year upon obtaining the occupation permits at the end of December 2009. The decrease was partially offset by the increase in rental income from the higher occupancy rate enjoyed by Vision Shenzhen Business Park (VSBP).

The profit attributable to owners of the Company for the six months ended 31 March 2011 amounted to HK$9.6 million, against profits of HK$113.6 million for the corresponding period ended 31 March 2010. The decrease was due to lower sales in Shanghai Shanshui Four Seasons project and the provision for litigation claims for the Beijing project of HK$29.3 million. Further, the prior period's results had included the write-back of a land premium rebate of HK$69.6 million which was received for the Beijing project.

On a per-share basis, the Group recorded earnings of HK0.14 cent.

Business segments

Property development

For the six months ended 31 March 2011, the revenue of the property development segment decreased to HK$101.1 million, representing 57% of the total revenue, compared with HK$1,154.5 million, representing 94% of the total revenue, of the corresponding period ended 31 March 2010. Of the HK$101.1 million revenue, HK$94.3 million was contributed by the Shanghai Shanshui Four Seasons project, while another HK$5.0 million was contributed by Scenic Place, Beijing from the sale of car-park lots.

Business park

The revenue earned by the business park segment grew by 9%, from HK$70.7 million for the six months ended 31 March 2010 to HK$76.9 million, representing 43% of the total revenue, for the six months ended 31 March 2011. This improved revenue was due to the higher rental income in VSBP.

Shareholders' funds

The Group's total shareholders' funds increased by 4% from HK$2,001.7 million as at 30 September 2010 to HK$2,082.2 million as at 31 March 2011. On a per-share basis, the consolidated net asset value of the Group as at 31 March 2011 increased slightly to HK30.4 cents, against HK29.2 cents as at 30 September 2010. The total shareholders' funds constituted 49% of the total assets of HK$4,207.7 million as at 31 March 2011.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings fell by 23% to HK$929.5 million as at 31 March 2011 from HK$1,210.4 million as at 30 September 2010 while net debt (measured by total bank borrowings minus cash and bank deposits) fell to HK$213.4 million as at 31 March 2011 from HK$442.3 million as at 30 September 2010. The reduction in the net debt was mainly due to the repayment of some bank loans. The Group's gearing ratio (defined as the total borrowings over total equity, including non-controlling interests) fell to 34% as at 31 March 2011, down from 51% as at 30 September 2010. The Group's cash and bank balances decreased by 7% to HK$716.0 million as at 31 March 2011 from HK$768.0 million as at 30 September 2010.

Short-term and long-term borrowings

The maturity profile of the Group's bank and other borrowings outstanding as at 31 March 2011 and 30 September 2010 is summarised below:

	31 March 2011	30 September 2010
	HK$'000	HK$'000
	(Unaudited)	*(Audited)*
Within the first year or on demand	**106,280**	867,577
In the second year	**333,879**	342,777
In the third to fifth years	**489,332**	—
Wholly repayable within five years	**929,491**	1,210,354

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 2011 and 30 September 2010 are summarised below:

	31 March 2011 *HK$'000* *(Unaudited)*	30 September 2010 *HK$'000* *(Audited)*
Hong Kong dollar	**501,332**	500,000
Renminbi	**147,713**	430,557
United States dollar	**280,446**	279,797
	929,491	1,210,354

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 2011 and 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 monitor the suitability and cost efficiency of hedging and the need for a mix of fixed and floating rate borrowings more regularly in view of recent changes in the global financial environment.

Pledge of assets

At 31 March 2011 and 30 September 2010, no bank borrowings were secured by assets of the Group.

Contingent liabilities

At 31 March 2011, the Company issued guarantees to the extent of HK$190.0 million (30 September 2010: HK$183.2 million) of which HK$77.2 million (30 September 2010: HK$85.9 million) was utilised in respect of bank borrowings granted to its subsidiaries.

PROSPECTS

The Group will focus on the construction of subsequent phases of the Shanghai Shanshui Four Seasons project and finalising agreements on the VSBP Phase 3 development. It is anticipated that Phase 2A of the Shanghai Shanshui Four Seasons project will be ready to launch in the next financial year. The Group will also seek opportunities to acquire suitable development sites in China to support future business activities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2011, the Company and its subsidiaries had approximately 182 employees (31 March 2010: 191 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 six months ended 31 March 2011.

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 as set out in Appendix 14 of the Listing Rules (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 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 2011.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the CG Code throughout the six months ended 31 March 2011 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.

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

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. 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. Tang Kok Kai, Christopher; and four independent non-executive directors, namely Mr. Chong Kok Kong, Mr. Hui Chiu Chung, *J.P.,* Mr. Kwee Chong Kok, Michael and Ms. Wong Siu Ming, Helen.

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

Hong Kong, 6 May 2011