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 2011

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 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2011

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Revenue	*3*	**302,604**	1,347,620
Cost of sales		**(67,786)**	(984,634)
Gross profit		**234,818**	362,986
Direct operating expenses		**(73,657)**	(86,392)
Other income	*3*	**14,664**	17,543
Other gain	*3*	**42,424**	–
Changes in fair values of investment properties		**226,103**	99,240
Provision (made)/written back, net	*4*	**(29,271)**	69,516
Administrative expenses		**(29,932)**	(28,993)
Finance costs	*5*	**(30,421)**	(43,848)
Profit before tax	*6*	**354,728**	390,052
Tax	*7*	**(131,526)**	(142,755)
Profit for the year		**223,202**	247,297
Attributable to:			
Owners of the Company		**205,836**	194,044
Non-controlling interests		**17,366**	53,253
		223,202	247,297
Earnings per share attributable to owners of the Company:			
– Basic (HK$)	*8*	**0.0301**	0.0284
– Diluted (HK$)	*8*	**0.0300**	0.0283

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**223,202**	247,297
Other comprehensive income		
Cash flow hedge:		
Effective portion of change in fair value of hedging instrument arising during the year	**971**	–
	971	–
Exchange fluctuation reserves:		
Release on disposal of a subsidiary	**(31,860)**	–
Exchange differences arising on translation of foreign operations	**176,848**	2,040
	144,988	2,040
Other comprehensive income for the year, net of tax	**145,959**	2,040
Total comprehensive income for the year	**369,161**	249,337
Attributable to:		
Owners of the Company	**312,061**	196,239
Non-controlling interests	**57,100**	53,098
	369,161	249,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,813**	2,090
Investment properties		**1,456,147**	1,149,680
Prepayment for acquisition of land use rights		**–**	442,181
Prepayments, deposits and other receivables		**1,891**	1,814
Available-for-sale financial investment		**8,822**	8,822
Deferred tax assets		**7,569**	–
Total non-current assets		**1,476,242**	1,604,587
CURRENT ASSETS			
Properties held for sale		**90,251**	149,436
Properties under development		**1,862,115**	1,565,607
Trade receivables	*9*	**1,316**	4,692
Prepayments, deposits and other receivables		**540,014**	12,119
Due from the immediate holding company		**63,385**	63,995
Derivative financial instrument		**971**	–
Restricted cash		**73**	399
Deposits, bank and cash balances		**899,394**	767,617
Total current assets		**3,457,519**	2,563,865
CURRENT LIABILITIES			
Trade payables	*10*	**38,014**	3,583
Advanced receipts, accruals and other payables		**247,390**	296,664
Interest-bearing bank and other borrowings		**485,904**	867,577
Due to the immediate holding company		**81,634**	81,634
Due to a fellow subsidiary		**42**	4
Tax payable		**80,133**	57,230
Total current liabilities		**933,117**	1,306,692
NET CURRENT ASSETS		**2,524,402**	1,257,173
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,000,644**	2,861,760
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**818,799**	342,777
Deferred tax liabilities		**223,696**	162,295
Total non-current liabilities		**1,042,495**	505,072
NET ASSETS		**2,958,149**	2,356,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 September 2011

	2011	2010
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**684,940**	684,702
Reserves	**1,630,654**	1,317,023
	2,315,594	2,001,725
Non-controlling interests	**642,555**	354,963
TOTAL EQUITY	**2,958,149**	2,356,688

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, 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 and a derivative financial instrument, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of amendments to HKAS 7 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

Improvement to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group are as follows:

- HKAS 7 – *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[2]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[5]
HKFRS 11	*Joint Arrangement*[5]
HKFRS 12	*Disclosure of Interests in Other Entities*[5]
HKFRS 13	*Fair Value Measurement*[5]
HKAS 1 (Revised)	*Presentation of Financial Statements*[4]
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[3]
HKAS 19 (2011)	*Employee Benefits*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[1]
HKAS 27 (2011)	*Separate Financial Statements*[5]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[5]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Requirements*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. 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.

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012
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 except for the adoption of HKFRS 9, HKFRS 10, HKFRS 12, HKFRS 13, HKAS 1 (Revised), HKAS 12 Amendments, HKAS 19 (2011) and HKAS 27 (2011), 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) the property development segment – development, investment and management of properties;

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets and certain deposits, bank and cash balances as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other 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 2011	**Property development** *HK$'000*	**Business park** *HK$'000*	**Corporate** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**142,386**	**160,218**	**–**	**302,604**
Segment results:	**57,055**	**344,951**	**(29,803)**	**372,203**
Reconciliation				
Interest income				**12,946**
Finance costs				**(30,421)**
Profit before tax				**354,728**
Segment assets:	**3,189,851**	**1,578,537**	**10,145**	**4,778,533**
Reconciliation				
Other unallocated assets				**155,228**
Total assets				**4,933,761**
Segment liabilities:	**210,576**	**55,507**	**19,321**	**285,404**
Reconciliation				
Other unallocated liabilities				**1,690,208**
Total liabilities				**1,975,612**
Other segment information:				
Changes in fair values of investment properties	**–**	**(226,103)**	**–**	**(226,103)**
Provision made	**29,271**	**–**	**–**	**29,271**
Depreciation	**269**	**255**	**27**	**551**
Amortisation of land use rights	**14,733**	**–**	**–**	**14,733**
Capital expenditure*	**445**	**2,756**	**29**	**3,230**

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

Year ended 30 September 2010	Property development *HK$'000*	Business park *HK$'000* (Restated)	Corporate *HK$'000*	Total *HK$'000* (Restated)
Segment revenue:				
Sales to external customers	1,202,199	145,421	–	1,347,620
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.*

3. REVENUE, OTHER INCOME AND OTHER GAIN

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

An analysis of revenue, other income and other gain recognised during the year was as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of properties	**138,992**	1,198,301
Gross rental income	**104,353**	95,216
Property management fee income	**50,311**	46,248
Utility income	**8,948**	7,855
	302,604	1,347,620
Other income		
Interest income	**12,946**	13,564
Others	**1,718**	3,979
	14,664	17,543
Other gain		
Gain on disposal of a subsidiary	**42,424**	–

4. PROVISION (MADE)/WRITTEN BACK, NET

	2011	2010
	HK$'000	*HK$'000*
Provision (made)/written back, net:		
Trade receivables	**–**	(12)
Other receivables *(Note)*	**–**	69,528
Accrued expense *(Note)*	**(29,271)**	–
	(29,271)	69,516

Note: Amounts represented the provision for litigation claims for the current year and the provision written back upon the receipt of land premium rebate for the prior year.

5. FINANCE COSTS

An analysis of finance costs was as follows:

	2011 *HK$'000*	2010 *HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**26,520**	50,512
Other finance costs	**8,362**	2,198
Total finance costs incurred	**34,882**	52,710
Less: Interest capitalised to properties under development	**(4,461)**	(8,862)
	30,421	43,848

6. PROFIT BEFORE TAX

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

	2011 *HK$'000*	2010 *HK$'000*
Depreciation	**803**	1,260
Less: Amounts capitalised to properties under development	**(252)**	(204)
	551	1,056
Gross rental income *(Note 3)*	**(104,353)**	(95,216)
Less: Outgoing expenses *(Note a)*	**22,190**	24,619
Net rental income *(Note b)*	**(82,163)**	(70,597)
Loss on disposal of items of property, plant and equipment	**8**	589
Changes in fair values of investment properties	**(226,103)**	(99,240)
Provision made/(written back), net *(Note 4)*	**29,271**	(69,516)
Amortisation of land use rights	**14,733**	14,520
Minimum lease payments under operating leases in respect of land and building	**3,243**	4,146
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	**29,701**	29,292
Share-based compensation expenses	**1,499**	1,703
Pension schemes contributions	**796**	726
Less: Forfeited contribution	**(51)**	(13)
Net pension schemes contributions	**745**	713
Total employees benefits expenses	**31,945**	31,708
Auditors' remuneration	**1,536**	1,667
Foreign exchange gains, net	**(5,982)**	(1,809)

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.

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 (2010: 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 land appreciation tax ("LAT") was estimated according to the requirements set forth in the relevant laws and regulations of the People's Republic of China (the "PRC"). LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions. During the current year and the prior year, substantial amounts of LAT came from the Shanghai project.

The deferred tax for the year ended 30 September 2011 of HK$56,526,000 (2010: HK$24,810,000) arose mainly from fair value gains of investment properties.

At the end of the reporting period, deferred tax liability of HK$6,108,000 (2010: HK$11,253,000) regarding withholding income tax on the undistributed earnings (future dividend) of PRC subsidiaries has been provided for.

The amount of tax charge in the consolidated income statement represented:

	2011	2010
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
Charge for the year	**40,058**	49,681
Under-provision in prior years	**10,770**	419
LAT in Mainland China	**28,963**	38,261
Deferred	**51,735**	54,394
	131,526	142,755

A reconciliation of the tax charge 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 charge at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, were as follows:

	2011		2010	
	HK$'000	***%***	*HK$'000*	*%*
Profit before tax	**354,728**		390,052	
Tax at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**58,530**	**16.5**	64,359	16.5
Effect of different tax rate of specific province or local authority in Mainland China	**30,615**	**8.6**	34,302	8.8
Income not subject to tax	**(28,470)**	**(8.0)**	(33,708)	(8.6)
Expenses not deductible for tax	**16,142**	**4.5**	16,313	4.1
Utilisation of previously unrecognised tax losses	**(2,197)**	**(0.6)**	(3,969)	(1.0)
Tax losses for which no deferred income tax asset recognised	**11,065**	**3.1**	15,525	4.0
LAT in Mainland China	**28,963**	**8.2**	38,261	9.8
Others	**16,878**	**4.8**	11,672	3.0
Tax charge at the effective rate	**131,526**	**37.1**	142,755	36.6

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 year attributable to owners of the Company, and the weighted average of 6,848,629,761 (2010: 6,844,523,996) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share was based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was 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 potentially dilutive ordinary shares into ordinary shares.

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**205,836**	194,044

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,848,629,761**	6,844,523,996
Effect of dilution – weighted average number of ordinary shares:		
Share options	**8,414,365**	8,834,286
	6,857,044,126	6,853,358,282

9. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**1,329**	4,704
Less: Impairment	**(13)**	(12)
	1,316	4,692

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 term 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 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 are non-interest-bearing and unsecured.

All trade receivables at the end of the reporting period were less than one month past due.

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.

The movements in provision for impairment of trade receivables were as follows:

	2011	2010
	HK$'000	*HK$'000*
At the beginning of the financial year	**12**	–
Impairment losses recognised *(Note 4)*	**–**	12
Exchange realignment	**1**	–
At 30 September	**13**	12

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$13,000 (2010: HK$12,000) with a carrying amount before provision of HK$13,000 (2010: HK$12,000). 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.

10. TRADE PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**36,605**	1,170
3 to 12 months	**300**	234
Over 1 year	**1,109**	2,179
	38,014	3,583

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

11. COMPARATIVE FIGURES

Certain prior year figures of the consolidated income statement have been restated to conform with the presentation of the current year.

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the year ended 30 September 2011 were consistent with those used in the previous year ended 30 September 2010, except where the change in accounting policy is required by accounting standards which came into effect during the financial year.

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

The revenue for the year ended 30 September 2011 decreased by 78% to HK$302.6 million from HK$1,347.6 million for the year ended 30 September 2010. The decline was primarily due to lower revenue generated from the sale of the remaining units of phase 1 of Shanghai Shanshui Four Seasons project given that revenue from over 90% of the units had already been recorded in the last financial year following receipt of occupation permits issued at the end of December 2009. Rental income contributed by Vision Shenzhen Business Park (VSBP) was HK$130.3 million for the year ended 30 September 2011 versus HK$118.6 million for the last financial year. As a result, gross profit decreased from HK$363.0 million for the year ended 30 September 2010 to HK$234.8 million for the year ended 30 September 2011.

Despite the drop in revenue and gross profit, the Group recorded a profit attributable to owners of the Company of HK$205.8 million for the year ended 30 September 2011 versus HK$194.0 million for the year ended 30 September 2010, an increase of 6%. Profit attributable to owners of the Company included changes in fair values of investment properties amounting to HK$226.1 million and a gain on disposal of a subsidiary in Shenyang amounting to HK$42.4 million but partially offset by a provision for litigation claims for the Beijing project of HK$29.3 million.

On a per-share basis, the Group recorded earnings of HK$0.0301.

FINAL DIVIDEND

The Board has resolved not to propose any final dividend for the year ended 30 September 2011 (year ended 30 September 2010: Nil).

BUSINESS SEGMENTS

Property development

For the year ended 30 September 2011, revenue from the property development segment decreased to HK$142.4 million or 47% of total revenue, compared to HK$1,202.2 million or 89% of total revenue for the year ended 30 September 2010. Of the HK$142.4 million in revenue generated, HK$128.5 million was from the sale of residential units at the Shanghai Shanshui Four Seasons project while another HK$10.9 million was from the sale of car-park lots at Scenic Place, Beijing.

Business park

During the year under review, revenue generated by the business park segment grew by 10%, from HK$145.4 million for the year ended 30 September 2010 to HK$160.2 million, or 53% of total revenue for the year ended 30 September 2011. The rise in revenue was due to higher rental income from VSBP.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased from HK$2,001.7 million as at 30 September 2010 to HK$2,315.6 million as at 30 September 2011, an increase of 16%. On a per-share basis, the consolidated net asset value of the Group as at 30 September 2011 increased to HK$0.338 against HK$0.292 as at 30 September 2010. The total shareholders' funds constituted 47% of the total assets of HK$4,933.8 million as at 30 September 2011.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

Net debt (measured by total bank and other borrowings minus cash and bank deposits) fell to HK$405.2 million as at 30 September 2011 from HK$442.3 million as at 30 September 2010. The reduction was due to capital injection made by non-controlling shareholders to a subsidiary in Mainland China and an increase in net operating income. The Group's gearing ratio (defined as the total borrowings over total equity, including non-controlling interests) fell to 44% as at 30 September 2011, down from 51% as at 30 September 2010. The Group's cash and bank balances increased to HK$899.4 million as at 30 September 2011 from HK$768.0 million as at 30 September 2010.

Short-term and long-term bank and other borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 30 September 2011 and 30 September 2010 are summarised below:

	As at	
	30 September 2011	30 September 2010
	HK$'000	*HK$'000*
Within the first year or on demand	**485,904**	867,577
In the second year	**107,379**	342,777
In the third to fifth year, inclusive	**711,420**	–
Wholly repayable within five years	**1,304,703**	1,210,354

FINANCIAL MANAGEMENT

Foreign currency risk

Borrowings denominated in United States dollars remained at a similar level, borrowings in Hong Kong dollars increased while borrowings in Renminbi (RMB) decreased during the year under review. With an expected appreciation of the RMB, the Group arranged a RMB forward contract to fix the exchange rate ahead of a planned capital injection of RMB189.2 million to a wholly-owned subsidiary in Mainland China, thus minimising foreign currency risk exposure. The Group will continue to consider the suitability and cost efficiency of hedging foreign currency risk exposure in view of recent changes in the global financial environment.

The currency denominations of the Group's bank and other borrowings outstanding as at 30 September 2011 and 30 September 2010 are summarised below:

	As at	
	30 September 2011	30 September 2010
	HK$'000	*HK$'000*
Hong Kong dollar	**711,420**	500,000
Renminbi	**312,455**	430,557
United States dollar	**280,828**	279,797
Total	**1,304,703**	1,210,354

Interest rate risk

With borrowings applied to finance the development of projects, the Group was exposed to changes in interest rate which affected the cost of borrowings. As at 30 September 2011, all borrowings of the Group were on a floating rate basis. The interest rate risk exposure was considered acceptable and no hedging was deemed necessary. The Group will more regularly monitor the suitability and cost efficiency of hedging and the need for a mix of fixed and floating rate borrowings in view of recent changes in the global financial environment.

PLEDGE OF ASSETS

As at 30 September 2011, certain bank and other borrowings of the Group were secured by certain properties under development with a carrying value of HK$816.7 million (30 September 2010: Nil).

CONTINGENT LIABILITIES

As at 30 September 2011, the Company issued guarantees to the extent of HK$195.5 million (30 September 2010: HK$183.2 million) of which HK$67.2 million (30 September 2010: HK$85.9 million) was utilised in respect of bank borrowings granted to its subsidiaries.

REVIEW OF OPERATIONS

Greater Shanghai – development property

Shanghai Shanshui Four Seasons

The Group holds a 54.85% controlling interest in a 71-hectare development site located in Songjiang, Shanghai, which was acquired in September 2005. With a permissible gross floor area of approximately 837,000 sm, this sizable property site opened the way for development properties to be constructed in several phases. Phase 1 was completed and 415 of the 418 residential units were sold as at 30 September 2011. Excluding phase 1, there is still about 737,000 sm of gross floor area available for development, which will sustain the Group's growth momentum in the years to come. Phase 2, consisting of sub-phases 2A and 2B, possesses a gross floor area of about 262,000 sm, and will be the next focus of development. Piling for sub-phase 2A (comprising a gross floor area of over 152,000 sm) was completed with super-structure work now in progress. Presale of sub-phase 2A is expected in 2012. With its many attributes, including easy accessibility and contemporary design, the Group is confident that sub-phase 2A will be well received by discerning home buyers.

Greater Guangzhou – investment property and development property

Vision Shenzhen Business Park (VSBP)

VSBP encompasses roughly 125,000 sm of office space and approximately 1,000 car park lots offered on a lease basis. With seven medium-rise buildings surrounding a 16,000 sm well-manicured park that includes sports and recreational amenities, VSBP stands above all other business parks in the region. Despite commanding rental well above average leases, phases 1 and 2 are fully occupied. While committed to providing exceptional services to tenants, the Group is able to efficiently manage the property by leveraging economies of scale.

The Group is planning the master layouts for phase 3, and construction is scheduled to commence at a later time. Having reached an amicable resolution with Shenzhen authorities leading to a signed framework agreement on 9 June 2010, the Group will retain possession of a 51,000 sm site with a maximum buildable gross floor area of 240,000 sm. Phase 3 will be developed in several stages based on market dictates.

Others

Sohu.com Internet Plaza (SIP)

SIP represents a joint venture between the Group and a subsidiary of the highly respected Tsinghua University. Completed in 2004, the 13-storey advanced facility is located within the Tsinghua Science Park in Zhongguancun, Haidian district, Beijing. Following the sale of certain floors to Sohu.com in January 2007, the building was renamed SIP. Subsequent to the sale, the gross floor area for office usage stood at 10,145 sm while 4,786 sm is allocated for retail space.

In addition to offering property management that is on par with the highest international standards, SIP delivers a wide range of value-added services and facilities. Combined with its prestigious location, the facility presently enjoys a 100% occupancy rate.

Qingniandajie project, Shenyang

As the Group seeks to consolidate its presence in the greater Shanghai and Guangzhou regions, it relinquished its interest in a commercial development in Shenyang, otherwise known as the Qingniandajie Project. On 15 July 2011, the Group entered into a Share Transfer Agreement whereby it successfully divested all interest in the project for a cash consideration of RMB423.0 million (HK$507.6 million). This major disposal in July of this year will enable the Group to reallocate human and capital resources to its core strategic regions.

PROSPECTS

The Group is committed to complete existing projects promptly with the objective of generating maximum growth momentum whilst consolidating its presence in the greater Shanghai and Guangzhou regions. For new acquisitions, focus will be aimed particularly at new residential development properties as they usually allow higher monetary returns and a quick turnover capital.

Despite market volatility in China, Management remains optimistic about the demand from first-time home buyers. With the construction of Shanghai Shanshui Four Seasons sub-phase 2A progressing on schedule, the presale of flats early next year will help to capture this demand. Combined with the commercial residence project to be developed in VSBP, the Group will utilise those two projects to attract talent required for the establishment of regional offices in Shanghai and Guangzhou, paving the way for future development activities in those two regions.

Management is confident that by focusing on and executing the strategies in place, as well as accelerating the pace of development, sustainable growth will be realised which will lead to value creation for shareholders.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2011, the Company and its subsidiaries had 194 (2010: 178) 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 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 2011.

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 emphasize 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 year ended 30 September 2011 except for the deviations from Code Provisions A.4.1 and B.1.1. 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 were not independent non-executive directors until Mr. Chong Kok Kong's appointment as an additional Remuneration Committee member on 16 May 2011.

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 Thursday, 12 January 2012 to Monday, 16 January 2012 (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 Wednesday, 11 January 2012.

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. Cheong Fook Seng, Anthony, Ms. Chong Siak Ching (whose alternate is Mr. Chia Nam Toon), Mr. Hui Choon Kit, Mr. Lim Ee Seng and Mr. Tang Kok Kai, Christopher; and four independent non-executive Directors, namely Mr. Kwee Chong Kok, Michael, Mr. Chong Kok Kong, Mr. Hui Chiu Chung, *J.P.* 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, 4 November 2011