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 2012

2011/2012 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 2012 together with the relevant comparative figures.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2012

		Six months ended 31 March	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**104,221**	178,009
Cost of sales		**(8,802)**	(51,235)
Gross profit		**95,419**	126,774
Direct operating expenses		**(38,615)**	(34,922)
Other income	*3*	**56,457**	7,077
Provision made	*4*	**(6,996)**	(29,271)
Administrative expenses		**(15,744)**	(12,345)
Finance costs	*5*	**(15,532)**	(15,944)
Profit before tax	*6*	**74,989**	41,369
Tax charge	*7*	**(30,390)**	(18,227)
Profit for the period		**44,599**	23,142
Attributable to:			
Owners of the Company		**44,556**	9,582
Non-controlling interests		**43**	13,560
		44,599	23,142
Earnings per share attributable to owners of the Company:			
– Basic (HK$)	*8*	**0.0065**	0.0014
– Diluted (HK$)	*8*	**0.0065**	0.0014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2012

	Six months ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**44,599**	23,142
Other comprehensive income		
Cash flow hedges:		
Effects of changes in fair value of hedging instruments arising during the period	**2,449**	–
Exchange fluctuation reserves:		
Exchange differences arising on translation of foreign operations	**20,305**	95,591
Other comprehensive income for the period, net of tax	**22,754**	95,591
Total comprehensive income for the period	**67,353**	118,733
Attributable to:		
Owners of the Company	**63,148**	79,631
Non-controlling interests	**4,205**	39,102
	67,353	118,733

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2012

	Notes	**31 March 2012** **HK$'000** **(Unaudited)**	30 September 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,781**	1,813
Investment properties	*9*	**1,466,567**	1,456,147
Prepayments, deposits and other receivables		**1,882**	1,891
Available-for-sale financial investment		**8,822**	8,822
Deferred tax assets		**–**	7,569
Total non-current assets		**1,479,052**	1,476,242
CURRENT ASSETS			
Properties held for sale		**82,050**	90,251
Properties under development		**2,115,519**	1,862,115
Trade receivables	*10*	**4,856**	1,316
Prepayments, deposits and other receivables		**48,344**	540,014
Due from the immediate holding company		**63,297**	63,385
Derivative financial instrument		**–**	971
Restricted cash		**74**	73
Deposits, bank and cash balances		**1,220,214**	899,394
Total current assets		**3,534,354**	3,457,519
CURRENT LIABILITIES			
Derivative financial instrument		**222**	–
Trade payables	*11*	**97,350**	38,014
Advanced receipts, accruals and other payables		**200,165**	247,390
Interest-bearing bank and other borrowings		**535,175**	485,904
Due to the immediate holding company		**76,590**	81,634
Due to a fellow subsidiary		**14**	42
Tax payable		**87,269**	80,133
Total current liabilities		**996,785**	933,117
NET CURRENT ASSETS		**2,537,569**	2,524,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,016,621**	4,000,644

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 March 2012

	31 March 2012 *HK$'000* **(Unaudited)**	30 September 2011 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**760,136**	818,799
Deferred tax liabilities	**230,315**	223,696
Total non-current liabilities	**990,451**	1,042,495
NET ASSETS	**3,026,170**	2,958,149
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**684,940**	684,940
Reserves	**1,694,470**	1,630,654
	2,379,410	2,315,594
Non-controlling interests	**646,760**	642,555
TOTAL EQUITY	**3,026,170**	2,958,149

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 2011, 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 2011.

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
Improvement of HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

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 way 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 2012

	Property development *HK$'000* **(Unaudited)**	**Business park** *HK$'000* **(Unaudited)**	**Corporate** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue	**17,004**	**87,217**	**–**	**104,221**
Segment results	**22,804**	**69,400**	**(15,744)**	**76,460**
Reconciliation				
Interest income				**14,061**
Finance costs				**(15,532)**
Profit before tax				**74,989**

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	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

3. REVENUE AND OTHER INCOME

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 sundry income during the period.

An analysis of revenue and other income recognised during the period was as follows:

	Six months ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**15,206**	99,473
Gross rental income	**58,772**	49,588
Property management fee income	**25,838**	24,736
Sundry income	**4,405**	4,212
	104,221	178,009
Other income		
Compensation income *(Note)*	**41,372**	–
Interest income	**14,061**	6,136
Others	**1,024**	941
	56,457	7,077

Note: Amount, net of tax, represented the retention money relating to disposal of interest in Beijing development site.

4. PROVISION MADE

	Six months ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision made:		
Accrued expense *(Note)*	**6,996**	29,271

Note: For the current and prior period, amounts represented the provision for litigation claims.

5. FINANCE COSTS

An analysis of finance costs was as follows:

	Six months ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**22,080**	11,843
Other finance costs	**3,676**	4,101
Total finance costs incurred	**25,756**	15,944
Less: Interest capitalised to properties under development	**(10,224)**	–
	15,532	15,944

6. PROFIT BEFORE TAX

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

	Six months ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**336**	562
Less: Amounts capitalised to properties under development	**(125)**	(282)
	211	280
Gross rental income	**(58,772)**	(49,588)
Less: Outgoing expenses	**9,860**	9,999
Net rental income	**(48,912)**	(39,589)
Provision made	**6,996**	29,271
Amortisation of land use rights	**7,609**	7,264
Minimum lease payments under operating leases in respect of land and building	**1,496**	1,420
Employees benefits expenses (including directors' emoluments):		
Wages and salaries	**16,997**	12,890
Share-based compensation expenses	**668**	633
Pension schemes contributions	**530**	367
Less: Forfeited contributions	**(176)**	–
Net pension schemes contributions	**354**	367
Total employees benefits expenses	**18,019**	13,890
Auditors' remuneration		
– current year	**1,492**	836
– under-provision in prior year	**67**	–
	1,559	836
Foreign exchange losses/(gains), net	**813**	(5,975)

7. TAX CHARGE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong during the period. Taxation on Mainland China profits was calculated on the estimated assessable profits for the period at the rates of tax 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	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Corporate income tax in Mainland China		**16,424**	22,080
Land appreciation tax in Mainland China		**13**	2,005
Deferred	*(a) & (b)*	**13,953**	(5,858)
		30,390	18,227

Notes:

(a) For the current period, the amounts substantially represented the deferred tax arising on retention money relating to disposal of interest in Beijing development site of HK$7,690,000. For the prior period, the amounts substantially represented the deferred tax assets arising on provision for litigation claims of HK$7,357,000.

(b) Deferred tax liability of HK$7,307,000 (2011: HK$3,469,000) 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$44,556,000 (2011: HK$9,582,000) and the weighted average of 6,849,401,580 (2011: 6,848,015,855) 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$44,556,000 (2011: HK$9,582,000). The weighted average number of 6,856,063,950 (2011: 6,861,012,897) ordinary shares used in the calculation was the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 6,662,370 (2011: 12,997,042) 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.

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000* *(Note)*
Period ended 31 March 2012:		
Opening net book amount at 1 October 2011	**1,813**	**1,456,147**
Additions/Improvements	**354**	**49**
Disposals	**(57)**	**–**
Exchange realignment	**7**	**10,371**
Depreciation	**(336)**	**–**
Closing net book amount at 31 March 2012 (Unaudited)	**1,781**	**1,466,567**
Period ended 31 March 2011:		
Opening net book amount at 1 October 2010	2,090	1,149,680
Additions/Improvements	363	2,254
Exchange realignment	67	42,469
Depreciation	(562)	–
Closing net book amount at 31 March 2011 (Unaudited)	1,958	1,194,403
Additions/Improvements	164	449
Disposals	(11)	–
Disposal of a subsidiary	(106)	–
Exchange realignment	49	35,192
Depreciation charge	(241)	–
Changes in fair values	–	226,103
Closing net book amount at 30 September 2011 (Audited)	1,813	1,456,147

Note: Referring to the announcement on suspension of trading released on 28 March 2012, a proposed privatization of the Company by way of a scheme arrangement by FCL (China) Pte. Ltd. and Riverbook Group Limited is under consideration and valuations of the properties are being prepared for the purpose of the scheme which have not been finalised. Accordingly, valuations of the investment properties (which may indicate that fair value of investment properties may be higher) have not been adopted for the purpose of the interim results.

10. TRADE RECEIVABLES

	31 March 2012	30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**4,856**	1,316

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.

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.

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

11. TRADE PAYABLES

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

	31 March 2012	30 September 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 month	**96,209**	36,605
3 to 12 months	**202**	300
Over 1 year	**939**	1,109
	97,350	38,014

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2012 (31 March 2011: Nil).

FINANCIAL REVIEW

The accounting policies and methods of computation used in the preparation of the financial statements for the six months ended 31 March 2012 were consistent with those used in last financial year ended 30 September 2011.

RESULTS FOR THE PERIOD ENDED 31 MARCH 2012

The revenue of the Group for the six months ended 31 March 2012 decreased by 41% to HK$104.2 million from HK$178.0 million for the corresponding six months ended 31 March 2011. The substantial decrease was primarily due to delayed sales from the last three units of phase 1 of Shanghai Shanshui Four Seasons project while sixteen units were sold and recognized in the corresponding period. The decrease was partially offset by the increase in rental income generated from higher rental rates upon the renewal of the leases for some major tenants of Vision Shenzhen Business Park (VSBP).

Despite the drop in revenue and gross profit, the Group recorded profit attributable to owners of the Company for the six months ended 31 March 2012 of HK$44.6 million, against profits of HK$9.6 million for the corresponding period ended 31 March 2011. The profit attributable to owners of the Company for the six months ended 31 March 2012 included the net income relating to the recovery of a litigation claim of HK$34.4 million, while the corresponding period's results included the provision for another litigation claim of HK$29.3 million.

During the period under review, other income increased substantially to HK$56.5 million from HK$7.1 million for the corresponding six months ended 31 March 2011. The increase was mainly from a litigation claim of retention money of HK$41.4 million receivable (though a provision for reimbursement of HK$7.0 million was made for the same court case and would be deducted from the retention money) and the interest income on the HK$512.0 million proceeds of Shenyang site divestment.

During the period under review, the Group's direct operating expenses and administrative expenses increased mainly with the increase in staff related costs due to the substantial construction works for phase 2 of Shanghai Shanshui Four Seasons project, as well as lower exchange gain for offsetting the respective expenses in the current period.

On a per-share basis, the Group recorded earnings of HK$0.0065.

BUSINESS SEGMENT

Property development

For the first six months ended 31 March 2012, the property development revenue decreased to HK$17.0 million, representing 16% of the total revenue, compared with HK$101.1 million, representing 57% of the total revenue, of the corresponding period ended 31 March 2011. Of the HK$17.0 million revenue, HK$15.2 million (31 March 2011: HK$94.3 million) was contributed by the Shanghai Shanshui Four Seasons project.

Business park

The revenue earned by the business park segment grew by 13%, from HK$76.9 million for the six months ended 31 March 2011 to HK$87.2 million, representing 84% of the total revenue, for the six months ended 31 March 2012. This improved revenue was due to the higher rentals enjoyed by VSBP.

SHAREHOLDERS' FUNDS

The Group's total shareholders' funds increased by 3% from HK$2,315.6 million as at 30 September 2011 to HK$2,379.4 million as at 31 March 2012. On a per-share basis, the consolidated net asset value of the Group as at 31 March 2012 increased slightly to HK$0.347, against HK$0.338 as at 30 September 2011. The total shareholders' funds constituted 47% of the total assets of HK$5,013.4 million as at 31 March 2012.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

Liquidity and capital resources

The Group's deposit, bank and cash balances and restricted cash increased by 36% to HK$1,220.3 million as at 31 March 2012 from HK$899.5 million as at 30 September 2011, the increase was mainly due to the receipt of HK$512.0 million proceeds from the divestment of Shenyang site, whereas part of the surplus cash on hand was applied to the development of the Shanghai Shanshui Four Seasons project.

Short-term and long-term bank and other borrowings

Total borrowings of the Group amounted to HK$1.3 billion remained at similar level to 30 September 2011. The net debt (measured by total bank and other borrowings minus cash and bank deposits) fell to HK$75.0 million as at 31 March 2012 from HK$405.2 million as at 30 September 2011, the reduction of the net debt was mainly due to the increase of deposit, bank and cash balances. The Group's gearing ratio (defined as the total borrowings over total equity, including non-controlling interests) fell slightly to 43% as at 31 March 2012, down from 44% as at 30 September 2011.

The maturity profiles of the Group's bank and other borrowings outstanding as at 31 March 2012 and 30 September 2011 are summarized as below:

	31 March 2012 ***HK$'000*** **(Unaudited)**	30 September 2011 *HK$'000* (Audited)
Within the first year or on demand	**535,175**	485,904
In the second year	**760,136**	107,379
In the third to fifth year, inclusive	**–**	711,420
Wholly repayable within five years	**1,295,311**	1,304,703

FINANCIAL MANAGEMENT

Foreign exchange risk

As at 31 March 2012, borrowings denominated in United States dollars and Hong Kong dollars remained at the same levels while those in Renminbi decreased during the period under review. The Group arranged a RMB forward contract to hedge its capital injection of RMB189.2 million to a wholly-owned subsidiary in China. The Group will review and monitor its currency exposure from time to time and when appropriate to hedge its currency risks.

The currency denominations of the Group's bank and other borrowings outstanding as at 31 March 2012 and 30 September 2011 are summarised below:

	31 March 2012 *HK$'000* **(Unaudited)**	30 September 2011 *HK$'000* (Audited)
Hong Kong dollars	**713,518**	711,420
Renminbi	**302,377**	312,455
United States dollars	**279,426**	280,828
Total	**1,295,311**	1,304,703

Interest rate risk

As at 31 March 2012, all bank and other borrowings of the Group are subject to floating interest rates. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risks.

PLEDGE OF ASSETS

As at 31 March 2012, certain bank borrowings of the Group were secured by properties under development for phase 2 of Shanghai Shanshui Four Seasons project with a carrying value of HK$1,066.1 million (30 September 2011: HK$816.7 million).

CONTINGENT LIABILITIES

As at 31 March 2012, the Company issued guarantees to the extent of HK$196.8 million (30 September 2011: HK$195.5 million) of which HK$55.4 million (30 September 2011: HK$67.2 million) was utilized in respect of bank borrowings granted to its subsidiaries.

REVIEW OF OPERATIONS

Greater Shanghai – development property

Shanghai Shanshui Four Seasons

This 71 hectare development site located in Songjiang, Shanghai, in which the Group holds a controlling 54.85%-interest, was acquired in September 2005. With a permissible gross floor area of approximately 837,000 sm, this sizable site is to be constructed in several phases. As at 31 March 2012, all of the 418 residential units in phase 1 were sold. 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 comprises a gross floor area of about 262,000 sm, and construction is in progress. With its many attributes, including ease of accessibility and contemporary design, the Group is confident that phase 2 will be well received.

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. There are seven medium-rise office buildings surrounding a 16,000 sm well-manicured park that includes sports and recreational amenities. Despite commanding rental rates well above average, 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.

Others

Sohu.com Internet Plaza (SIP)

Completed in 2004, the 13-storey high-tech office facility is located within the Tsinghua Science Park in Zhonguancun, Haidian district, Beijing. It is a joint venture with a subsidiary of the highly respected Tsinghua University.

Offering high international standards in property management, value-added services and facilities, together with its prestigious location, SIP presently enjoys full occupancy.

PROSPECTS

The Group is committed to completing the Shanghai Shanshui Four Seasons project and the VSBP phase 3 development with the objective of sustaining the Group's growth momentum. In the future, focus will be directed at residential property development in view of the prospects.

Management remains cautiously optimistic, despite a challenging market, of continued demand from first-time home buyers for phase 2 of the Shanghai Shanshui Four Seasons project, currently under construction.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Company and its subsidiaries had approximately 207 employees (31 March 2011: 182 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 2012.

AUDIT COMMITTEE ("AC")

The AC of the Board was formed in August 2001. It currently comprises four independent non-executive directors ("INEDs") and one non-executive director ("NEDs") and is chaired by an INED. A new set of written terms of reference ("TOR"), which described the authority and duties of the AC, has been adopted by the Board and the contents of which are in compliance with the code provisions ("CPs") and recommended best practices of the new Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") effective on 1 April 2012. The said TOR of the AC has been posted on the websites of The Hong Kong Exchange and Clearing Limited and the Company.

The AC is accountable to the Board and the principal duties of the AC are to provide an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits. The AC is provided with sufficient resources to perform its duties.

The AC has reviewed with the management 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 2012.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the six months ended 31 March 2012 except for the deviations from the CP A.4.1. The NEDs 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 Company's bye-laws. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the CP A.4.1 of the CG Code. The above deviation is similar as 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 confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 31 March 2012. 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 NEDs, 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 INEDs, 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, 8 May 2012