

FRANSHION PROPERTIES (CHINA) LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)
STOCK CODE : 0817

FRANSHION



2007
INTERIM REPORT



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CORPORATE INFORMATION

Company Name

Franshion Properties (China) Limited

Registered Office

Room 4702-03, 47th Floor, Office Tower
Convention Plaza, No. 1 Harbour Road
Wan Chai, Hong Kong

Non-executive Directors

Mr. PAN Zhengyi (*Chairman*)
Ms. LI Lun (*Vice Chairman*)
Mr. WANG Hongjun

Executive Directors

Ms. LI Xuehua (*Chief Executive Officer*)
Mr. HE Binwu (*Vice President*)
Mr. JIANG Nan (*Chief Financial Officer*)

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Professor SU Xijia
Professor LIU Hongyu
Mr. NGAI Wai Fung
Dr. GAO Shibin

Chief Financial Officer

Mr. JIANG Nan

Qualified Accountant

Mr. LIAO Chi Chiun

Company Secretary

Mr. LIAO Chi Chiun

Authorised Representatives

Ms. LI Xuehua
Mr. JIANG Nan

Legal Advisers

Allen & Overy
9th Floor, Three Exchange Square
Central, Hong Kong

Tian Yuan Law Firm
11/F, Tower C, Corporate Square
35 Financial Street, Xicheng District
Beijing 100032
People's Republic of China

Auditor

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

Stock Code

0817

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Compliance Adviser

Goldbond Capital (Asia) Limited
39th Floor, Tower 1
Lippo Centre, 89 Queensway, Hong Kong



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Franshion Properties (China) Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the interim results of the Group for the six months ended 30 June 2007 for your review.

The Company is a large-scale developer and investor of quality commercial properties in the People's Republic of China ("PRC"), as well as the flagship real estate development company of Sinochem Corporation. On 17 August 2007 ("Listing Date"), the shares of the Company ("Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), marking a new era for the Company's business development and thereby building a new enhanced platform for the rapid and continued development of the Group.

During the period under review, profit attributable to shareholders of the Company amounted to HK\$78.9 million, representing an increase of 1,152% over the same period of last year. Earning per share was HK\$0.109, representing an increase of 445% over the same period of last year.

To safeguard the healthy and steady development of the real estate industry, the central government promulgated a number of new administrative and economic measures in 2007, leading to a profound impact on the real estate market in the PRC. Demand for real estate has been increasing steadily in those cities where the Group operates its business. In particular, average selling prices and rental rates of commercial properties in Beijing and Shanghai, being cities with significant political and economic importance, are rising continuously. During the period under review, the Beijing Chemsunny World Trade Centre was completed, and the main structure of four riverfront office buildings of the Shanghai Gaoyang International Passenger Transport Centre project were completed. The Group also acquired the land use right of the eastern land area of Huishan on the coast of Huangpu River at the North Bund, Shanghai. In the second half of the year, the Group will complete the acquisition of Sinochem Corporation's interest in Sinochem Tower, Wangfujing Grand Hotel and Beijing Chemsunny World Trade Centre as soon as practicable, and will avail itself of suitable opportunities to exercise the options granted by Sinochem Corporation to the Group.



CHAIRMAN'S STATEMENT

Looking ahead, I have every confidence in the prospects of the commercial property market in the PRC and that of the Group. The listing of the Company in Hong Kong will help us to better leverage our advantageous position in the PRC and Hong Kong to raise financing, and to secure funds for the development of real estate business of the Group through different ways. The Company will also take advantage of its listing to establish an administration system with modern management regulations, efficient operation and systematic decision-making process with a view to attaining a sound system of corporate governance. The Company will continue to pursue its strategic objective of "developing and holding quality commercial properties in first-tier cities and prime locations", and to develop high-end projects that have technologically advanced, environmentally friendly, energy saving and product innovation features. We will further strengthen our brand value in order to reinforce our position as a leading enterprise in the commercial property market in the PRC.

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere gratitude to all our shareholders, customers, members of the management and employees. I wish we will continue to receive steadfast support from all our shareholders and customers, and that our management and employees will continue to strive for even more outstanding results.

PAN Zhengyi

Chairman

Hong Kong, 24 September 2007



BUSINESS OVERVIEW

MARKET REVIEW

In the first half of 2007, the smooth operation of the macro-economic environment of the PRC was coupled with increased investments in fixed assets, rising Consumer Price Index (CPI) and increases in prices of residential properties in certain cities. Certain departments of the government promulgated a series of policies and measures to control the rapid growth of the prices of residential properties, leading to a profound impact on the real estate industry. Generally speaking though, the real estate industry in the PRC is still experiencing strong growth.

BUSINESS REVIEW

In view of the market conditions in the first half of 2007, the Group formulated a development strategy of developing and holding commercial properties in the heart of major cities across the country to ensure that the Group will be less affected by the macro-economic policies concerning residential properties. Meanwhile, the Group also increased the proportion of its investment properties in order to achieve a more balanced revenue stream in the future.

Following our business development strategy, the Group advanced the construction of existing projects actively, and increased the marketing efforts in these projects. The development projects in Beijing, Shanghai and Zhuhai made good progress, and the leasing and pre-sale of these projects were also very encouraging. Meanwhile, the Group also strived to identify quality real estate projects. By acquiring a piece of valuable land on the coast of Huangpu River, we accumulated resources for the future on-going development of the Group.

During the period under review, profit attributable to the shareholders of the Group amounted to HK\$78.90 million, representing an increase of 1,152% over the same period of last year. Basic earning per share was HK\$0.109, representing an increase of 445% over the same period of last year.

During the period under review, the Group developed and constructed three property projects in Shanghai, Beijing and Zhuhai, respectively.

Site B of the Shanghai Gaoyang International Passenger Transport Centre Project

Located along the 880-meter stretch of the western bank of the Huangpu river, the complex is adjacent to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Gaoyang International Passenger Transport Centre is a major project for the Shanghai Municipal Government as part of its efforts to develop the international shipping industry in Shanghai.

We will develop, own and manage the buildings on Site B. The Site B development will include the construction of seven office buildings, two serviced apartment buildings, a shopping centre, a music and cultural centre and an art gallery. Construction on this site began in May 2004 and progress has met the expected target.





BUSINESS OVERVIEW

BUSINESS REVIEW (Continued)

As at 30 June 2007, the main structure of the art gallery was completed. On the other hand, the main structure of six riverfront office buildings were completed in July. The pile foundation construction of the 23-storey office building, the music centre, the shopping centre and the two serviced apartment buildings were completed, with foundation excavation and the construction of underground structure underway. We are conducting marketing activities actively for these properties, with major cruise companies around the world as our primary targets. The properties are well-received by the market. The Group is considering reserving part of the properties as our investment properties.

Beijing Chemsunny World Trade Centre Project

The development project is located on Fuxingmen Nei Street in Beijing, adjacent to which is Financial Street – which is just less than a ten minute walk from two subway lines and one block to the west of the Second Ring Road. Beijing Chemsunny World Trade Centre was named as one of the Beijing Municipal Government's key construction projects, consisting of three parallel and interconnected 14-storey office buildings, divided into the East, Central and West Towers. The project occupies a land area of approximately 21,659 square meters, with a gross floor area of approximately 193,936 square meters to be used primarily as office space.

The main construction work of Beijing Chemsunny World Trade Centre was completed in December 2006. In the first half of 2007, auxiliary municipal projects, refining of the internal decoration of the Central Tower and construction of underground transport facilities were carried out.

The pre-sale of Beijing Chemsunny World Trade Centre achieved good results in the first half of the year. As at 30 June 2007, 14,371 square meters (gross floor area including parking spaces, the same hereinafter) of the East Tower were pre-sold, including an office area of 12,502 square meters which represent 27.8% of the saleable gross floor area, with an average selling price of RMB36,500 per square meter. 35,263 square meters of the Central Tower was contracted for leasing. The leasing area represented 65.0% of the leasable area of the Central Tower, with an average rent of RMB297 per square meter, inclusive of property management fees.

Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management") was established in January 2007. It has taken over the management of Beijing Chemsunny World Trade Centre and conducted all the works in a well-organised manner. On 28 August 2007, the Group entered into an agreement to acquire the remaining interest in Chemsunny Property Management from Sino-Ocean Land Limited ("SOL"). Upon completion of the acquisition, Chemsunny Property Management will become a subsidiary of the Group.



BUSINESS OVERVIEW

BUSINESS REVIEW (Continued)

Zhuhai Every Garden Project

The Zhuhai Every Garden project is the development of a complex of thirteen 8 to 31-storey residential apartment buildings located on the eastern side of Zhuhai's harbour on the coast of the South China Sea, with beautiful views of the ocean on one side and mountains on the other. The development will have a total gross floor area of approximately 136,416 square meters, including a residential area of 102,132 square meters saleable gross floor area (including pre-sold units). The Company expects to construct approximately 700 apartment units.

Construction of the Zhuhai Every Garden project began in June 2006, and is expected to be completed in January 2008. As at 30 June 2007, the construction works made good progress, and construction of 94.02% of the overall structure was completed.

Pre-sale of the Every Garden project commenced in late July 2007.

As at 5 August 2007, the project had been launched for pre-sale for two weeks and 291 residential units had been sold.

LAND BANK

To ensure long term and sustainable future development, the Group has carried out extensive liaison and negotiation with the local governments of Shanghai, Beijing and Zhuhai and other relevant companies. The Group is also identifying new projects actively. Professional advisers have been engaged to carry out in-depth investigation on some of these projects, several of which have been listed among the key projects of the Company. Satisfactory progress has been achieved in respect of acquiring quality land resources.

In January 2007, the Group and Shanghai International Port (Group) Co., Ltd. jointly established the Shanghai Huigang Real Estate Development Co., Ltd. ("Huigang Real Estate"), which is 50% owned by the Group. After its establishment, Huigang Real Estate acquired the land use right of the eastern land area of Huishan dock, Hong Kou District, Shanghai on 9 February 2007, with a consideration of RMB1,465 million which was fully paid in May 2007. The land is located along 280 meters of Huangpu riverfront at the North Bund with an area of 35,210 square meters. The Group expects that the gross floor area will amount to approximately 200,000 square meters after the development of the land.



BUSINESS OVERVIEW

FUTURE OUTLOOK

Looking forward to the second half of 2007, we have every confidence in the high-end commercial property market in the PRC and in the prospects of the Group. Following the well-received pre-sale of Zhuhai Every Garden, the leasing and selling of the Beijing Chemsunny World Trade Centre will fully commence soon. Revenue and profits will increase significantly as compared with the first half of 2007.

The Group will continue to carry out its core strategy of “developing and holding quality commercial properties in first-tier cities and prime locations”, and actively increase our land bank in the cities of Beijing, Tianjin, Shanghai and Zhuhai to further enhance our capability of ongoing operation. We will also consider developing mid-range and high-end residential projects with high return and short cycle.

The Group will also further increase the proportion of its investment properties to achieve a balanced revenue stream in the future. In particular, the Group has entered into acquisition agreements with Sinochem Corporation and Sinochem Hong Kong (Group) Company Limited (“Sinochem Hong Kong”) to acquire its 50% interest in Beijing Chemsunny Property Company Limited (“Chemsunny”) which holds the Beijing Chemsunny World Trade Centre, its 75% interest in Sinochem International Property & Hotels Management Co., Ltd. (“Sinochem Property Management”) which holds the Sinochem Tower and its 75% interest in Wangfujing Hotel Management Company Limited (“Wangfujing Hotel Management”) which holds the Wangfujing Grand Hotel. These acquisitions are expected to be completed by the end of 2007. Sinochem Corporation has granted us options to acquire its interests in China Jin Mao (Group) Company Limited, Shanghai Yin Hui Property Development Company Limited and Shimao Investment Company Limited. The Group will actively seek to exercise the above options according to the undertakings made during the listing.

The Group will continue to strive to create higher value and return for its shareholders and create more wealth for the society.





MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six-month period ended 30 June 2007, profit attributable to equity holders of the Company amounted to HK\$78.9 million, representing an increase of 1,152.4% compared with the profit of HK\$6.3 million for the same period in 2006. Earning per share of the Company was HK\$0.109, representing an increase of 445.0% compared with earning per share of HK\$0.02 for the same period in 2006. The following is a comparison of financial results between the six-month periods ended 30 June 2007 and 2006.

COMBINED RESULTS OF OPERATIONS

Revenue

The Group did not record any revenue for the six months ended 30 June 2007. The revenue amounted to HK\$157.5 million in the same period in 2006 was attributable to the sale of properties of Shanghai Fortune Plaza, the Group's Shanghai project.

Pre-sales of Beijing Chemsunny World Trade Centre have met the Group's internal targets. As at 30 June 2007, the total amount of contracted sales was approximately RMB460 million of which prepayments of approximately RMB440 million have been received and recorded as Other Payables and Accruals under Current Liabilities in the Condensed Combined Balance Sheet as at 30 June 2007. The Group expects that under normal circumstances, pre-sale proceeds will be recognised as sales revenue in the Income Statement upon the issuance of building ownership certificate by the relevant PRC governmental department.

Cost of sales

The Group did not record any cost of sales for the six months ended 30 June 2007. The cost of sales amounted to HK\$118.8 million in the same period in 2006 was attributable to the cost of sales of Shanghai Fortune Plaza, the Group's Shanghai project.

Other income and gains

Other income and gains for the six months ended 30 June 2007 amounted to HK\$118.2 million, representing an increase of HK\$116.0 million from HK\$2.2 million in the same period in 2006. The increase was mainly attributable to the gain amounting to HK\$108.7 million on disposal of our interests in two subsidiaries in Zhuhai, namely Zhong Yi Hua Hai and Zhuhai Hong Hua.

Selling and marketing expenses

Selling and marketing expenses for the six months ended 30 June 2007 amounted to HK\$21.2 million, representing an increase of HK\$17.4 million or 457.9% from HK\$3.8 million in the same period in 2006. This increase was mainly attributable to an increase in the advertising and marketing expenses incurred for the pre-sale of our Beijing Chemsunny World Trade Centre and Zhuhai Every Garden project.



MANAGEMENT DISCUSSION AND ANALYSIS

COMBINED RESULTS OF OPERATIONS (Continued)

Administrative expenses

Administrative expenses for the six months ended 30 June 2007 amounted to HK\$38.5 million, representing an increase of HK\$25.4 million or 193.9% from HK\$13.1 million in the same period in 2006. This increase was mainly attributable to increase in staff salary and wages as our number of employees increased due to the construction of Shanghai Gaoyang International Passenger Transport Centre and Zhuhai Every Garden project, and the increase in payment of property management fee.

Finance cost

The Group's finance costs increased to HK\$60.1 million in the six months ended 30 June 2007 from nil in the six months ended 30 June 2006, primarily as a result of lower amount of interest capitalised due to the completion of the Beijing Chemsunny World Trade Centre project in December 2006.

Share of profits of associates

Share of profits of associates increased by 560.9% to HK\$15.2 million in the six months ended 30 June 2007 from HK\$2.3 million in the six months ended 30 June 2006, primarily as a result of the increase in the profit contribution of Sinochem Property Management. The profit contribution of Sinochem Property Management increased due to the increase in revaluation gain of investment properties in the six months ended 30 June 2007 compared to the six months ended 30 June 2006.

Tax

There was a tax credit of HK\$31.6 million in the six months ended 30 June 2007, compared to a tax charge of HK\$11.8 million in the six months ended 30 June 2006. The tax credit of HK\$31.6 million in the six months ended 30 June 2007 was primarily attributable to the tax losses of Beijing Chemsunny World Trade Centre project available to offset future taxable profit, which created a tax credit of HK\$27.1 million. The Group had sales of Shanghai Fortune Plaza in the six months ended 30 June 2006 which incurred a tax charge of HK\$13.8 million, and this tax charge was partially offset by a deferred tax credit of HK\$2.0 million from other projects.

Properties under development

As at 30 June 2007, the non-current portion of properties under development comprised property development costs of Shanghai Gaoyang International Passenger Transport Centre and Huigang Real Estate, whereas the current portion of properties under development comprised property development costs for Zhuhai Every Garden project.

The increase in properties under development (current and non-current) from HK\$1,988.2 million as at 31 December 2006 to HK\$2,096.6 million as at 30 June 2007 was mainly attributable to the additional costs incurred for Shanghai Gaoyang International Passenger Transport Centre and Zhuhai Every Garden project, which was partially offset by the transfer of the property development costs of our property projects in Zhuhai upon the Company's disposal of its interests in Zhong Yi Hua Hai and Zhuhai Hong Hua.



MANAGEMENT DISCUSSION AND ANALYSIS

COMBINED RESULTS OF OPERATIONS (Continued)

Interest-bearing bank and other borrowings

As at 30 June 2007, the interest-bearing bank and other borrowings was HK\$3,717.4 million, increased by 59.7% over that of HK\$2,327.7 million as at 31 December 2006, representing an increase of HK\$1,389.7 million. The increase in the interest-bearing bank and other borrowings was primarily due to increase in drawdowns of new bank and other borrowings of Huigang Real Estate for the acquisition of land use rights. The payment for the acquisition of land use rights was shown as Prepayments under Non-current Assets in the Condensed Combined Balance Sheet as at 30 June 2007.

Trade and bills payables

As at 30 June 2007, the trade and bills payables was HK\$973.3 million, decreased by 13.0% from that of HK\$1,118.4 million as at 31 December 2006, representing a decrease of HK\$145.1 million. The decrease in trade and bills payables was primarily due to the partial settlement of the trade payables of Beijing Chemsunny World Trade Centre project upon its completion in December 2006.

GEARING RATIO

The Group monitors capital on the basis of the debt-to adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity, and includes the amount due to related parties. The Group aims to maintain the debt-to-adjusted capital ratio at a reasonable level. The debt-to-adjusted capital ratios at 30 June 2007 and 31 December 2006 were as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Interest-bearing bank and other borrowings	3,717,378	2,327,685
Less: cash and cash equivalents	(1,853,084)	(233,526)
Net debt	1,864,294	2,094,159
Equity	2,566,542	1,053,074
Add: amount due to related parties	270	392,442
Adjusted capital	2,566,812	1,445,516
Debt-to-adjusted capital ratio	73%	145%

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to pay for capital expenditures, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service our indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements through a combination of internal resources, bank borrowings and issue of new shares.

As of 30 June 2007, the Group had cash and cash equivalents of HK\$1,853.1 million, which was mainly denominated in RMB and HK dollar.

As at 30 June 2007, the Group had total interest-bearing bank and other borrowings of HK\$3,717.4 million (as at 31 December 2006: HK\$2,327.7 million). Set out below is an analysis of interest-bearing bank and other borrowings of the Group:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within one year	3,388,770	1,335,468
In the second year	–	710,308
In the third to fifth years, inclusive	328,608	281,909
	3,717,378	2,327,685

Interest-bearing bank and other borrowings of approximately HK\$3,388.8 million repayable within one year shown under Current Liabilities include entrustment loans totalling approximately HK\$821.5 million provided by a subsidiary of the Group and the minority shareholder of Huigang Real Estate. It is expected that these entrustment loans will be renewed upon their maturity dates.

All of the Group's borrowings are denominated in RMB and bear interest at floating rates. There is no material effect of seasonality on the Group's borrowing requirements.

As at 30 June 2007, the Group had banking facilities of HK\$6,336.0 million, all were denominated in RMB. The amount of banking facilities utilised was HK\$3,409.3 million, the amount of unutilised banking facilities was HK\$2,926.7 million.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Group's cash flow for the six months ended 30 June 2007 was a net cash inflow of HK\$1,628.3 million, which consists of:

1. A net cash outflow of HK\$554.5 million from operating activities, which was mainly attributable to the payment of construction cost for our Beijing Chemsunny World Trade Centre, Zhuhai Every Garden and Shanghai Gaoyang International Passenger Transport Centre project, amounting to HK\$468.0 million.
2. A net cash inflow of HK\$24.6 million from investing activities, which was mainly attributable to the capital contribution of HK\$436.2 million from the minority shareholders of our subsidiaries, offset by increase in the pledged deposit of HK\$410.8 million.
3. A net cash inflow of HK\$2,158.2 million from financing activities, which was mainly attributable to the funding of HK\$1,020.0 million from the issue of new shares to shareholder and the drawdown of new bank and other borrowings of HK\$3,973.7 million, offset by repayments of bank and other borrowings of HK\$2,421.3 million.

PLEDGE OF ASSETS

As at 30 June 2007, the Group's properties under development in the book value of HK\$1,741,259,000 have been pledged to banks as the security for banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2007.

CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2007	31 December 2006
	<i>HK\$ million</i>	<i>HK\$ million</i>
Contracted, but not provided for capital expenditure in respect of properties under development in the PRC	492.6	730.2



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND FINANCIAL RISKS

Market risk

The Group's assets are predominantly in the form of land use rights, properties under development and properties held for sale. In the event of a severe downturn in the property market, these assets may not be readily realized.

Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations, increases in interest rates would increase interest expenses relating to the Group's outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. The Group does not currently use any derivative instruments to manage the Group's interest rate risk.

Foreign exchange risk

Substantially all of the Group's turnover and costs are denominated in Renminbi. We report our financial results in Hong Kong dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates. The Group does not currently engage in hedging to manage currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

Inflation

Inflation in the PRC has not had a material impact on our results of operations in recent years. According to the National Bureau of Statistics of the PRC, the change in the Consumer Price Index was (1.8%) and 1.5% in 2005 and 2006, respectively. During 2006, following increases in the Consumer Price Index in the PRC during the first few months of the year, the central government announced measures to restrict lending and investment in the PRC in order to reduce inflationary pressures in the country's economy. The central government may introduce further measures intended to reduce the inflation rate in the PRC. Any such measures adopted by the central government may not be successful in reducing or slowing the increase in the country's inflation rate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed 109 staff in total. The Group provides competitive salaries and bonuses for our employees, as well as other benefits, including retirement schemes, medical insurances schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing benefits. The Group's salary levels are regularly reviewed against market standards.

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited condensed combined results of the Group for the six months ended 30 June 2007 together with comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.



CONDENSED COMBINED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE	3	–	157,469
Cost of sales		–	(118,778)
Gross profit		–	38,691
Other income and gains	3	118,162	2,151
Selling and marketing expenses		(21,158)	(3,828)
Administrative expenses		(38,458)	(13,144)
Finance costs	5	(60,063)	–
Other expenses		(70)	–
Share of profits of associates		15,175	2,287
PROFIT BEFORE TAX	4	13,588	26,157
Tax	6	31,620	(11,822)
PROFIT FOR THE PERIOD		45,208	14,335
Attributable to:			
Equity holders of the Company		78,923	6,275
Minority interests		(33,715)	8,060
		45,208	14,335
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	8	10.9 cents	2.0 cents

**CONDENSED COMBINED BALANCE SHEET***As at 30 June 2007*

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,815	6,531
Properties under development		1,755,415	1,719,080
Interests in associates		296,624	129,136
Available-for-sale investment		288	558
Prepayments		1,549,541	14,737
Deferred tax assets		35,931	3,769
Total non-current assets		3,643,614	1,873,811
CURRENT ASSETS			
Properties under development		341,172	269,147
Properties held for sale		2,560,807	2,475,027
Prepayments, deposits and other receivables		103,283	19,376
Due from related parties		67,140	284,355
Tax recoverable		40,104	19,670
Pledged deposits		410,760	–
Cash and cash equivalents		1,853,084	233,526
Total current assets		5,376,350	3,301,101
CURRENT LIABILITIES			
Trade and bills payables	10	973,337	1,118,418
Other payables and accruals		1,629,213	150,448
Interest-bearing bank and other borrowings	11	3,388,770	1,335,468
Due to related parties	15	270	392,442
Provision for land appreciation tax		133,224	132,845
Total current liabilities		6,124,814	3,129,621
NET CURRENT ASSETS/(LIABILITIES)		(748,464)	171,480
TOTAL ASSETS LESS CURRENT LIABILITIES		2,895,150	2,045,291



CONDENSED COMBINED BALANCE SHEET

As at 30 June 2007

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	328,608	992,217
Net assets		2,566,542	1,053,074
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	1,492,500	472,500
Reserves		400,090	301,790
		1,892,590	774,290
Minority interests		673,952	278,784
Total equity		2,566,542	1,053,074

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company									
	Issued share capital (Unaudited) HK\$'000	PRC statutory reserves (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Available- for-sale	Exchange fluctuation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				investment						
				revaluation reserve (Unaudited) HK\$'000						
At 1 January 2007	472,500	28,654	-	-	18,464	-	254,672	774,290	278,784	1,053,074
Exchange realignment	-	-	-	-	23,422	-	-	23,422	10,786	34,208
Total income recognised directly in equity	-	-	-	-	23,422	-	-	23,422	10,786	34,208
Profit for the period	-	-	-	-	-	-	78,923	78,923	(33,715)	45,208
Total income and expense for the period	-	-	-	-	23,422	-	78,923	102,345	(22,929)	79,416
Acquisition of minority interest	-	67	-	-	370	(4,482)	-	(4,045)	(2,955)	(7,000)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(15,189)	(15,189)
Issue of shares (note 12)	1,020,000	-	-	-	-	-	-	1,020,000	-	1,020,000
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	436,241	436,241
Transfer to reserve	-	(22,918)	-	-	-	-	22,918	-	-	-
At 30 June 2007	1,492,500	5,803*	-*	-*	42,256*	(4,482)*	356,513*	1,892,590	673,952	2,566,542
At 1 January 2006	313,200	19,508	82,693	104,351	5,960	-	127,250	652,962	226,394	879,356
Exchange realignment	-	-	-	-	3,979	-	-	3,979	2,773	6,752
Total expense recognised directly in equity	-	-	-	-	3,979	-	-	3,979	2,773	6,752
Profit for the period	-	-	-	-	-	-	6,275	6,275	8,060	14,335
Total income and expense for the period	-	-	-	-	3,979	-	6,275	10,254	10,833	21,087
Deemed distribution to equity owners	-	-	(82,693)	-	-	-	(11,005)	(93,698)	-	(93,698)
At 30 June 2006	313,200	19,508	-	104,351	9,939	-	122,520	569,518	237,227	806,745

* These reserve accounts comprise the combined reserves of HK\$400,090,000 (31 December 2006: HK\$301,790,000) in the condensed combined balance sheet.



CONDENSED COMBINED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(554,493)	(255,612)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	24,615	(93,942)
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,158,190	332,659
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,628,312	(16,895)
Cash and cash equivalents at beginning of period	233,526	188,601
Effect of foreign exchange rate changes, net	(8,754)	(15,012)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,853,084	156,694
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	811,597	155,877
Non-pledged time deposits with original maturity of less than three months when acquired	1,041,487	817
	1,853,084	156,694



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in Hong Kong on 2 June 2004 with limited liability under the Hong Kong Companies Ordinance. To prepare for the listing of the Shares on the Main Board of the Stock Exchange, the Group has undertaken a group reorganisation (the "Reorganisation"). Pursuant to the Reorganisation, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), the immediate holding company of the Company, transferred a substantial portion of its interests in certain of its subsidiaries and associates to the Company. Details of the Reorganisation are set out in the prospectus of the Company dated 6 August 2007.

The Shares were listed on the Stock Exchange on 17 August 2007.

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the condensed combined interim financial statements have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the six months ended 30 June 2006 and 2007, rather than from the date on which the Reorganisation was completed.

The unaudited condensed combined interim financial statements for the six months ended 30 June 2007 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies used in the preparation of the condensed combined interim financial statements are consistent with those used for and described in the Accountants' Report.

The condensed consolidated interim financial statements should be read in conjunction with the accountants' report of the Company (the "Accountants' Report") set out in Appendix IA to the prospectus of the Company dated 6 August 2007.

The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. SEGMENT INFORMATION

Over 90% of the Group's revenue and assets are related to property development and over 90% of the Group's revenue is derived from customers based in the PRC. The directors consider that the Group's activities constitute one business segment since these activities are related and subject to common risk and returns. Accordingly, neither business nor geographical segment information are presented in accordance with HKAS 14 Segment Reporting.



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sales of properties during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue		
Sale of properties	–	157,469
Other income		
Bank interest income	8,058	1,564
Project management fee income	–	543
Others	632	44
	8,690	2,151
Gains		
Gain on disposal of subsidiaries (note 13)	108,720	–
Foreign exchange difference, net	752	–
	109,472	–
	118,162	2,151

**NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS***As at 30 June 2007***4. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of good sold	–	118,778
Depreciation	783	790
Less: Amount capitalised in properties under development	–	(153)
	783	637
Loss on disposal of items of property, plant and equipment*	70	–

* These items are included in "Other expenses, net" on the face of the condensed combined income statements of the Group during the period.

5. FINANCE COSTS

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Interest on bank loans wholly repayable within five years	16,076	–
Interest on other loans	70,508	47,337
Total interest	86,584	47,337
Less: Interest capitalised in properties under development	(26,521)	(47,337)
	60,063	–



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

6. TAX

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Current		
PRC corporate income tax	817	9,311
Land appreciation tax ("LAT") in the PRC	–	4,481
	817	13,792
Deferred	(32,437)	(1,970)
Total tax charge/(credit) for the period	(31,620)	11,822

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2006: Nil). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2006 and 2007, based on the existing legislation, interpretations and practices in respect thereof.

The Company's subsidiaries, namely, Shanghai Ke Yi Franshion Business Consultancy Company Limited, Shanghai Pudong Jinxin Real Estate Development Co., Ltd. and Shanghai Ke Yi Real Estate Development Co., Ltd., which were established and located in Shanghai Pudong New Area, and Sinochem Franshion Real Estates (Zhuhai) Co., Ltd. ("Franshion Zhuhai"), which was established and located in Zhuhai, are subject to income tax at a preferential rate of 15%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

Share of tax credit attributable to associates amounting to HK\$6,177,000 (2006: tax charge HK\$2,293,000) are included in "Share of profits of associates" on the face of the condensed combined income statements.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales from properties less deductible expenditures including borrowing costs and all property development expenditures.

NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

7. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity of the Company, and the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months period ended 30 June 2006 and 2007 have not been disclosed as no diluting events existed during those periods.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to ordinary equity holders of the Company, used in basic earnings per share calculation	78,923	6,275

	Number of shares	
	30 June	30 June
	2007	2006
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	726,489,000	313,200,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired fixed assets with cost of HK\$640,000 (2006: HK\$974,000) and disposed of fixed assets with net carrying amount of HK\$70,000 (2006: Nil).



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Due within 1 year or on demand	973,337	1,118,418

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2007, the Group had new interest-bearing bank and other borrowings of HK\$3,973,691,000 (2006: HK\$456,905,000), and repaid HK\$2,421,331,000 of its interest-bearing bank and other borrowings (2006: HK\$173,154,000).

12. SHARE CAPITAL

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Authorised: 8,000,000,000 (31 December 2006: 472,500,000) ordinary shares of HK\$1 each	8,000,000	472,500
Issued and fully paid: 1,492,500,000 (31 December 2006: 472,500,000) ordinary shares of HK\$1 each	1,492,500	472,500



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

12. SHARE CAPITAL (Continued)

During the period and subsequent to 30 June 2007, the movements in share capital were as follows:

- (a) Pursuant to an ordinary resolution passed on 25 March 2007, the authorised share capital of the Company was increased from HK\$472,500,000 to HK\$3,000,000,000 by the creation of 2,527,500,000 additional ordinary shares of HK\$1 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) On 26 April 2007, 297,200,000 ordinary shares of HK\$1 each were allotted and issued as fully paid at par to the shareholder.
- (c) On 17 May 2007, 355,000,000 ordinary shares of HK\$1 each were allotted and issued as fully paid at par to the shareholder.
- (d) On 31 May 2007, 367,800,000 ordinary shares of HK\$1 each were allotted and issued as fully paid at par to the shareholder.
- (e) Pursuant to an ordinary resolution passed on 8 June 2007, the authorised share capital of the Company was increased from HK\$3,000,000,000 to HK\$8,000,000,000 by the creation of 5,000,000,000 additional ordinary shares of HK\$1 each, ranking pari passu in all respects with the existing share capital of the Company.
- (f) On 27 July 2007, 1,800,000,000 ordinary shares of HK\$1 each were allotted and issued as fully paid at par to the shareholder.
- (g) The Company allotted and issued 1,411,100,000 ordinary shares of HK\$1 each at HK\$2.35 per share on 16 August 2007 which were listed on the Stock Exchange on 17 August 2007, raising gross proceeds of HK\$3,316,085,000. In addition, on 7 September 2007, pursuant to the exercise of the over-allotment option of the listing, an additional 211,664,000 ordinary shares of HK\$1 each were issued at HK\$2.35 per share and gross proceeds of HK\$497,410,400 were raised.



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

13. DISPOSAL OF SUBSIDIARIES

In December 2006, Franshion Zhuhai, a subsidiary of the Group, underwent a reorganisation (the “Franshion Zhuhai Reorganisation”) pursuant to which it was split into three companies with Franshion Zhuhai as the surviving entity, and two new entities namely Zhong Yi Hua Hai and Zhuhai Hong Hua Real were set up on 28 December 2006. As at 31 December 2006, the shareholding structures of the three companies are the same as the structure of Franshion Zhuhai before the Franshion Zhuhai Reorganisation. The assets and liabilities attributable to each of the three projects which were being developed by the former Franshion Zhuhai were segregated and divided among the three companies. In April 2007, as part of the Franshion Zhuhai Reorganisation, the Company disposed of its entire interests in Zhong Yi Hua Hai and Zhuhai Hong Hua for an aggregate cash consideration of approximately HK\$154 million. The consideration for the disposal of Zhong Yi Hua Hai is approximately HK\$137 million, which is determined based on a valuation of the property held by Zhong Yi Hua Hai prepared by an independent professionally qualified valuer. The consideration for the disposal of Zhuhai Hong Hua is approximately HK\$17 million, which is determined based on the cost of investment in the project plus a fixed rate of return.

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<i>Note</i>			
	Net assets disposed of:		
	Property, plant and equipment	682	–
	Properties under development	275,055	–
	Prepayments and other receivables	14,970	–
	Available-for-sale investment	283	–
	Deferred tax assets	848	–
	Cash and bank balances	878	–
	Accruals and other payables	(5)	–
	Bank and other borrowings	(232,689)	–
	Minority interests	(15,189)	–
		44,833	–
	Gain on disposal of subsidiaries	108,720	–
		153,553	–
	Satisfied by:		
	Cash	153,553	–

**NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS***As at 30 June 2007***13. DISPOSAL OF SUBSIDIARIES (Continued)**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries as follows:

	Six months ended 30 June	
	2007 (Unaudited) <i>HK\$'000</i>	2006 (Unaudited) <i>HK\$'000</i>
Cash consideration	153,553	–
Cash and bank balances disposed of	(878)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	152,675	–

14. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2007 (Unaudited) <i>HK\$'000</i>	31 December 2006 (Audited) <i>HK\$'000</i>
	Contracted, but not provided for capital expenditure in respect of properties under development in the PRC	492,629



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

15. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transaction with related parties during the period:

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Fellow subsidiaries:			
Interest expense charged on other loans	(i)	60,106	47,337
Lease of office premises	(ii)	–	486
Immediate holding company:			
Interest expense charged on other loans	(i)	3,221	–
Lease of office premises	(iii)	791	–
Subcontracting service fee paid charged from company controlled by the minority shareholder of a subsidiary	(iv)	67,501	1,481
Building management fee paid to an associate	(v)	7,912	–

Notes:

- (i) Interest expense on other loans from related companies was charged at interest rates of bank borrowings with similar terms. Further details of other loans from related companies are set out in note 15(b).
- (ii) The rental was charged at a rate below market price.
- (iii) The rental charge was determined with reference to the then prevailing market conditions.
- (iv) The subcontracting service fee was charged by Beijing SORED & Guangtian Decoration Engineering Co. Ltd., a Beijing based company engaged in decoration business, for interior decoration service rendered for a property project of the Group in Beijing in accordance with the terms of the underlying agreements.
- (v) The building management fee was charged by Beijing Century Chemsunny Property Management Co., Ltd. ("Chemsunny Property Management"), an associate of the Group, for the management of Beijing Chemsunny World Trade Centre. The building management fee is charged in accordance with the terms of the underlying agreements.

In the opinion of the directors of the Company, the above related party transactions were carried out in the ordinary course of business and at terms mutually negotiated between the Group and related parties.

**NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS**

As at 30 June 2007

15. RELATED PARTY TRANSACTIONS (Continued)**(b) Outstanding balances with related parties**

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Due from related parties:			
– Immediate holding company	(i)	–	274,387
– Minority shareholder of a subsidiary	(i)	67,118	9,968
– An associate	(i)	22	–
		67,140	284,355
Due to related parties:			
– Ultimate holding company	(i)	6	93,105
– Fellow subsidiaries	(i)	264	115,306
– Minority shareholder of a subsidiary	(i)	–	184,031
		270	392,442
Rental deposit paid to immediate holding company		481	–
Accrual and other liabilities due to a fellow subsidiary	(i)	–	1,002
Trade payables due to related parties:			
– A company controlled by the minority shareholder of a subsidiary	(ii)	102,427	165,882
– Minority shareholder of a subsidiary	(ii)	256,725	249,175
		359,152	415,057
Interest-bearing borrowings from related parties:			
– Immediate holding company	(iii)	–	54,442
– A fellow subsidiary	(iv)	308,070	2,203,474
– Minority shareholders of subsidiaries	(v)	842,058	–
		1,150,128	2,257,916



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties (Continued)

Notes:

- (i) The balances are non-trade in nature, unsecured, interest-free and are repayable on demand.
- (ii) The balances are unsecured and interest-free.
- (iii) The loans from Sinochem Hong Kong, the Company's immediate holding company, are unsecured and bear interest ranging between 5.88% to 5.98% per annum.
- (iv) Certain of the Group's loans from China Foreign Economy and Trade & Investment Co., Ltd. ("FOTIC"), a fellow subsidiary of the Company and a financial institution approved by the People's Bank of China, was secured by the Group's properties under development with aggregate carrying amount of HK\$593,914,000 as at 31 December 2006.
- (v) Shanghai International Port (Group) Co., Ltd and Shanghai Real Estate (Group) Co., Ltd, which are minority shareholders of subsidiaries of the Company, have provided entrustment loans of HK\$718,830,000 and HK\$123,228,000, respectively, to the Group through banks as at 30 June 2007.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Short-term employee benefits	2,708	1,817
Post-employment benefits	72	10
Total compensation paid to key management personnel	2,780	1,827

(d) Transaction with other state-owned enterprises

The Group is part of a larger group of companies under Sinochem Corporation, which itself is owned by the PRC government. The Group also operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organizations (collectively refer to as the "state-owned enterprises"). During the six months ended 30 June 2006 and 2007, the Group had transactions with the state-owned enterprises including, but not limited to, borrowing and placing deposits, selling of properties developed and sub-contracting services. The related party transactions as disclosed above only refer to transactions with Sinochem Corporation and enterprises which are under common control of Sinochem Corporation. The transactions with other state-owned enterprises are conducted in the ordinary course of business and under normal commercial terms and as such the Group believes that meaningful disclosure of related party transactions has been provided in the above.



NOTES TO CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

As at 30 June 2007

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

17. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 June 2007:

- (a) On 26 July 2007, the Company entered into a conditional sale and purchase agreement with Sinochem Corporation and Sinochem Hong Kong, for the acquisition of a 50% interest of Beijing Chemsunny Property Company Limited ("Chemsunny"), at a cash consideration of HK\$1,413,000,000. The consideration is determined at a discount to a valuation of a property owned by Chemsunny, prepared by an independent professionally qualified valuer, and the discount of which is determined on a discretionary basis.
- (b) On 26 July 2007, the Company, Sinochem Corporation and Sinochem Hong Kong entered into a conditional sale and purchase agreement (the "Glory First Acquisition Agreement") and pursuant to which, the Company agreed to acquire the entire share capital of Glory First Enterprises Limited ("Glory First") from Sinochem Hong Kong for cash consideration of HK\$826,000,000. Completion of the Glory First Acquisition Agreement is conditional upon Sinochem Hong Kong acquiring a 75% interest in each of Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management") and Wangfujing Hotel Management Company Limited ("Wangfujing Hotel Management") from Sinochem Corporation and is expected to take place in 2007. Upon completion, Wangfujing Hotel Management and Sinochem Property Management will become indirectly wholly-owned subsidiaries of the Company. The consideration was determined at a discount to a valuation of the properties owned by Wangfujing Hotel Management and Sinochem Property Management prepared by an independent professionally qualified valuer. It will be settled as to HK\$650,000,000 by internal resources of the Group and the remaining HK\$176,000,000 will be settled by part of the cash proceeds from the listing of the Shares on the Main Board of the Stock Exchange.
- (c) On 28 August 2007, the Company, Sino-Ocean Land Limited ("SOL") and Chemsunny entered into a conditional sale and purchase agreement (the "Chemsunny Property Management Acquisition Agreement") and pursuant to which, the Company agreed to acquire SOL's 60% interest in Chemsunny Property Management for a consideration of HK\$3,296,000 (equivalent to RMB3,200,000). The consideration is determined based on SOL's proportionate share of the paid-up capital of Chemsunny Property Management and the net profit of Chemsunny Property Management for the six months ended 30 June 2007. It will be settled by internal resources of the Group.
- (d) Subsequent to 30 June 2007 and up to the date of this report, a total of 3,422,764,000 ordinary shares of HK\$1 each were allotted and issued as fully paid at par, and further details of which are set out in note 12 above.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited interim financial statements were approved and authorised for issue by the board of directors on 24 September 2007.



OTHER INFORMATION

DISCLOSURE OF INTERESTS

Substantial Shareholders

As the Shares were only listed on the Stock Exchange on the Listing Date, the Company was not required to maintain a register of members pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") prior to the Listing Date. For information purposes, the following persons (not being Directors or the Chief Executive) had interests or short positions in the shares or underlying shares of the Company as recorded in the register of members required to be kept under section 336 of the SFO as at the Listing Date:

Name	Capacity	Long position	Approximate percentage of shareholding
Sinochem Corporation	Interest in a controlled corporation (<i>Note</i>)	3,292,500,000	70%
Sinochem Hong Kong	Registered and beneficial owner	3,292,500,000	70%
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Registered owner	484,070,168	9.85%

Note: Sinochem Corporation is interested in 100% of the registered capital of Sinochem Hong Kong and is therefore deemed or taken to be interested in all of the Shares which are beneficially owned by Sinochem Hong Kong.

Directors and Chief Executive

The Company was not required to maintain a register of members pursuant to section 352 of the SFO prior to the Listing Date. For information purposes, as at the Listing Date, none of the Directors, the Chief Executive or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the Chief Executive were deemed to have under the provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

The following shares were allotted and issued by the Company to Sinochem Hong Kong prior to the Listing Date:

Date of allotment	Number of Shares	Registered owner
26 April 2007	297,200,000	Sinochem Hong Kong
17 May 2007	355,000,000	Sinochem Hong Kong
31 May 2007	367,800,000	Sinochem Hong Kong
27 July 2007	1,800,000,000	Sinochem Hong Kong

The Company allotted and issued 1,411,100,000 new Shares on 16 August 2007 which were listed on the Stock Exchange on the Listing Date. Pursuant to the exercise of the over-allotment option by the sponsor to the Company's listing, 211,664,000 new Shares were allotted and issued on 7 September 2007.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares from 1 January 2007 to 7 September 2007.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed combined financial statements of the Company for the six months ended 30 June 2007 in conjunction with the Company's senior management.

INTERIM DIVIDEND

The board of directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2007.

MATERIAL ACQUISITIONS AND DISPOSALS

In December 2006, Franshion Zhuhai was split into three companies with Franshion Zhuhai as the surviving entity and two other companies – Zhong Yi Hua Hai and Zhuhai Hong Hua were formed.

In April 2007, the Company sold its 65% interest in Zhong Yi Hua Hai to an independent third party for a consideration of HK\$137.0 million by reference to an independent valuation of the property held by Zhong Yi Hua Hai. In the same month, the Company sold its 65% interest in Zhuhai Hong Hua to an independent third party for a consideration of HK\$17 million by reference to the cost of investment and a fixed rate of return. The Company achieved an aggregate gain of approximately HK\$109 million on its disposal of these two subsidiaries.

In 2007, the Company acquired the remaining 35% interest in Franshion Zhuhai for a consideration of HK\$7 million by reference to the share of the paid-up capital acquired. Franshion Zhuhai then became a wholly-owned subsidiary of the Company.



OTHER INFORMATION

MATERIAL ACQUISITIONS AND DISPOSALS (Continued)

On 26 July 2007, the Company entered into a conditional acquisition agreement with Sinochem Corporation and Sinochem Hong Kong for the acquisition of a 50% interest in Chemsunny for a consideration of HK\$1,413,000,000. On the same date, the Company entered into a conditional acquisition agreement with Sinochem Corporation and Sinochem Hong Kong for the acquisition of a 75% interest in each of Sinochem Property Management and Wangfujing Hotel Management for a consideration of HK\$826,000,000. It is expected that completion of these acquisition agreements will take place by 31 December 2007. Upon completion of these acquisition agreements, Chemsunny, Sinochem Property Management and Wangfujing Hotel Management will become wholly-owned subsidiaries of the Company.

On 28 August 2007, the Company entered into an acquisition agreement with SOL to acquire a 60% interest in Chemsunny Property Management for a consideration of RMB3,200,000 (approximately HK\$3,295,911). Upon completion of this acquisition agreement, Chemsunny Property Management will become a wholly-owned subsidiary of the Company.

Save as disclosed above, the Company did not engage in any material acquisitions or disposals during the period under review and subsequent to 30 June 2007 and up to the date of this report.

MATERIAL LITIGATION

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with its tenants and owners of residential units. However, for the six months ended 30 June 2007, the Company was not subject to any material litigation that could have a material adverse impact on the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry of all the Directors, all of them have confirmed that they had complied with the required standard set out in the Model Code since the Listing Date up to and including 14 September 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules since the Listing Date.

Shanghai

Fortune Plaza

