



INTERIM REPORT 2010/2011  
中期報告

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# Business and Financial Highlights

## BUSINESS HIGHLIGHTS

### Events during and subsequent to the period under review

- April
  - Re-designation of Ms HO Pak Ching Loretta from Non-executive Director to Independent Non-executive Director of the Company
  - Full redemption of outstanding Convertible Bonds due 2010
- May
  - Completion of the acquisition of land and en-bloc residential building namely Horizon Place Akasaka comprising 94 units and 54 vehicle parking spaces in Akasaka, Tokyo, Japan
- June
  - The Group announced the 2009/2010 final results
  - CAPITAL Magazine presented “CAPITAL The Best Developer Awards – Urban Design & Master Planning” to Hong Kong Resort Company Limited to recognise its unique planning and comprehensive development in Discovery Bay
- July
  - Acquisition of land and en-bloc residential building namely Homat Sun comprising 18 units and car parking spaces in Roppongi, Tokyo, Japan
- August
  - The Group held its annual general meeting
- September
  - Establishment of a joint-venture company for acquisition of freehold land of approximately 12,666.4 square metres in Bangkok, Thailand for development
  - Appointment of Mr CHA Yiu Chung Benjamin as Executive Director of the Company
- October
  - Wen Wei Po, Hong Kong presented “美好生活•典範人居樓盤獎” to Hong Kong Resort Company Limited to recognise its unique planning and comprehensive development in Discovery Bay
  - Bathroom & Kitchen was ranked no. 3 in the 2010 Supplier of the Year Award out of 64 suppliers assessed by the Plumbing Merchants Association in Melbourne, Australia
- November
  - Re-designation of Mr CHEUNG Tseung Ming from Executive Director to Non-executive Director of the Company

## FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 September</b>		<b>Year ended 31 March</b>
	<b>2010 HK\$'M</b>	2009 HK\$'M	2010 HK\$'M
<b>Results</b>			
Turnover	<b>868.0</b>	945.8	1,839.8
Profit attributable to owners of the Company	<b>711.0</b>	657.9	1,841.4
Dividends paid	<b>162.0</b>	–	81.0
Earnings per share (HK cents)	<b>52.66</b>	48.72	136.37
<b>Financial Position</b>			
Total assets	<b>20,735.5</b>	18,116.8	18,106.5
Total liabilities	<b>7,153.9</b>	6,523.4	5,356.8
Net asset value	<b>12,383.0</b>	10,507.3	11,634.8
Net asset value per share (HK\$)	<b>9.2</b>	7.8	8.6

# Management Discussion and Analysis

## INTERIM RESULTS

The board of directors (the "Board" or the "Directors") of HKR International Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 (the "Period").

The Group's unaudited consolidated profit attributable to shareholders of the Company for the Period was HK\$711.0 million, compared with HK\$657.9 million for the corresponding period last year. Earnings per share were HK52.66 cents, compared with HK48.72 cents for the corresponding period last year.

## INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK7 cents per share for the Period to its shareholders whose names will appear on the registers of members of the Company on 13 December 2010. The interim dividend will be paid on 22 December 2010. An interim dividend of HK6 cents per share was paid by the Company to its shareholders for the corresponding period last year.

## CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from Friday, 10 December 2010 to Monday, 13 December 2010, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the declared interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, the PRC for registration not later than 4:30 p.m. on Thursday, 9 December 2010.

## BUSINESS REVIEW

### Property Development

#### *Discovery Bay, Hong Kong, the PRC*

As recognition to its unique planning and comprehensive development in Discovery Bay, Hong Kong Resort Company Limited, a 50% owned subsidiary of the Company, was awarded "CAPITAL The Best Developer Awards – Urban Design & Master Planning" and "美好生活•典範人居樓盤獎" organised by CAPITAL Magazine and Wen Wei Po, Hong Kong respectively in June and October 2010.

During the Period, 2 remaining units were sold in Discovery Bay. As at 30 September 2010, 5 units of Chianti, the Phase 13 were available for sale.

The construction works of the Phase 14 of Discovery Bay comprising 164 units in 3 mid-rise blocks of more than 169,000 square feet gross floor area ("GFA") have been proceeding on schedule. It is anticipated to complete in the first quarter of 2011. The Group will cope with the new guidelines to enhance the transparency of information to be provided in property sales.

The Group has a 50% interest in Discovery Bay development projects.

## Management Discussion and Analysis *(continued)*

### ***Tung Chung, Hong Kong, the PRC***

During the Period, the last unit of Le Bleu Deux of the Phase 4 which is the last phase of Coastal Skyline in Tung Chung was sold at the selling price of over HK\$9,200 per square foot GFA.

Le Bleu Spa Villa, a specialty unit show flat won the "Platinum Award" of "2010 ADEX Awards for Design Excellence" sponsored by Design Journal in April 2010 and another typical unit show flat was also awarded the "First Prize" in the Interior Design Competition of the "International Design Awards" in May 2010.

As at 30 September 2010, the Tung Chung development project left a 2-storey commercial centre of lettable area of 28,470 square feet together with 543 car parking spaces for lease.

The Group has a 31% interest in the Tung Chung development project.

### ***The Sukhothai Residences, Thailand***

The construction works of The Sukhothai Residences have been completed substantially during the Period and it is targeted to complete in early 2011.

As at 30 September 2010, 139 out of 196 units of The Sukhothai Residences were sold at an average selling price of Thai Baht 226,494 (approximately HK\$54,576) per square metre.

The sale of The Sukhothai Residences is scheduled for re-launch by the end of the first quarter of 2011.

## **Property Investment**

### ***Dazhongli (under construction), Shanghai, the PRC***

The resettlement works were practically completed in March 2010 and the relocation of a historical building within the site was completed at the same time. Restoring of the historical building will be carried out in the next stage. Schematic Design of the development has been submitted for approval. General foundation works are planned to commence in 2011.

With a planned GFA of approximately 323,000 square metres, the Dazhongli project will be developed into a world class project comprising Grade-A office space, retail and luxury hotels. The project is scheduled to complete in phases starting from 2015.

The Group has a 50% interest in the Dazhongli project.

### ***Chelsea Residence, Shanghai, the PRC***

During the Period, the massive renovation programme on the entire building of Chelsea Residence, located at Huashan Road in Shanghai, has been completed and 110 units sold were duly delivered to the buyers.

### ***Wireless Road (for development), Thailand***

During the Period, a joint-venture company was set up for the acquisition of the freehold land with a site area of approximately 12,666.4 square metres located at Wireless Road, Bangkok at a total consideration of approximately Thai Baht 2.5 billion (approximately HK\$0.6 billion) for future development.

The Group has a 49% interest in the Wireless Road development project.

### ***The Exchange, Tianjin, the PRC***

The Exchange in Tianjin comprising a total GFA of over 152,000 square metres with a retail mall, 2 office towers and a hotel, has been generating stable rental income. During the Period, the average occupancy rates of the retail mall, 2 office towers and the hotel were 100%, 82% and 62% respectively.

The Group has a 15% interest in The Exchange.

## Management Discussion and Analysis *(continued)*

### **Industrial and/or commercial properties, Hong Kong, the PRC**

The Group's 100% interested West Gate Tower in Cheung Sha Wan, CDW Building in Tsuen Wan and Joyce Building in Wong Chuk Hang and 50% interested Discovery Park Shopping Centre in Tsuen Wan continued to maintain average high occupancy rates of 89%, 90%, 100% and 93% respectively during the Period. Such investments continued to generate steady and stable revenue to the Group during the Period.

The Group's 50% interested DB Plaza in Discovery Bay, privileged with the famous dining destination "D Deck", has achieved an average occupancy rate of 94% which generated stable rental income for the Group during the Period. Being the largest oceanfront alfresco dining hotspot in Hong Kong, D Deck providing 20 thematic restaurants along the waterfront connecting Tai Pak beach, was selected as one of the 14 Major Districts in Hong Kong by Hong Kong Tourism Board in early 2010.

The up-market lifestyle shopping centre in Yi Pak with a total GFA of more than 200,000 square feet was opened to the community during the Period.

### **Residential properties, Hong Kong, the PRC**

During the Period, the Group disposed of 4 units of residential properties in Discovery Bay and Tung Chung for a total consideration of HK\$11.2 million.

As at 30 September 2010, the Group held various residential units located in Discovery Bay and Tung Chung as medium to long term investments. Such investment properties continued to generate steady recurrent rental income to the Group during the Period.

### **Residential properties, Japan**

In addition to DIA Palace II, a 39-residential unit block in Sapporo, Hokkaido, the Group acquired two en-bloc residential buildings namely, Horizon Place Akasaka, a 94-unit block in Akasaka, Tokyo and Homat Sun, a 18-unit block in Roppongi, Tokyo, during the Period. All these three properties are held for investment purpose and help generate a steady rental income for the Group.

As at 30 September 2010, the occupancy rates were 97% for DIA Palace II, 74% for Horizon Place Akasaka and 90% for Homat Sun.

### **Services Provided**

The clubs in Discovery Bay had a stable turnover during the Period except that Discovery Bay Golf Club which recorded a slight decrease as a result of the irrigation project and bad weather. The clubs will continue to provide customer-oriented and quality-driven services to their members and guests.

During the Period, patronage of bus and tunnel throughput rose steadily as a result of the construction projects in Discovery Bay. Both internal and external bus services to the new commercial areas in Discovery Bay North region were enhanced to provide more convenience in shopping. An external bus service to Sunny Bay MTR station was also strengthened to meet the needs of commuters. Nevertheless, ferry service remains a comfortable and convenient mode of transport favoured by residents.

The Group's property management services companies in Discovery Bay and elsewhere in Hong Kong continued to operate in a normal pace during the Period.

The Group has a 50% interest in such service providers in Discovery Bay.

## Management Discussion and Analysis (continued)

### Hospitality

After the opening of 2 integrated resorts and the Universal Studio theme park in Sentosa Island, Singapore, the tourism in Singapore had a strong growth. During the Period, the average occupancy rate of The Sentosa Resort & Spa in Singapore was 74% representing a 24% increase compared with that of the corresponding period last year.

On the other hand, business trips and tourism industry in Thailand have been drastically affected by its political instability, the tunnel construction near The Sukhothai hotel and competition of other serviced apartments' providers having a direct impact to our hospitality in Thailand. The average occupancy rates of The Sukhothai hotel and Siri Sathorn serviced apartments in Bangkok were unavoidably hit with average occupancy rates maintained at 35% and 42% respectively during the Period.

The internal fitting out works of the conference and resort hotel in Discovery Bay were expected to commence in the fourth quarter of 2010 and end by the end of 2011. It is anticipated that the hotel will launch its soft opening in early 2012.

### Healthcare

The business of GenRx Holdings Limited ("GenRx"), the Group's wholly-owned subsidiary engaging in healthcare services, continued to improve during the Period and has achieved an increase in turnover to HK\$217.9 million. GenRx is currently operating medical and dental facilities through its subsidiaries in major cities across Asia, inter alia, Hong Kong, Shanghai, Guangzhou, Macau and Manila. Its comprehensive service network comprises cancer centres, dental clinics, diabetic and cardiovascular centres and multi-specialty outpatient centres affiliated with ambulatory hospitals.

With its leading position in the private healthcare sector, GenRx will continue to grow its business by capitalising on the rising demand for quality private medical services in Hong Kong, mainland China and South East Asian regions.

Healthway medical clinics are 100% interested by the Group, other healthcare operations are with various third parties interests.

### Manufacturing

The global financial crises coupled with the shortage of the skilled labour, especially in the casting sector in southern China in early 2010, caused a slow down on the production of the Group's manufacturing unit. Imperial Bathroom Products Limited ("Imperial") was inevitably forced to cancel some sales orders. With the situation gradually improved in the second half of the year, Imperial resumed to deliver a positive result in August 2010.

### Securities Investment

As usual, the Group maintains a diversified investment portfolio managed by external professional fund manager and monitored by internal personnel in a prudent manner. During the Period, the Group monetised a substantial part of the securities investments for a total amount of HK\$145.8 million and recorded a net profit of HK\$12.2 million.

### Construction

Hanison Construction Holdings Limited, the Group's 49% interested associated group engaging primarily in construction, interior and renovation, building materials and property investment and development, recorded a significant increase in profit. This was mainly attributable to the gain on fair value change of investment properties and recognition of revenue from the sale of certain units of One LaSalle, a 50/50 joint venture property development project.

## OUTLOOK

The global economy remains changeable and full of uncertainties especially some European countries and United States which may affect its recovery in one way or the other. However, the economy of Hong Kong has sustained through the recovery with property prices, in particular, the high end luxury premises escalating and some even making new records high together with the bullish stock market with daily voluminous recorded high turnover. Benefiting from the economic growth of mainland China and the inflow of hot money, Hong Kong is expected to remain in the boom for the next half of the year. The Group, as in the past, will stay in alerted caution and continue to look for business opportunities to grow locally and regionally in Asia-Pacific.

### HUMAN RESOURCES

As at 30 September 2010, the total number of employees of the Group in Hong Kong and overseas was 3,264. The Group continued to develop the capabilities of its employees and promote a performance driven culture. During the Period, wide range of in-house training programmes and seminars were offered to upgrade the skills, knowledge and overall competitiveness of our staff at different levels.

### INFORMATION TECHNOLOGY

The Group has continued to enhance its competitiveness and operational efficiency through application of updated information technology.

During the Period, we have enhanced the commitment control and contractors pre-qualification workflow systems to adapt to new business requirements and to minimize the processing time. Such workflow system would be extended to cover the automation of the tendering procedure.

The Defect Tracking System to store the defect items of the construction projects has been upgraded to facilitate the inspector in managing the defects. The newly released handheld devices running on the latest touch-screen would enable the inspector to use it off-line on site for marking defects, taking photos, and drawing on the floor plan which would synchronize with the office system when a wireless connection is available.

### FINANCIAL REVIEW

#### Shareholders' Funds

As at 30 September 2010, the shareholders' funds of the Group increased by HK\$748.2 million to HK\$12,383.0 million (31 March 2010: HK\$11,634.8 million). The increase was mainly due to an upward fair value revaluation of investment properties and profit contribution from operating units. The overall gross profit margin for the Group was 32.1% (31 March 2010: 28.1%).

#### Major Cash Flows to/from Investing Activities

During the Period, the Group acquired two residential investment properties located in Tokyo, Japan for a total consideration of HK\$693.0 million. The Group also made an investment of HK\$331.1 million in a property development project in Thailand, in which the Group has a 49% interest.

In addition, the sale of property units of Le Bleu Deux in Tung Chung by Tung Chung Station Development Company Limited ("TCSDCL"), in which the Group has a 31% interest, was satisfactory. TCSDCL repaid HK\$58.9 million shareholder's loan to the Group during the Period.

#### Major Cash Flows from Operating Activities

The sales of the residential units located in Discovery Bay, Hong Kong and that of The Sukhothai Residences in Bangkok, Thailand contributed approximately HK\$34.5 million and HK\$1.8 million cash respectively to the Group during the Period.

The Group also disposed of certain residential investment properties located in Discovery Bay and other areas of Hong Kong that contributed HK\$11.6 million cash to the Group. In addition, the sales of Chelsea Residence in Shanghai, the PRC, brought HK\$14.4 million cash to the Group.

All the investment properties of the Group generated approximately HK\$127.9 million operating cash during the Period.



### Major Cash Flows to Financing Activities

On 26 April 2010, the Group fully redeemed its zero coupon convertible bonds due 2010 (the "Bonds") in the principal amount of HK\$647.0 million for a redemption price of HK\$834.2 million as a result of the maturity of the Bonds.

### Financial Liquidity

As at 30 September 2010, the Group had total cash and securities investment of HK\$2,377.6 million (31 March 2010: HK\$2,527.5 million) whilst total bank borrowings were HK\$4,005.9 million (31 March 2010: HK\$1,570.6 million). The major changes in bank borrowings were reflected in the redemption of the Bonds, capitalisation of certain development projects and acquisitions located in Hong Kong, Thailand and Japan.

### Gearing

The Group's gearing ratio maintained at a level of 14.9% (31 March 2010: 2.4%) as calculated by the Group's consolidated net borrowings to the shareholders' funds as at 30 September 2010.

### Banking Facilities

As at 30 September 2010, the Group had adequate internal cash and banking facilities, both secured and unsecured, to finance its development projects and operations. As at 30 September 2010, the unutilised credit facilities stood at approximately HK\$2,764.4 million (31 March 2010: HK\$5,141.1 million).

The maturity profile of bank borrowings were 9.5% (31 March 2010: 10.1%) falling within one year, 90.4% (31 March 2010: nil) falling between one and two years, and 0.1% (31 March 2010: 89.9%) falling between two and five years as at 30 September 2010.

### Treasury Policy

The Group has centralised treasury functions and adopted a conservative approach for its treasury management. With majority of assets and liabilities denominated in HK dollars and US dollars, the Group has limited exposure to foreign currencies. For hedging of foreign currency exposure in certain investments overseas, the Group has maintained natural-hedged positions and made currency swap arrangements. The Group's banking facilities are principally on floating rate basis and interest rate swaps will be employed to manage interest rate risk for its short to medium term borrowings when appropriate and necessary.

It is the policy of the Group to restrict the use of financial derivatives for speculative purpose.

### Pledge of Assets

As at 30 September 2010, the Group had pledged a property under development with a carrying value of HK\$111.9 million (31 March 2010: HK\$104.9 million), property, plant and equipment of HK\$9.2 million (31 March 2010: HK\$9.1 million), and bank deposits of HK\$59.4 million (31 March 2010: HK\$59.3 million) to secure banking facilities granted to the Group.

National Asset Limited, the Company's wholly owned subsidiary, subordinated an inter-company debt due from one of their subsidiaries for HK\$37.5 million as at 30 September 2010 (31 March 2010: HK\$35.6 million) to secure certain general banking facilities granted to the particular subsidiary.

### Contingent Liabilities

The Group's contingent liabilities relating to a corporate guarantee given, to the extent of the Group's proportionate share, in respect of banking facility granted to an investee company, increased by HK\$3.0 million to HK\$156.5 million as at 30 September 2010 (31 March 2010: HK\$153.5 million).

Save as disclosed above, the Group did not have other contingent liabilities as at 30 September 2010.

# Other Information

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2010, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") adopted by the Company were as follows:

### (1) The Company

*Long positions in shares of HK\$0.25 each*

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate Percentage of Issued Share Capital
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
CHA Mou Sing Payson	Beneficial owner, interests of a controlled corporation and beneficiary of discretionary trusts	2,352,860	–	2,624,600 (Note a)	666,333,673 (Note b)	671,311,133	49.72
CHA Mou Zing Victor	Beneficiary of discretionary trusts	–	–	–	666,333,673 (Note b)	666,333,673	49.35
CHA Mou Daid Johnson	Beneficiary of discretionary trusts	–	–	–	674,118,665 (Note b)	674,118,665	49.92
CHA Yiu Chung Benjamin	Beneficiary of discretionary trusts	–	–	–	666,333,673 (Note b)	666,333,673	49.35
WONG CHA May Lung Madeline	Founder and/or Beneficiary of discretionary trusts	–	–	–	673,521,815 (Notes b & c)	673,521,815	49.88
Ronald Joseph ARCULLI	Beneficiary of a trust	241,472	–	–	–	241,472	0.02
CHUNG Sam Tin Abraham	Beneficial owner	315,084	–	–	–	315,084	0.02
HO Pak Ching Loretta	Beneficial owner	85,600	–	–	–	85,600	0.01
TANG Moon Wah	Beneficial owner	135,200	–	–	–	135,200	0.01

Notes:

- (a) The shares were held by Accomplished Investments Limited, a corporation 100% owned by Mr CHA Mou Sing Payson.
- (b) The shares belonged to certain but not identical discretionary trusts and were held directly and/or indirectly by corporate trustees namely, CCM Trust (Cayman) Limited and LBJ Regents Limited, of which the relevant directors were among the members of the classes of discretionary beneficiaries. Please refer to the paragraph headed "Substantial Shareholders" below for further details of the numbers of shares held by the aforesaid corporate trustees.
- (c) The director was, under a discretionary trust of which CCM Trust (Cayman) Limited was the trustee, the founder and member of a class of discretionary beneficiaries comprising the late Dr CHA Chi Ming's issue. Such trust was deemed to be interested in 41,052,631 shares.

## Other Information (continued)

### (2) Associated Corporation – Hanison Construction Holdings Limited

Long positions in shares of HK\$0.10 each

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate Percentage of Issued Share Capital
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
CHA Mou Sing Payson	Beneficial owner, interests of a controlled corporation and beneficiary of discretionary trusts	505,494	-	563,877 (Note a)	114,689,589 (Note b)	115,758,960	23.74
CHA Mou Zing Victor	Beneficiary of discretionary trusts	-	-	-	114,689,589 (Note b)	114,689,589	23.52
CHA Mou Daid Johnson	Beneficiary of discretionary trusts	-	-	-	116,362,145 (Note b)	116,362,145	23.87
CHA Yiu Chung Benjamin	Beneficiary of discretionary trusts	-	-	-	114,689,589 (Note b)	114,689,589	23.52
WONG CHA May Lung Madeline	Beneficiary of discretionary trusts	-	-	-	116,233,914 (Note b)	116,233,914	23.84
Ronald Joseph ARCULLI	Beneficiary of a trust	51,878	-	-	-	51,878	0.01
CHUNG Sam Tin Abraham	Beneficial owner	58,018	-	-	-	58,018	0.01
HO Pak Ching Loretta	Beneficial owner	11,690	-	-	-	11,690	0.002

Notes:

- (a) The shares were held by Accomplished Investments Limited, a corporation 100% owned by Mr CHA Mou Sing Payson.
- (b) The shares belonged to certain but not identical discretionary trusts and were held directly and/or indirectly by corporate trustees namely, CCM Trust (Cayman) Limited and LBJ Regents Limited, of which the relevant directors were among the members of the classes of discretionary beneficiaries.

Save as disclosed above and for certain directors holding non-beneficial interests in the share capital of some of the subsidiaries of the Company as the nominee shareholders, as at 30 September 2010, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

## Other Information (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, the following persons (other than a director or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

*Long positions in the Company's shares of HK\$0.25 each*

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Ordinary Shares</b>	<b>Approximate Percentage of Issued Share Capital</b>
CCM Trust (Cayman) Limited	Trustee and interests of a controlled corporation	594,733,375 (Note a)	44.05
CDW Holdings Limited	Beneficial owner	72,405,057 (Note b)	5.36
LBJ Regents Limited	Trustee	86,573,432 (Note c)	6.41
Invesco Hong Kong Limited	Investment manager/advisor of various accounts	81,480,578 (Note d)	6.03

Notes:

- (a) The 594,733,375 shares in which CCM Trust (Cayman) Limited was interested or deemed to be interested (including the 72,405,057 shares held indirectly through its 52.24% owned subsidiary namely, CDW Holdings Limited) were shares held by it as corporate trustee of certain discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue.
- (b) CDW Holdings Limited is 52.24% owned by CCM Trust (Cayman) Limited. By virtue of the SFO, CDW Holdings Limited is a controlled corporation of CCM Trust (Cayman) Limited and the 72,405,057 shares held by CDW Holdings Limited therefore formed part of the 594,733,375 shares in which CCM Trust (Cayman) Limited was interested or deemed to be interested.
- (c) The 86,573,432 shares were held by LBJ Regents Limited as corporate trustee for certain discretionary trusts, of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue.
- (d) The long position interest in 81,480,578 shares (increased to 95,032,578 shares representing 7.04% of issued share capital of the Company since 6 October 2010) were held by Invesco Hong Kong Limited as investment manager and/or advisor of various accounts.

Save as disclosed above, as at 30 September 2010, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

### SHARE OPTION SCHEME

The Company's existing share option scheme (the "2002 Scheme") was adopted on 3 January 2002 and came into effect on 18 January 2002 under which options may be granted, inter alia, to directors of the Company. No option was granted under the 2002 Scheme since its inception. The total number of shares of the Company available for grant of options under the 2002 Scheme is 115,737,802 shares which represents 8.57% of the issued share capital of the Company at the date of this interim report (i.e. 22 November 2010).

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

There was no grant to, and no exercise by, the directors of the Company of any options under the Company's aforesaid 2002 Scheme during the Period.

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CONVERTIBLE BONDS

On 26 April 2010, pursuant to the terms and conditions of the zero coupon convertible bonds due 2010 in the aggregate principal amount of HK\$1,410.0 million (the "Bonds"), the Company has fully redeemed the Bonds in the outstanding principal amount of HK\$647.0 million at 128.948% including the accrued interest in an aggregate redemption amount of HK\$834.2 million in cash upon maturity. The redeemed outstanding Bonds were cancelled upon the redemption and the de-listing of the Bonds from the Stock Exchange took effect automatically on 26 April 2010.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except for certain deviations from the code provisions A.2.1 (division of responsibilities between the chairman and the chief executive officer be clearly established and set out in writing) and A.4.1 (non-executive directors be appointed for a specific term) as previously reported with details duly set out in the Corporate Governance Report in the 2009/2010 Annual Report published in July 2010. Since the last published Annual Report, there have been no changes in relation thereto.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (including amendments as made effective from time to time) as its own code of conduct to regulate securities transactions by the directors of the Company and specified employees who, by reference to their positions and duties, are likely to be in possession of unpublished price-sensitive information of the Group. Having made specific enquiry of all the directors, the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

## CHANGE IN THE INFORMATION OF DIRECTORS

Save as disclosed above, pursuant to Rule 13.51B(1) of the Listing Rules, the following directors of the Company have changed their particulars after the date of the Company's 2009/2010 Annual Report as required to be disclosed:-

Dr QIN Xiao was appointed as an independent non-executive director of AIA Group Limited in late September 2010 which is listed on the Stock Exchange. He retired as the Chairman of China Merchants Group in August 2010 and ceased as the Chairman and non-executive director of China Merchants Bank Co., Ltd. in September 2010 which is listed on the Stock Exchange and dual listed on the Shanghai Stock Exchange.

Mr CHA Yiu Chung Benjamin was appointed the Senior General Manager, Head of South East Asia, Japan and Hotel business units of the Group since 1 November 2010.

The Honourable Ronald Joseph ARCULLI updated his title and social participation in various organisations to the Group during the Period.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the continuing obligation set out in rule 13.21 of Chapter 13 of the Listing Rules, the following are the details of the loan agreement with covenants relating to specific performance on the controlling shareholders of the Company as at 30 September 2010 pursuant to rule 13.18 thereof. There exists no reporting obligation by the Company under rules 13.17 and 13.19 of the Listing Rules accordingly.

The Company is the borrower of a loan agreement entered into on 18 September 2007 (the "Loan Agreement") for a transferable revolving credit facility in an aggregate principal amount of HK\$2,500.0 million with final maturity date falling five years after the date of the Loan Agreement.

The Loan Agreement provides that the existing individual shareholder of the Company holding the single largest shareholding (direct or indirect) in the Company on the date of the Loan Agreement together with his associate(s) shall be the Company's single largest beneficial shareholder at any time until the final maturity date and/or so long as the loan remains outstanding.

As at the date of the Loan Agreement, CCM Trust (Cayman) Limited, LBJ Regents Limited and CDW Holdings Limited (all being substantial shareholders of the Company within the meaning of the SFO), Mingly Asia Capital Limited (not being a substantial shareholder within the meaning of the SFO) and Mr CHA Mou Sing Payson, Mr CHA Mou Zing Victor, Mr CHA Mou Daid Johnson and Ms WONG CHA May Lung Madeline (all being directors) together had an aggregate interest in 686,284,267 shares in the Company, representing approximately 50.83% of the issued share capital of the Company and collectively treated as a single controlling shareholder of the Company under the term "Cha Family".

The aforesaid obligation continued to exist as at 30 September 2010.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the requirements of rule 13.22 of Chapter 13 of the Listing Rules, the following are the details of financial assistance and guarantees given for facilities granted to affiliated companies of the Company as at 30 September 2010 pursuant to rule 13.16 thereof.

- (1) As at 30 September 2010, the Group advanced to Tung Chung Station Development Company Limited ("TCSDCL") an aggregate amount of HK\$906.8 million.

TCSDCL is engaged in the development of Tung Chung Station Package II Project in Lantau Island, Hong Kong Special Administrative Region, the PRC in which the Group has a 31% interest. The advances were provided by the Group in the form of subordinated shareholder's loans in proportion to the Group's shareholding interest in TCSDCL, for the purpose of funding the working capital requirements of TCSDCL. The advances are unsecured, non-interest bearing and have no fixed term of repayment.

## Other Information (continued)

- (2) As at 30 September 2010, the Group advanced to Dazhongli Properties Limited and its subsidiaries ("Dazhongli Group") an aggregate amount of HK\$4,291.0 million.

Dazhongli Group is engaged in the development project of certain properties in Jingan District, Shanghai, the PRC in which the Group has a 50% interest. The advances were provided by the Group in the form of shareholder's capital and shareholder's loans in proportion to the Group's shareholding interest in Dazhongli Group, for the purpose of financing the development expenditure of Dazhongli Group. The advances are unsecured, non-interest bearing and have no fixed terms of repayments.

- (3) As at 30 September 2010, the Group also advanced to several affiliated companies at an aggregate amount of HK\$321.9 million.

As at 30 September 2010, the aggregate amount of advances provided to and guarantees given for these affiliated companies by the Group amounted to HK\$5,519.7 million and represented 44.6% of the consolidated net tangible assets of the Group of HK\$12,383.0 million and 26.6% of consolidated total assets of the Group of HK\$20,735.5 million as at 30 September 2010.

A pro forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 30 September 2010 were as follows:

	<b>Pro forma combined balance sheet</b>	<b>The Group's attributable interest</b>
	HK\$M	HK\$M
Non-current assets	12,833.9	6,345.1
Current assets	2,085.7	952.9
Current liabilities	1,258.5	600.1
Net current assets	827.2	352.8
Non-current liabilities	12,888.7	5,870.6
Shareholders' surplus	772.4	827.3

## REVIEW OF INTERIM REPORT

The interim report of the Group for the Period has not been audited, but has been reviewed by the audit committee of the Company and the Group's independent auditor, Messrs Deloitte Touche Tohmatsu.

On behalf of the Board

**CHA Mou Zing Victor**

*Deputy Chairman & Managing Director*

Hong Kong, 22 November 2010

# Report on Review of Interim Financial Information



## TO THE BOARD OF DIRECTORS OF HKR INTERNATIONAL LIMITED

香港興業國際集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 39 which comprises the condensed consolidated statement of financial position of HKR International Limited as of 30 September 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 November 2010



# Condensed Consolidated Income Statement

For the six months ended 30 September 2010

	NOTES	For the six months ended 30 September	
		2010 HK\$'M (unaudited)	2009 HK\$'M (unaudited)
Turnover	3	868.0	945.8
Cost of sales		(589.2)	(666.6)
Gross profit		278.8	279.2
Other operating income		149.3	99.4
Administrative expenses		(188.7)	(172.4)
Change in fair value of investment properties			
Realised gains on disposals	10	1.0	419.0
Unrealised gains	10	549.7	301.8
Finance costs	4	(20.3)	(41.8)
Share of results of associates		93.1	49.6
Share of results of jointly controlled entities		48.9	(7.5)
Profit before taxation	5	911.8	927.3
Taxation	6	(120.8)	(242.0)
Profit for the period		791.0	685.3
Attributable to:			
Owners of the Company	7	711.0	657.9
Non-controlling interests		80.0	27.4
		791.0	685.3
Earnings per share	9		
Basic (HK cents)		52.66	48.72
Diluted (HK cents)		52.35	46.98

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010 HK\$'M (unaudited)	2009 HK\$'M (unaudited)
Profit for the period	791.0	685.3
Other comprehensive income:		
Exchange differences arising from translation of foreign operations	134.4	126.2
Exchange difference arising from net investment in jointly controlled entities	91.9	4.1
Available-for-sale financial assets:		
Fair value changes during the period	(13.9)	48.0
Reclassified to profit or loss upon disposal	(9.2)	(22.3)
Deferred tax arising on fair value change	(0.3)	(0.7)
Other comprehensive income for the period (net of tax)	202.9	155.3
Total comprehensive income for the period	993.9	840.6
Total comprehensive income attributable to:		
Owners of the Company	910.2	808.9
Non-controlling interests	83.7	31.7
	993.9	840.6

# Condensed Consolidated Statement of Financial Position

At 30 September 2010

	NOTES	30 September 2010 HK\$'M (unaudited)	31 March 2010 HK\$'M (audited and restated)
<b>Non-current assets</b>			
Investment properties	10	6,665.2	5,298.6
Property, plant and equipment	11	2,434.5	2,410.8
Prepaid lease payments		35.2	34.4
Interests in associates		401.2	356.9
Interests in jointly controlled entities	12	5,736.6	4,918.5
Held-to-maturity investments		58.1	52.4
Available-for-sale financial assets		65.8	79.2
Other assets	13	134.7	53.2
Deferred tax assets		4.1	3.2
		<b>15,535.4</b>	<b>13,207.2</b>
<b>Current assets</b>			
Inventories		149.6	134.7
Properties held for sale		22.2	30.6
Trade receivables	14	88.2	92.2
Deposits, prepayments and other financial assets		224.2	287.3
Properties held for/under development for sale		2,238.6	1,735.1
Amounts due from associates		192.8	211.5
Amount due from a jointly controlled entity		27.5	18.2
Taxation recoverable		3.3	1.7
Held-to-maturity investments		89.0	135.5
Available-for-sale financial assets		–	9.2
Financial assets at fair value through profit or loss		0.2	128.6
Pledged bank deposits		59.4	59.3
Bank balances and cash		2,105.1	2,055.4
		<b>5,200.1</b>	<b>4,899.3</b>
<b>Current liabilities</b>			
Trade payables, provision and accrued charges	15	885.0	933.4
Deposits received and other financial liabilities		723.6	694.5
Amounts due to associates		20.2	10.0
Taxation payable		41.7	43.6
Bank loans due within one year	16	383.1	159.3
Other liabilities due within one year	16	1.3	4.7
Convertible bonds – liability component	17	–	830.5
		<b>2,054.9</b>	<b>2,676.0</b>
<b>Net current assets</b>		<b>3,145.2</b>	<b>2,223.3</b>
<b>Total assets less current liabilities</b>		<b>18,680.6</b>	<b>15,430.5</b>

## Condensed Consolidated Statement of Financial Position (continued)

At 30 September 2010

	NOTE	30 September 2010 HK\$'M (unaudited)	31 March 2010 HK\$'M (audited and restated)
Non-current liabilities			
Bank loans due after one year	16	3,622.8	1,411.3
Other liabilities due after one year	16	997.8	886.4
Deferred tax liabilities		478.4	383.1
		5,099.0	2,680.8
		13,581.6	12,749.7
Capital and reserves			
Share capital		337.5	337.5
Reserves		12,045.5	11,297.3
Equity attributable to owners of the Company		12,383.0	11,634.8
Non-controlling interests		1,198.6	1,114.9
		13,581.6	12,749.7

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	Attributable to the owners of the Company													Total HK\$'M
	Share capital HK\$'M	Accumulated profits HK\$'M	Investment property revaluation reserve HK\$'M (note a)	General reserve HK\$'M (note b)	Share premium HK\$'M	Asset revaluation reserve HK\$'M	Investment revaluation reserve HK\$'M	Convertible bonds equity reserve HK\$'M	Distributable reserve HK\$'M (note c)	Exchange reserve HK\$'M	Capital redemption reserve HK\$'M (note d)	Total HK\$'M	Non- controlling interests HK\$'M	
At 1 April 2009	337.5	6,681.9	-	78.3	1,537.9	129.4	57.3	34.5	450.7	387.8	3.1	9,698.4	1,054.7	10,753.1
Profit for the year	-	1,841.4	-	-	-	-	-	-	-	-	-	1,841.4	58.9	1,900.3
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	165.2	-	165.2	(0.8)	164.4
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	65.3	-	-	-	-	65.3	0.1	65.4
Reclassified to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	-	(63.3)	-	-	-	-	(63.3)	-	(63.3)
Share of reserve of a jointly controlled entity	-	-	-	-	-	-	-	-	-	7.3	-	7.3	-	7.3
Share of reserve of an associate	-	-	-	-	-	0.4	-	-	-	-	-	0.4	-	0.4
Reclassified to profit or loss upon disposal of an associate	-	-	-	-	-	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	-	(0.9)	-	-	-	-	(0.9)	-	(0.9)
Revaluation gain on land and buildings upon transfer to investment properties	-	-	-	-	-	2.3	-	-	-	-	-	2.3	2.3	4.6
Total comprehensive income for the year	-	1,841.4	-	-	-	2.7	1.1	-	-	172.2	-	2,017.4	60.5	2,077.9
Transfer to accumulated profits on the expiry of the conversion option	-	34.5	-	-	-	-	-	(34.5)	-	-	-	-	-	-
Transfer to investment property revaluation reserve during the year														
- relating to net fair value change in previous periods	-	(246.9)	246.9	-	-	-	-	-	-	-	-	-	-	-
- relating to net fair value change during the year	-	(1,008.4)	1,008.4	-	-	-	-	-	-	-	-	-	-	-
Interim dividend paid	-	(81.0)	-	-	-	-	-	-	-	-	-	(81.0)	-	(81.0)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(0.3)	(0.3)
At 31 March 2010	337.5	7,221.5	1,255.3	78.3	1,537.9	132.1	58.4	-	450.7	560.0	3.1	11,634.8	1,114.9	12,749.7

## Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 September 2010

	Attributable to the owners of the Company												Total HK\$'M
	Share capital HK\$'M	Accumulated profits HK\$'M	Investment property revaluation reserve HK\$'M (note a)	General reserve HK\$'M (note b)	Share premium HK\$'M	Asset revaluation reserve HK\$'M	Investment revaluation reserve HK\$'M	Distributable reserve HK\$'M (note c)	Exchange reserve HK\$'M	Capital redemption reserve HK\$'M (note d)	Total HK\$'M	Non- controlling interests HK\$'M	
At 1 April 2010	337.5	7,221.5	1,255.3	78.3	1,537.9	132.1	58.4	450.7	560.0	3.1	11,634.8	1,114.9	12,749.7
Profit for the period	-	711.0	-	-	-	-	-	-	-	-	711.0	80.0	791.0
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	130.7	-	130.7	3.7	134.4
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	(13.9)	-	-	-	(13.9)	-	(13.9)
Reclassified to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	-	(9.2)	-	-	-	(9.2)	-	(9.2)
Share of reserve of jointly controlled entities (note e)	-	-	-	-	-	-	-	-	91.9	-	91.9	-	91.9
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	-	(0.3)	-	-	-	(0.3)	-	(0.3)
Total comprehensive income (expense) for the period	-	711.0	-	-	-	-	(23.4)	-	222.6	-	910.2	83.7	993.9
Transfer to investment property revaluation reserve relating to unrealised net fair value gain during the period	-	(491.8)	491.8	-	-	-	-	-	-	-	-	-	-
Transfer from investment property revaluation reserve relating to net fair value gain realised during the period	-	8.4	(8.4)	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	(162.0)	-	-	-	-	-	-	-	-	(162.0)	-	(162.0)
At 30 September 2010	337.5	7,287.1	1,738.7	78.3	1,537.9	132.1	35.0	450.7	782.6	3.1	12,383.0	1,198.6	13,581.6

## Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 September 2010

	Attributable to the owners of the Company													Total HK\$'M
	Share capital HK\$'M	Accumulated profits HK\$'M	Investment property revaluation reserve HK\$'M (note a)	General reserve HK\$'M (note b)	Share premium HK\$'M	Asset revaluation reserve HK\$'M	Investment revaluation reserve HK\$'M	Convertible bonds equity reserve HK\$'M	Distributable reserve HK\$'M (note c)	Exchange reserve HK\$'M	Capital redemption reserve HK\$'M (note d)	Total HK\$'M	Non- controlling interests HK\$'M	
At 1 April 2009	337.5	6,681.9	-	78.3	1,537.9	129.4	57.3	34.5	450.7	387.8	3.1	9,698.4	1,054.7	10,753.1
Profit for the period	-	657.9	-	-	-	-	-	-	-	-	-	657.9	27.4	685.3
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	126.2	-	126.2	-	126.2
Fair value changes on available-for-sale financial assets	-	-	-	-	-	48.0	-	-	-	-	-	48.0	-	48.0
Reclassified to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	(22.3)	-	-	-	-	-	(22.3)	-	(22.3)
Share of reserves of jointly controlled entities (note e)	-	-	-	-	-	-	-	-	-	4.1	-	4.1	-	4.1
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	(0.7)	-	-	-	-	-	(0.7)	-	(0.7)
Non-controlling shareholders' share of changes in reserves	-	-	-	-	-	(0.1)	-	-	(4.2)	-	-	(4.3)	4.3	-
Total comprehensive income for the period	-	657.9	-	-	-	24.9	-	-	126.1	-	-	808.9	31.7	840.6
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(0.3)	(0.3)
At 30 September 2009	337.5	7,339.8	-	78.3	1,537.9	129.4	82.2	34.5	450.7	513.9	3.1	10,507.3	1,086.1	11,593.4

### Notes:

- Investment property revaluation reserve represents the Group's accumulated unrealised net fair value gain on the investment properties of the subsidiaries, jointly controlled entities and associates recognised in profit or loss. Upon the relevant investment property being disposed of and the fair value gain becoming realised, the relevant net fair value gain will be transferred to accumulated profits.
- General reserve mainly represents reserve created by way of capital reduction in a scheme of arrangement of the Group under its former listed vehicle namely HKR Properties Limited pursuant to a special resolution passed at the Extraordinary General Meeting (the "scheme of Arrangement") in 1988.
- Distributable reserve was arisen from the cancellation of the share capital and the share premium account of HKR Properties Limited in the year of 1989/1990 under the Scheme of Arrangement.
- Capital redemption reserve is the amount equivalent to the nominal value of the shares cancelled upon repurchase of the Company's shares which was transferred from accumulated profits. The reserve may be applied by the Company in paying up its unissued shares to be allotted to members of the Company as fully paid bonus shares in accordance with the articles of association of the Company and the Companies Law of the Cayman Islands.
- Share of reserves of jointly controlled entities during the period included an amount of HK\$18.8 million (six months ended 30 September 2009: HK\$0.2 million) arising from translation of interests in jointly controlled entities and an amount of HK\$73.1 million (six months ended 30 September 2009: HK\$3.9 million) exchange gain arising from loans that form part of net investment in foreign operations.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010 HK\$'M (unaudited)	2009 HK\$'M (unaudited)
Net cash (used in) generated from operating activities	(103.7)	868.5
Net cash (used in) generated from investing activities		
Proceeds from disposal of investment properties	26.9	1,121.0
Repayment of loans from an associate	8.7	191.9
Loans to jointly controlled entities	(671.1)	–
Investment in a jointly controlled entity	(6.3)	–
Additions of property, plant and equipment	(31.1)	(70.7)
Additions of investment properties	(777.1)	(101.8)
Other investing cash flows	53.6	32.6
	(1,396.4)	1,173.0
Net cash generated from (used in) financing activities		
New bank borrowings raised	2,528.0	–
Redemption of convertible bonds	(834.3)	–
Repayment of bank borrowings	(142.8)	(1,118.0)
Dividends paid	(162.0)	–
Other financing cash flows	98.5	(92.1)
	1,487.4	(1,210.1)
Net (decrease) increase in cash and cash equivalents	(12.7)	831.4
Cash and cash equivalents at beginning of the period	2,055.4	1,903.5
Effect of foreign exchange rate changes	62.4	(10.2)
Cash and cash equivalents at end of the period	2,105.1	2,724.7
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	2,105.1	2,724.7



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

Except as described below, the accounting policies used in the interim financial information are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 March 2010, included in the annual report of the Group for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA which are effective for the financial year beginning on 1 April 2010.

The adoption of these new and revised HKFRSs has resulted in the following changes and impact on the results and financial position for the current and prior accounting periods. The adoption of the other new and revised HKFRSs had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

### **Amendment to HKAS 17 “Leases”**

As part of Improvements to Hong Kong Financial Reporting Standards (“HKFRSs”) issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with a previous carrying amount of HK\$109.1 million at 1 April 2009 to property, plant and equipment that are measured at cost model.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Amendment to HKAS 17 "Leases" (Continued)

The effect of changes in accounting policy of HKAS 17 on the financial positions of the Group as at 31 March 2010 and 1 April 2009 is as follows:

	As at 31.3.2010 (originally stated) HK\$'M	Adjustment HK\$'M	As at 31.3.2010 (restated) HK\$'M
Property, plant and equipment	2,345.7	65.1	2,410.8
Prepaid lease payments	99.5	(65.1)	34.4
Total effects on net assets	2,445.2	–	2,445.2

  

	As at 1.4.2009 (originally stated) HK\$'M	Adjustment HK\$'M	As at 1.4.2009 (restated) HK\$'M
Property, plant and equipment	2,488.5	109.1	2,597.6
Prepaid lease payments	143.1	(109.1)	34.0
Total effects on net assets	2,631.6	–	2,631.6

#### HKFRS 3 (Revised) "Business combinations" and HKAS 27 (Revised) "Consolidated and separate financial statements"

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27(Revised) and the consequential amendments to the other HKFRSs are applicable.

The Group has not early applied those new, revised and amended standards or interpretations that have been issued but are not yet effective.

#### HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new, revised and amended standards or interpretations will have no material impact on the results and the financial position of the Group.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 3. SEGMENT INFORMATION

The Group is currently organised into seven operating divisions: property development, property investment, services provided (club operation, provision of professional property management and transportation services to the residents of Discovery Bay), hotel operation, healthcare (provision of medical and dental care services, comprising cancer centres, dental clinics, diabetic and cardiovascular centres and multi-specialty outpatient centres), manufacturing (manufacturing and sales of bathroom products) and securities investment. The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operation HK\$'M	Healthcare HK\$'M	Manufacturing HK\$'M	Securities investment HK\$'M	Total HK\$'M
<b>Six months ended 30 September 2010</b>								
TURNOVER								
Segment revenue – sales to external customers derived by the Group and associates	421.8	225.4	190.6	144.0	217.9	110.2	9.2	1,319.1
Excluding turnover of associates	(385.1)	(42.1)	-	-	-	-	-	(427.2)
Excluding sale proceeds of investment properties located in the People's Republic of China ("PRC")	-	(14.7)	-	-	-	-	-	(14.7)
Excluding sale proceeds of securities investment	-	-	-	-	-	-	(9.2)	(9.2)
Consolidated turnover, as reported	36.7	168.6	190.6	144.0	217.9	110.2	-	868.0
RESULTS								
Segment results – total result of the Group, associates and jointly controlled entities (note 1)	178.0	218.0	30.8	(8.8)	(10.3)	(7.4)	12.2	412.5
Excluding segment results of associates and jointly controlled entities not shared by the Group	(113.5)	2.8	-	-	-	-	-	(110.7)
Segment results attributable to the Group	64.5	220.8	30.8	(8.8)	(10.3)	(7.4)	12.2	301.8
Unallocated corporate expenses								(35.4)
Finance costs and corporate level exchange difference								(17.5)
Net unrealised gains on fair value change of investment properties (note 2)								456.7
Net unrealised gain on fair value change of investment properties attributable to the Group's interest in a jointly controlled entity and associates								85.4
Profit for the period								791.0
Non-controlling shareholders' share of profit for the period								(80.0)
Profit for the period attributable to the owners of the Company								711.0

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 3. SEGMENT INFORMATION (Continued)

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operation HK\$'M	Healthcare HK\$'M	Manufacturing HK\$'M	Securities investment HK\$'M	Total HK\$'M
Six months ended 30 September 2009								
TURNOVER								
Segment revenue – sales to external customers derived by the Group and associates	872.6	1,324.1	185.9	121.2	261.1	117.1	38.5	2,920.5
Excluding turnover of associates	(714.6)	(42.2)	–	–	(59.0)	–	–	(815.8)
Excluding sale proceeds of investment properties located in the PRC	–	(1,120.4)	–	–	–	–	–	(1,120.4)
Excluding sale proceeds of securities investment	–	–	–	–	–	–	(38.5)	(38.5)
Consolidated turnover, as reported	158.0	161.5	185.9	121.2	202.1	117.1	–	945.8
RESULTS								
Segment results – total result of the Group, associates and jointly controlled entities (note 3)	133.3	373.5	11.4	(11.7)	(12.1)	12.7	53.9	561.0
Excluding segment result of associates and jointly controlled entities not shared by the Group	(65.5)	7.5	–	–	–	–	–	(58.0)
Segment results attributable to the Group	67.8	381.0	11.4	(11.7)	(12.1)	12.7	53.9	503.0
Unallocated corporate expenses								(16.9)
Finance costs and corporate level exchange difference								(39.5)
Net unrealised gains on fair value change of investment properties (note 4)								222.3
Net unrealised gain on fair value change of investment properties attributable to the Group's interest in associates								16.4
Profit for the period								685.3
Non-controlling shareholders' share of profit for the period								(27.4)
Profit for the period attributable to the owners of the Company								657.9

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 3. SEGMENT INFORMATION (Continued)

Notes:

- (1) The segment results of property investment business included realised gains on fair value change of the Group's investment properties, deferred tax credit on disposal of investment properties, recognition of current tax upon disposal of investment properties, and withholding tax on undistributed profits of a PRC subsidiary, amounting to HK\$1.0 million, HK\$5.1 million, HK\$4.9 million and HK\$4.9 million respectively.
- (2) The net unrealised gains on fair value change of investment properties of HK\$456.7 million represented the unrealised gain on fair value change of the Group's investment properties of HK\$549.7 million (Note 10) net of the deferred tax arising from change in fair value of HK\$93.0 million (Note 6).
- (3) The segment results of property investment business included realised gains on fair value change of the Group's investment properties, deferred tax credit on disposal of investment properties, recognition of current tax upon disposal of investment properties, and withholding tax on undistributed profits of a PRC subsidiary, amounting to HK\$419.0 million, HK\$149.3 million, HK\$253.8 million and HK\$28.2 million respectively.
- (4) The net unrealised gains on fair value change of investment properties of HK\$222.3 million represented the unrealised gain on fair value change of the Group's investment properties of HK\$301.8 million (Note 10) net of the deferred tax arising from change in fair value of HK\$79.5 million (Note 6).

### 4. FINANCE COSTS

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Interest on		
Bank loans wholly repayable within five years	8.9	10.4
Other borrowings wholly repayable within five years	1.1	2.5
Convertible bonds – liability component wholly repayable within five years	3.8	26.2
Total borrowing costs	13.8	39.1
Less: Amounts capitalised and included in the cost of qualifying assets	(1.0)	(2.5)
	12.8	36.6
Bank loan arrangement fees	7.5	5.2
	20.3	41.8

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M (restated)
Profit before taxation has been arrived at after charging (crediting):		
Bank and other interest income	(11.8)	(5.2)
Loss (gain) on disposal of property, plant and equipment	0.1	(6.4)
Interest income from provision of financial services	(0.7)	(0.9)
Net exchange gain	(18.8)	(22.0)
Reversal of provision on loans to an investee including in other operating income (see Note 13)	(85.3)	–
Release of prepaid lease payments	0.6	0.5
Depreciation on:		
Owned assets	75.7	77.0
Assets under finance leases	0.1	0.3
	<b>75.8</b>	77.3
Net gains from financial assets/liabilities:		
Net realised gains on financial assets at fair value through profit or loss	–	(16.2)
Net unrealised gains on financial assets at fair value through profit or loss	–	(8.7)
Net realised gains on available-for-sale financial assets	(9.2)	(22.3)
	<b>(9.2)</b>	(47.2)
Net losses on derivative financial instruments	0.8	2.9
	<b>(8.4)</b>	(44.3)

### 6. TAXATION

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
The charge comprises:		
Hong Kong Profits Tax calculated at 16.5% on the estimated assessable profit for the period	20.4	25.9
Overseas tax calculated at rates prevailing in respective jurisdictions (note a)	6.9	257.8
	<b>27.3</b>	283.7
Deferred taxation for current period (note b)	93.5	(41.7)
	<b>120.8</b>	242.0

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 6. TAXATION (Continued)

Notes:

- (a) The overseas tax charge for the six months ended 30 September 2010 comprises:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Land Appreciation Tax and Enterprise Income Tax arising from disposal of the investment properties in the PRC ("PRC Tax on disposal of investment properties")	4.9	253.8
Other overseas tax	2.0	4.0
	<b>6.9</b>	257.8
Taxation (credit) charge to profit or loss during the period arising on disposal of investment properties can be reconciled as follows:		
PRC Tax on disposal of investment properties	4.9	253.8
Less: deferred tax recognised in prior periods (Note 7(ii))	(5.1)	(149.3)
Taxation (credit) charge to profit or loss	<b>(0.2)</b>	104.5

- (b) An analysis of current period deferred taxation is as follows:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Unrealised gain on fair value change of investment properties:		
– deferred tax charge arising during the period	93.0	79.5
– deferred tax credit on disposal of investment properties	(5.1)	(149.3)
Others	5.6	28.1
	<b>93.5</b>	(41.7)

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 7. PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Profit for the period attributable to owners of the Company comprises of:		
(i) Net unrealised gains on change in fair value of investment properties during the period		
– The Group	549.7	301.8
Less: Deferred tax	(93.0)	(79.5)
Attributable to non-controlling interests	(50.3)	15.3
	406.4	237.6
– Jointly controlled entity, net of deferred tax	51.7	–
– Associates, net of deferred tax	33.7	16.4
	491.8	254.0
(ii) Accumulated net realised gains on disposal of investment properties during the period		
Realised gain upon disposals for the period (Note 10)	1.0	419.0
Accumulated gains on change in fair value of disposed investment properties recognised in prior periods (Note 10)	13.5	383.9
Deferred tax relating to fair value change of disposed investment properties recognised in prior periods (Note 6)	(5.1)	(149.3)
Taxation credit (charge) for the period	0.2	(104.5)
	9.6	549.1
(iii) Reversal of provision on loans to an investee (Note 13)	85.3	–
(iv) Other profits	132.7	89.4
	719.4	892.5
Excluding: Accumulated gains on change in fair value of disposed investment properties recognised in prior periods, net of deferred tax	(8.4)	(234.6)
Profit for the period attributable to the owners of the Company	711.0	657.9



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 8. DIVIDENDS

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Final dividend paid for the financial year ended 31 March 2010 of HK12 cents per share (2009: nil)	162.0	–
Interim dividend declared after the end of the interim reporting period of HK7 cents per share (six months ended 30 September 2009: HK6 cents)	94.5	81.0

### 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share	711.0	657.9
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	3.8	26.2
Earnings for the purpose of calculating diluted earnings per share	714.8	684.1

	For the six months ended 30 September	
	2010	2009
<b>Number of shares</b>		
Number of ordinary shares for the purpose of calculating basic earnings per share	1,350,274,367	1,350,274,367
Effect of dilutive potential ordinary shares relating to convertible bonds	15,126,491	105,885,434
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,365,400,858	1,456,159,801

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 10. INVESTMENT PROPERTIES

During the six months ended 30 September 2010, the Group spent approximately HK\$777.1 million (six months ended 30 September 2009: HK\$101.8 million) on the acquisition of investment properties which included the acquisition of two investment properties in Tokyo, Japan.

During the period, the Group disposed of certain investment properties. Details of which are as follows:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Sales proceeds received	26.9	1,121.0
Original cost of acquisitions	(12.4)	(318.1)
Accumulated gains on change in fair value recognised in prior years (Note 7(ii))	(13.5)	(383.9)
Realised gain upon disposals recognised during the period	1.0	419.0

The Group has revalued the investment properties as at 30 September 2010, an unrealised fair value gain of approximately HK\$549.7 million (six months ended 30 September 2009: HK\$301.8 million) is resulted and has been recognised in the consolidated income statement for the period.

The fair value of the Group's investment properties has been arrived as at 30 September 2010 on the basis of valuation carried out by the following independent firms of qualified professional valuers not connected with the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties as the discount rates.

Name of valuer	Location of investment properties
DTZ Debenham Tie Leung Limited	Hong Kong and PRC
DTZ Debenham Tie Leung Limited (note)	Japan
N&A Appraisal Company Limited	Thailand

Note: DTZ Debenham Tie Leung Limited has engaged DTZ Debenham Tie Leung KK, its member firm in Japan to carry out the valuation of the Group's properties in Japan.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 11. PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment are set out below:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M (restated)
Net carrying value:		
At 1 April	2,410.8	2,597.6
Currency realignment	69.6	75.4
Investment properties under construction reclassified to investment properties	–	(90.8)
Additions	31.1	70.9
Disposals	(1.2)	(1.6)
Depreciation	(75.8)	(77.3)
At 30 September	2,434.5	2,574.2

### 12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group had a 50% and 49% equity interest in Dazhongli Properties Limited (“Dazhongli”) and City Grace Company Limited (“City Grace”), respectively and an analysis is as follows:

	30 September 2010 HK\$M	31 March 2010 HK\$'M
Dazhongli (note a)	5,405.5	4,918.5
City Grace (note b)	331.1	–
	5,736.6	4,918.5

Notes:

#### (a) Dazhongli

Dazhongli and its subsidiaries (“Dazhongli Group”) are engaged in the development of investment properties and hotel properties in the Jingan District of Shanghai in the PRC.

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Cost of unlisted shares	0.1	0.1
Share of reserves	359.1	267.3
Share of post acquisition gains	783.1	734.2
Loans to Dazhongli	1,142.3 4,263.2	1,001.6 3,916.9
	5,405.5	4,918.5

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 12. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes: (Continued)

(a) **Dazhongli** (Continued)

The summarised financial information in respect of Dazhongli Group as at 30 September 2010 is set out below:

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Non-current assets		
Investment properties under construction	10,378.7	9,799.1
Hotel properties under construction and equipment	491.6	467.6
Other non-current assets	122.6	183.4
	10,992.9	10,450.1
Current assets		
Bank balances and cash	575.9	198.2
Other current assets	73.0	72.9
	648.9	271.1
Current liabilities		
Loans from shareholders	7,824.7	7,833.8
Other current liabilities	970.9	366.9
	8,795.6	8,200.7
Net current liabilities	8,146.7	7,929.6
Total assets less current liabilities	2,846.2	2,520.5
Non-current liability		
Deferred tax liabilities	(561.6)	(517.3)
Net assets	2,284.6	2,003.2
Group's share of net assets	1,142.3	1,001.6

The investment properties under construction was measured at 30 September 2010 at fair value at HK\$10,378.7 million (31 March 2010: HK\$9,799.1 million) which was based on the valuation conducted by an independent valuer. This gave rise to a fair value gain of HK\$137.7 million (31 March 2010: HK\$2,065.6 million). The attributable taxation in respect of the gain was HK\$34.4 million (31 March 2010: HK\$516.4 million). Thus the net fair value gain after tax amounted to HK\$103.3 million (31 March 2010: HK\$1,549.2 million) of which the Group's 50% share was HK\$51.7 million (31 March 2010: HK\$774.6 million).

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 12. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes: (Continued)

#### (a) Dazhongli (Continued)

The loans to Dazhongli are unsecured, non-interest bearing and have no fixed terms of repayments. The Group has no intention to exercise its right to demand repayment of these loans within the next twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as they are, in substance, a part of the Group's net investment in Dazhongli Group as the proceeds of the loans have been substantially used by the Dazhongli Group to inject as registered capital into its PRC subsidiaries. Accordingly, the amount is classified as non-current asset and included in the Group's interests in jointly controlled entities for the purpose of presentation in the consolidated statement of financial position.

The capital commitments of Dazhongli at 30 September 2010 were as follows:

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Contracted but not provided for	258.5	164.4
Authorised but not contracted for	557.5	859.1
	816.0	1,023.5

The capital commitments of the Group's interest in Dazhongli which represent 50% of the above will be financed by shareholders' loan or direct borrowings of Dazhongli.

#### (b) City Grace

During the current period, the Group has entered into a joint-venture agreement with City Villa Co., Ltd to form a joint venture company, City Grace, to acquire a piece of land located at Wireless Road, Bangkok for Thai Baht2.5 billion or HK\$651.7 million (i.e. the Group share: Thai Baht1.25 billion or HK\$325.9 million), for the development of residential buildings.

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Cost of unlisted shares	6.3	—
Loans to City Grace	324.8	—
	331.1	—

The loans to City Grace are unsecured, denominated in Thai Baht, interest bearing at 3% per annum and have no fixed terms of repayments. The Group has no intention to exercise its right to demand repayment of these loans within the next twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as the proceeds of the loans have been substantially used by City Grace to acquire land for the development of residential buildings. Accordingly, the amount is classified as non-current asset and included in the Group's interests in jointly controlled entities for the purpose of presentation in the consolidated statement of financial position.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 13. OTHER ASSETS

The Group owns a 15% interest in an investee company which holds a commercial complex comprising a retail mall, 2 office towers and a hotel in Tianjin, the PRC. As at 31 March 2010, the Group advanced loans to that investee with carrying amounts of HK\$21.3 million, net of provision of HK\$85.3 million. The loans are unsecured, non-interest bearing and repayable on demand. During the current interim period, in view of the recent completion of the developed properties and the stable growth of the property market in Tianjin, the PRC, the Group has reassessed the recoverability of the loans and determined that the principal amount of HK\$106.6 million is recoverable in the foreseeable future. Accordingly, the provision for the loans of HK\$85.3 million made in prior years is reversed in the current interim period and recognised as other operating income in the consolidated income statement. Accordingly, the carrying amount of the loans to the investee company is stated at HK\$106.6 million as at 30 September 2010.

### 14. TRADE RECEIVABLES

The credit period allowed by the Group to its customers is dependent on the general practice in the industry concerned. For property sales, sales terms vary for each property project and are determined with reference to the prevailing market conditions. Sales of properties are normally completed upon the execution of legally binding, unconditional and irrecoverable contracts and the sale prices are usually fully paid when the properties are assigned to the purchasers. Deferred payment terms are sometimes offered to purchasers at a premium. Property rentals are receivable in advance. Payments for healthcare, club and hotel services are receivable on demand. The general credit terms allowed for customers of manufactured goods range from 30 to 90 days.

The following is an aged analysis of trade receivables at the reporting date:

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Not yet due	10.1	24.5
Overdue:		
0 – 60 days	68.6	59.1
61 – 90 days	4.2	4.5
Over 90 days	5.3	4.1
	88.2	92.2

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 15. TRADE PAYABLES, PROVISION AND ACCRUED CHARGES

At 30 September 2010, included in trade payables, provision and accrued charges are trade payables of HK\$201.7 million (31 March 2010: HK\$164.3 million), an aged analysis of which is as follows:

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Not yet due	160.3	121.5
Overdue:		
0-60 days	28.1	27.7
61-90 days	1.9	1.2
Over 90 days	11.4	13.9
	201.7	164.3

### 16. BANK LOANS AND OTHER LIABILITIES

#### (a) Bank loans

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Bank loans	4,005.9	1,570.6
Less: Amount due within one year included under current liabilities	(383.1)	(159.3)
Amount due after one year	3,622.8	1,411.3
Bank loans are repayable:		
On demand or within one year	383.1	159.3
Between one and two years	3,620.4	–
Between two and five years	2.4	1,411.3
	4,005.9	1,570.6
Secured	381.9	158.7
Unsecured	3,624.0	1,411.9
	4,005.9	1,570.6

At 30 September 2010, all the Group's borrowings (31 March 2010: HK\$1,567.2 million) carry interest at an average margin of 0.46% (31 March 2010: 0.37%) plus Hong Kong Interbank Offered Rate or other relevant interbank offered rates. The Group's remaining bank borrowings at 31 March 2010 of HK\$3.4 million carry fixed interest at 4.7% per annum.

#### (b) Other liabilities

Other liabilities mainly represent advances from non-controlling shareholders and club debentures.

## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 17. CONVERTIBLE BONDS

On 26 April 2010, the outstanding convertible bonds were fully redeemed and their listing on the Stock Exchange was automatically cancelled on the same date.

### 18. CONTINGENT LIABILITIES

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Guarantees given, to the extent of the Group's proportionate share, in respect of banking facilities granted to an investee company	156.5	153.5

No financial guarantee had been recognised as the fair value of the financial guarantee is insignificant.

### 19. CAPITAL COMMITMENTS

	30 September 2010 HK\$'M	31 March 2010 HK\$'M
Contracted but not provided for in the consolidated financial statement		
– capital expenditure in respect of acquisition of investment properties	–	420.6
– capital expenditure in respect of development projects	994.6	1,326.8
– others	267.7	22.5
	1,262.3	1,769.9
Authorised but not contracted for		
– capital expenditure for investment properties	40.1	48.1
– capital expenditure in respect of development projects	117.0	162.2
– others	106.9	52.2
	264.0	262.5
	1,526.3	2,032.4

In addition, the outstanding capital commitments in respect of the Group's interest in Dazhongli is disclosed in Note 12.



## Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2010

### 20. RELATED PARTY TRANSACTIONS

During the period, other than balances with related parties as shown in condensed consolidated statement of financial position, the Group had significant transactions with related parties as follows:

- (A) Transactions with associates of the trustees of certain discretionary trusts of which five directors of the Company are among the discretionary beneficiaries. The trusts have controlling beneficial interests in both the associates and the Company:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Transactions with Mingly Corporation and its subsidiaries:		
Rental income received by the Group	1.3	1.3
Rental expenses paid by the Group	0.3	0.3
Project management fee received by the Group	0.8	0.6
Other services provided by the Group	0.1	0.1

During the period, the Group completed the disposal of the remaining interests in the unlisted management funds to Cagen Holdings Limited and received a cash consideration of HK\$145.8 million.

(B) **Transactions with associates and jointly controlled entities of the Group**

During the period, the Group had significant transactions with associates and jointly controlled entities of the Group as follows:

	For the six months ended 30 September	
	2010 HK\$'M	2009 HK\$'M
Aggregate transaction value in respect of the construction services entered into incurred by the Group with an associate, Hanison Construction Holdings Limited and its subsidiaries	98.2	62.1
Sales of services to associates	0.1	0.1
Management fee and other operating service fees received from associates	0.1	0.1
Management fee and other operating service fees received from a jointly controlled entity	8.9	6.4
Interest income received from an associate and a jointly controlled entity	0.9	0.4
Carpark rental paid to an associate	0.2	0.2

(C) **Compensation of key management personnel**

The remuneration of key management personnel during the period amounted to HK\$20.8 million (six months ended 30 September 2009: HK\$10.9 million).

# Corporate Information

## Board of Directors

<b>Chairman</b>	Mr CHA Mou Sing Payson
<b>Deputy Chairman &amp; Managing Director</b>	Mr CHA Mou Zing Victor
<b>Executive Directors</b>	Mr CHA Yiu Chung Benjamin Mr CHUNG Sam Tin Abraham# Mr TANG Moon Wah
	# Also alternate to Mr CHA Mou Sing Payson
<b>Non-executive Directors</b>	The Honourable Ronald Joseph ARCULLI Mr CHA Mou Daid Johnson Mr CHEUNG Tseung Ming Mr CHEUNG Wing Lam Linus Ms WONG CHA May Lung Madeline
<b>Independent Non-executive Directors</b>	Dr CHENG Kar Shun Henry Dr The Honourable CHEUNG Kin Tung Marvin Ms HO Pak Ching Loretta Dr QIN Xiao

<b>Audit Committee</b>	Dr CHENG Kar Shun Henry ( <i>Chairman</i> ) The Honourable Ronald Joseph ARCULLI Dr The Honourable CHEUNG Kin Tung Marvin Mr CHEUNG Wing Lam Linus Dr QIN Xiao
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<b>Remuneration Committee</b>	Dr CHENG Kar Shun Henry ( <i>Chairman</i> ) Mr CHA Mou Zing Victor Dr The Honourable CHEUNG Kin Tung Marvin Mr CHEUNG Wing Lam Linus Dr QIN Xiao
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<b>Company Secretary</b>	Mr LO Tai On
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<b>Registered Office</b>	P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
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<b>Principal Office</b>	23/F, China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, PRC
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<b>Independent Auditor</b>	Deloitte Touche Tohmatsu
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<b>Principal Bankers</b>	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank Hang Seng Bank Limited
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## Share Registrars

<b>Hong Kong</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East, Hong Kong, PRC
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<b>Cayman Islands</b>	Maples Corporate Services Limited P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
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## Legal Advisors

<b>Hong Kong Laws</b>	Richards Butler JSM Kao, Lee & Yip
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<b>Cayman Islands Laws</b>	Maples and Calder
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<b>HKEx Stock Name</b>	HKR Int'l
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<b>Stock Code</b>	00480
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<b>Website</b>	www.hkri.com
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## Investors' Calendar for Interim Dividend

<b>Closure of Registers</b>	Friday, 10 December 2010 to Monday, 13 December 2010 (both days inclusive)
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<b>Latest Time for Lodgment of Share Transfers</b>	4:30 p.m. on Thursday, 9 December 2010
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<b>Record Date</b>	Monday, 13 December 2010
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<b>Payment Date</b>	Wednesday, 22 December 2010
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[www.hkri.com](http://www.hkri.com)

**香港興業國際集團有限公司**

(於開曼群島註冊成立之有限公司)  
香港干諾道中168號信德中心招商局大廈23樓

**HKR INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands with limited liability)  
23/F, China Merchants Tower, Shun Tak Centre,  
168 Connaught Road Central, Hong Kong

