

HKRI

香港興業國際集團有限公司
HKR International Limited

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HKRI



INTERIM REPORT
2016/17
中期報告

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BUSINESS AND FINANCIAL HIGHLIGHTS

BUSINESS HIGHLIGHTS

SIGNIFICANT EVENTS DURING AND AFTER THE PERIOD UNDER REVIEW

- Apr** – Submitted planning application to the HKSAR Government for the proposed developments near Nim Shue Wan (Area 10b) and Parkvale Village (Area 6f) in Discovery Bay
- Jun** – Announced the 2015/2016 final results
- Aug** – Held the 2016 Annual General Meeting
– Obtained the Occupation Permits for Phase 1 of HKRI Taikoo Hui, Shanghai
- Oct** – Launched the sale of 2GETHER, residential project in Tuen Mun
- mid-Nov** – Acquired two plots of land in Tai Po in a joint venture with Hysan Development Company Limited

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		Year ended 31 March
	2016	2015	2016
	HK\$'M	HK\$'M	HK\$'M

Results

Turnover of continuing operations	1,072.5	1,494.6	2,647.9
Profit attributable to the owners of the Company	607.8	662.7	783.9
Basic earnings per share for continuing and discontinued operations (HK cents)	45.0	49.1	58.1

	30 September		31 March
	2016	2015	2016
	HK\$'M	HK\$'M	HK\$'M

Financial Position

Total assets	28,271.8	29,040.7	27,766.9
Total liabilities	9,594.9	8,976.1	9,507.4
Equity attributable to the owners of the Company	16,389.7	16,912.0	16,056.3
Net asset value per share (HK\$)	12.1	12.5	11.9

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board” or the “Directors”) of HKR International Limited (the “Company”) announces the results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 (the “Period”).

INTERIM RESULTS

The Group’s unaudited turnover of continuing operations for the Period was HK\$1,072.5 million, as compared with HK\$1,494.6 million for the last corresponding period. Consolidated profit for the Period attributable to shareholders of the Company was HK\$607.8 million, representing a decrease of 8.3%, as compared with HK\$662.7 million for the last corresponding period. Basic earnings per share for continuing and discontinued operations amounted to HK45.0 cents, as compared with HK49.1 cents for the last corresponding period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend to its shareholders for the Period. In the last corresponding period, the Company had paid an interim dividend to its shareholders in November 2015 by distribution in specie of all the shares held by the Company in Hanison Construction Holdings Limited.

BUSINESS REVIEW

Unless otherwise stated, all projects and operations are 100% owned by the Group.

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

Hong Kong

Discovery Bay

During the Period, the remaining six units at Positano were sold, generating proceeds of HK\$176 million. Total sales proceeds for the entire phase exceeded HK\$2,600 million.

To further enhance facilities for residents, our subsidiary, Hong Kong Resort Company Limited, has plans to upgrade the Discovery Bay bus terminus and the DB Plaza retail podium. An application was also made to the HKSAR Government during the Period requesting permission to build new residential developments in Discovery Bay over the long term.

The Group holds a 50% interest in the Discovery Bay development.

La Cresta, Sha Tin

The 50:50 joint venture development between the Group and Nan Fung Development Limited consists of three high-end residential towers and a number of villas with a total gross floor area (“GFA”) of approximately 12,500 square metres. The development is expected to be completed by the end of 2017.

2GETHER, Tuen Mun

The residential development project comprises a tower of premium apartments and a retail podium with a total GFA of approximately 12,300 square metres. The project is scheduled for completion at the end of 2017.

The Group owns a 75% interest in the development.

Kap Pin Long Project, Sai Kung

The project, comprising a luxurious house and garden with a total GFA of approximately 350 square metres, was completed in the second half of 2016.

DB Plaza and DB North Plaza, Discovery Bay

As at 30 September 2016, DB Plaza and DB North Plaza continued to generate a steady rental income and achieved occupancy rates of 96% and 90% respectively.

The Group holds a 50% interest in both DB Plaza and DB North Plaza.

CDW Building, Tsuen Wan

Phase 1 of CDW Building’s refurbishment works, comprising the seven-storey retail podium named 8½ and office floors on 10/F to 17/F, has been completed with over 80% of the enhanced floor area leased. The refurbishment is expected to be completed in the first half of 2017.

West Gate Tower, Cheung Sha Wan

During the Period, West Gate Tower achieved an average occupancy rate of 96% and generated stable rental income for the Group.

Tuen Mun Central Square Public Car Park, Tuen Mun

The 325 parking spaces in Tuen Mun Central Square continued to generate satisfactory rental income.

MANAGEMENT DISCUSSION AND ANALYSIS

Tai Po Town Lots Nos. 223 and 229

The Group has recently been awarded the tenders for two plots of land in Tai Po (for the total sum of HK\$3,393 million), which will be developed into a luxurious low-density development. The development will be undertaken in joint venture with Hysan Development Company Limited on 60:40 (the Company) basis and the Company will be the project manager for the development.

Mainland China

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui, featuring a total GFA of approximately 322,000 square metres spreading over two premium Grade-A office towers (HKRI Centres One and Two), three luxury hotels/serviced apartments and a high-end retail mall with extensive parking facilities, is one of Shanghai's most prestigious and sought-after commercial and leisure properties. The project met its key milestone by receiving Occupation Permits for Phase 1, including the retail mall and HKRI Centre One, in late August 2016. Construction and fit-out works for Phase 2, which includes HKRI Centre Two, are scheduled for completion in the first quarter of 2017.

The pre-leasing of Phases 1 and 2 has been positive and two-thirds of available retail and office space has been committed to or is under active negotiation. Both office and retail tenants have begun to take possession of the properties and tenants' fit-out works began in late September 2016.

The Group holds a 50% interest in HKRI Taikoo Hui.

City One, Jiaxing City, Zhejiang Province

City One comprises 577 apartment units and 20 villas, with a total GFA of approximately 83,000 square metres. As at 30 September 2016, 90% of units were sold.

Riviera One, Jiaxing City, Zhejiang Province

Spread over 47,000 square metres, Riviera One is a prime residential site adjacent to the Group's existing City One residential project in Jiaxing City. The statutory submission stage of the approval process was completed and site construction works commenced in July 2016. On completion, it will be a luxury residential project with around 700 low-rise and high-rise apartment units. A pre-sale of the first-batch of units is scheduled for the first quarter of 2017.

Oasis One, Hangzhou, Zhejiang Province

Situated in Zhejiang Hangzhou Future Sci-Tech City, Oasis One is a low-density residential project of approximately 51,000 square metres. A total of 396 units, including low-rise apartments and villas, are planned for the site and a pre-sale of the first-batch of units is scheduled for late 2016 or early 2017. The statutory submission stage of the approval process was completed and construction works began in May 2016.

The Exchange, Tianjin

The Exchange is the Group's 15%-owned investment property in Tianjin and has a total GFA of over 152,000 square metres. During the Period, the two office towers and Hotel Nikko Tianjin maintained occupancy rates of 96% and 70% respectively and continued to generate stable rental income. The mall is currently closed for renovation and is scheduled to reopen in December 2016 under the name of Heping Joy City – Tianjin.

Elite House, Shanghai

This 30-storey residential building is located in Shanghai's Changning District, close to Zhongshan Park. It comprises 120 units with a total GFA of approximately 21,700 square metres. The property achieved an occupancy rate of 88% during the Period and rental income remained stable.

Thailand

The Sukhothai Residences, Bangkok

This luxury condominium tower, located on Sathorn Road, is a leader in Bangkok's high-end residential market and over 90% of its 196 units have been sold.

Wireless Road Project, Bangkok

The Group's freehold land on Bangkok's Wireless Road covers a site area of approximately 12,600 square metres. Master planning is currently underway and the Group holds a 49% interest in this project.

Rama 3 Road Project, Yannawa District, Bangkok

The project is located at Rama 3 Road by the Chaophraya River in the Bang Phongphang Subdistrict, which is part of Bangkok's greater Yannawa District. Development planning for around 1,500 residential units is currently in progress.

Japan

Proud Roppongi, Tokyo

The Group is working with Nomura Real Estate Development Co., Ltd. to develop Proud Roppongi, a premium residential project at Roppongi 4-chome in Tokyo. Construction of the main building has commenced and is expected to be completed by the end of 2017. Sales for the project were launched in May 2016 and as at 30 September 2016, 63% of units were sold.

The Group holds a 51% interest in the project.

Niseko Project, Hokkaido

The Group holds residential plots at Niseko, located close to the Niseko Annupuri ski area in Hokkaido. The plots have a total site area of approximately 60,000 square metres and serve as land bank.

Investment Properties in Tokyo

As at 30 September 2016, the Group's three Tokyo investment properties – Horizon Place Akasaka, a high-rise residential block, Graphio Nishi-Shinjuku, a centrally-located office building, and Souei Park Harajuku, a 22-unit en-bloc residential apartment building in Shibuya – achieved occupancy rates of 92%, 100% and 92% respectively.

SERVICES PROVIDED

During the Period, the four clubs in Discovery Bay – Discovery Bay Golf Club, Discovery Bay Marina Club, Discovery Bay Recreation Club and Club Siena – showed satisfactory results. The clubs are currently undergoing various upgrades to provide members and guests with enhanced facilities and services.

Various modes of transport are provided for Discovery Bay residents, including ferry, land and tunnel services. During the Period, ferry usage decreased, while use of the bus service rose steadily, particularly along the Sunny Bay route, as a result of the introduction of six double-decker buses for external bus routes in 2015. By the end of 2016, four additional double-decker buses will be acquired, increasing the passenger capacity of external bus routes. Tunnel throughput remained stable.

The Group's property management services in Discovery Bay, and elsewhere in Hong Kong, continued to operate well during the Period.

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

HOSPITALITY

Hong Kong

Auberge Discovery Bay Hong Kong

The 325-room Auberge Discovery Bay Hong Kong recorded an average occupancy rate of 79% during the Period. The hotel benefited from successful promotion in local and international markets, leveraging upon its location and status as an integrated resort with extensive facilities. The hotel caters largely to leisure and long-stay travellers and its seaside pavilion and European-style horse-drawn carriage make it a popular event venue.

The Group has a 50% interest in Auberge Discovery Bay Hong Kong.

Thailand

The Sukhothai Bangkok

Despite the bombing incidents in Thailand, The Sukhothai Bangkok maintained an average occupancy rate of 60% throughout the Period. The hotel also received several awards from its travel and leisure partners, including the "Certificate of Excellence 2016" from TripAdvisor and the "2016 Outstanding Guest Review" from Hotels.com.

HEALTHCARE

GenRx Holdings Limited ("GenRx"), the Group's wholly-owned subsidiary, operates a comprehensive healthcare service network, comprising diabetic and cardiovascular centres, a cancer centre, an imaging facility, dental clinics, Chinese medicine outlets and multi-specialty outpatient centres in Hong Kong, Macau and Manila. During the Period, business performance in the Hong Kong and Macau markets continued to show improvement as a result of enhanced operational efficiency. Its operation in the Philippines under the name of Healthway Medical acquired a tertiary inpatient facility in September 2016, marking an important step in its quest to fully develop its current outpatient ambulatory healthcare service delivery. Healthway also won the "Gold Award – Trusted Brand in the Ambulatory – Specialty Clinic Category" from *Reader's Digest* magazine in 2016. This achievement marked the fourth consecutive year that Healthway was recognised for offering outstanding medical services in the Philippines.

With the exception of dental clinics and diabetic and cardiovascular centres, which involve third-party interests of 43% and 20% respectively, businesses under the GenRx umbrella are wholly owned by the Group.

HUMAN RESOURCES

As at 30 September 2016, the Group had a total of 2,436 employees in Hong Kong and overseas. The Group understands the importance of providing employees with a supportive and positive working environment, and has reviewed its human resources policies and staff benefits. Additionally, the Group maintains its focus on enhancing its human capital through the attraction of new talent, as well as employee retention and development.

MANAGEMENT DISCUSSION AND ANALYSIS

To maintain a competitive edge amid a challenging operating environment, the Group established the HKRI Employees Learning & Development Faculty in May 2016. Through this endeavour, the Group will review and enhance its learning and development programmes to align with its business directions. It will also allow the Group to offer employees adequate learning opportunities, bringing about greater employee satisfaction and personal growth to drive the Group's overall performance.

INFORMATION TECHNOLOGY

The Group has made advances in the development of its mobile workforce. The new "tag & track" asset tagging system was implemented in May 2016 and allows smartphone users to scan QR code labels. The new system has improved and expedited the asset stocktaking process. At Discovery Bay, a new generation point of sales system with mobile capability was launched in July 2016. F&B employees can now use mobile devices to take orders directly and patrons are presented with tablets featuring eMenus.

Auberge Discovery Bay Hong Kong also has a new eHelpdesk application, allowing users to report IT issues and monitor their progress.

OUTLOOK

Due to a combination of factors, including the impact of Brexit (the United Kingdom's vote to leave the European Union), as well as the potential rise of America's federal funds rate and the outcomes presented by its recent presidential election, the global economy will most likely grow at a slower pace. However, new opportunities are likely to present themselves during a modest uptick in the near future, and the Group will continue to closely monitor the global economic climate and adjust its development plans accordingly.

Despite the International Monetary Fund's decision to lower its forecast for global economic growth, Hong Kong's economy has shown signs of stabilisation. The Group remains cautiously optimistic regarding the outlook of the city's property market. Indeed, rising property prices in mainland cities, concerns over a weakening Renminbi and a wish to diversify wealth through offshore investment are increasing mainland demand for Hong Kong property. In the coming years, despite the continued increase in residential unit supply in Hong Kong, strong underlying demand, a low interest rate and an increase of capital flow following Brexit will combine with the depreciation of the Renminbi to create an environment conducive to sustaining market recovery, which is predicted to begin in the second half of the fiscal year. The Group will continue to focus on existing projects in Discovery Bay, its flagship development, while forging ahead with new opportunities.

Though there are challenges presented by economic restructuring in mainland China and the government's cooling measures in response to record-breaking property sales and land prices, the Group holds a positive view of the mainland property market. Tier 1 cities, such as Shanghai, are projected to remain active due to the prevailing market sentiment. There is also a strong demand for premium commercial and retail spaces. The Group's signature mainland project, HKRI Taikoo Hui, is expected to officially open in 2017 and generate stable rental income for the Group. Additionally, the "One Belt One Road" initiative will strengthen economies across Asia, Europe and Africa while benefiting different industries. The Group will also continue to pursue its business strategy of sourcing suitable investment opportunities in the region.

For the hospitality operations, the Group anticipates that Auberge Discovery Bay Hong Kong will enjoy a stable performance in the second half of the fiscal year despite slowing growth in the number of visitor arrivals. The Zika virus and the death of Thailand's King Bhumibol Adulyadej may affect the Thai tourist industry and reduce the number of visitors to the country, impacting the performance of The Sukhothai Bangkok. Construction of the new luxury hotel in Shanghai is progressing well and is expected to open in 2017, bolstering its hospitality business.

Despite positive developments on the horizon, its property interests are subject to certain risks. These include property market trends, changing economic environments, business and credit conditions, fluctuating interest rates and the cost of labour and raw materials. The new Legislative Council and the Chief Executive Election in Hong Kong next year will lead to changes in the government's land supply strategies, policies and regulations related to the real estate industry.

Prevailing economic conditions in countries where the Group operates will also affect its overall performance. This is particularly true for the mainland China market, where the Group has a significant business portfolio. Indeed, the Group's performance is subject to the political, economic and legal developments taking place in mainland China, as well as other localities in the region.

In the future, the Group will rely on its solid foundations, prudent approach to development and skilled management team to pursue a strategy centred on equally dividing its business between Hong Kong, mainland China and the rest of Asia. This approach allows the Group to cope with changing markets and environments while seeking out investment opportunities with high development potential. At the same time, the Group will focus on reducing costs and achieving sustainable growth, maximising value for shareholders.

FINANCIAL REVIEW

SHAREHOLDERS' FUNDS

As at 30 September 2016, the shareholders' funds of the Group increased by HK\$333.4 million to HK\$16,389.7 million (31 March 2016: HK\$16,056.3 million). The increase was mainly due to the gain from revaluation of investment properties. The gross profit margin of continuing operations for the Group for the Period was 29.3% (for the year ended 31 March 2016: 32.5%).

MAJOR INVESTING ACTIVITIES

In May 2016, the Group paid the remaining balance of HK\$131.3 million (RMB111.3 million) to complete the acquisition of the land use right of a parcel of land in Jiaxing City, Zhejiang Province.

MAJOR OPERATING ACTIVITIES

During the Period, sales proceeds from disposal of certain development properties in Hong Kong, Thailand and the People's Republic of China ("PRC") amounted to HK\$88.8 million, HK\$45.5 million and HK\$262.1 million respectively.

FINANCIAL LIQUIDITY

As at 30 September 2016, the Group had total cash and securities investment of HK\$4,507.3 million (31 March 2016: HK\$5,019.9 million) whilst total bank borrowings, bonds and other loans were HK\$7,069.7 million (31 March 2016: HK\$6,966.1 million).

GEARING

The Group's gearing ratio was 17.2% (31 March 2016: 14.0%) as calculated by the Group's consolidated net borrowings to the shareholders' funds as at 30 September 2016.

BANKING FACILITIES AND OTHER LOANS

The Group closely monitors its liquidity requirements and arranges financing for its development projects and operations as and when appropriate.

As at 30 September 2016, the unutilised credit facilities were approximately HK\$7,220.9 million (31 March 2016: HK\$7,260.5 million).

The maturity profile of bank borrowings, bonds and other loans were 5.5% (31 March 2016: 5.0%) falling within one year, 13.4% (31 March 2016: 10.8%) falling between one and two year(s) and 81.1% (31 March 2016: 84.2%) falling between two and five years as at 30 September 2016.

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. To manage foreign currency exposure in certain overseas investments, the Group maintains naturally hedged positions and will make any swap/future arrangements as appropriate. 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 2016, certain bank loans of the Group were secured by certain investment properties and properties held for sale at the total carrying value of HK\$1,045.8 million (31 March 2016: HK\$1,036.2 million).

CONTINGENT LIABILITIES

The Group had contingent liabilities relating to a corporate guarantee on the Group's proportionate share to the extent of HK\$127.2 million (31 March 2016: HK\$132.0 million) as at 30 September 2016 given to a bank in respect of a banking facility granted to an investee company. The Group's interest in such investee company is classified under other non-current assets.

In addition, a subsidiary of the Company provided guarantees amounting to HK\$88.3 million (31 March 2016: HK\$142.2 million) as at 30 September 2016 in respect of mortgage facilities granted to purchasers of the Group's properties.

Save as disclosed above, the Group did not have other significant contingent liabilities as at 30 September 2016.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, 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 (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 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") were as follows:

Long positions in the Company's 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		
Payson CHA	Beneficial owner, interests of a controlled corporation and beneficiary of discretionary trusts	3,113,113	–	16,867,074 ¹	618,895,387 ²	638,875,574	47.31
Victor CHA	Beneficial owner and beneficiary of discretionary trusts	1,140,253	–	–	629,498,383 ²	630,638,636	46.70
Johnson CHA	Beneficiary of discretionary trusts	–	–	–	628,200,885 ²	628,200,885	46.52
Madeline WONG	Founder and/or beneficiary of discretionary trusts	–	–	–	627,487,463 ^{3&4}	627,487,463	46.47
Ronald ARCULLI	Beneficiary of trust	241,472	–	–	–	241,472	0.02
Abraham CHUNG	Beneficial owner	315,084	–	–	–	315,084	0.02
Loretta HO	Beneficial owner	85,600	–	–	–	85,600	0.01
TANG Moon Wah	Beneficial owner	135,200	–	–	–	135,200	0.01

¹ The shares held by Accomplished Investments Limited, a corporation 100% owned by Mr Payson CHA.

² The shares belonged to certain but not identical discretionary trusts of which CCM Trust (Cayman) Limited ("CCM Trust") and LBJ Regents Limited ("LBJ Regents") were the corporate trustees and the relevant Directors were among the members of the classes of discretionary beneficiaries.

³ 577,842,756 shares belonged to certain but not identical discretionary trusts of which CCM Trust and LBJ Regents were the corporate trustees and the Director was among the members of the classes of discretionary beneficiaries.

⁴ The Director was, under two separate discretionary trusts of which CCM Trust and LBJ Regents were the corporate trustees, the founder and member of the classes of discretionary beneficiaries thereof. Such trusts were deemed to be interested in 49,644,707 shares in aggregate.

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 2016, 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.

SHARE OPTION SCHEME

The existing share option scheme of the Company was adopted on 8 September 2011 ("2011 Scheme") and the listing status of shares to be granted under the 2011 Scheme was granted by the Listing Committee of the Stock Exchange on 9 September 2011. Under the 2011 Scheme, options may be granted, inter alia, to the Directors, full-time employees and any consultants of the Company, its subsidiaries and/or its associated companies. The total number of shares of the Company available for grant of options under the 2011 Scheme is 135,027,436 shares which represents 10% of the issued share capital of the Company at the date of this interim report (i.e. 11 November 2016). No option was granted under the 2011 Scheme since its inception.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, 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

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital
CCM Trust (Cayman) Limited	Corporate trustee	560,153,905 ⁵	41.48
LBJ Regents Limited	Corporate trustee	91,894,801 ⁶	6.81
Invesco Asset Management Limited	Investment manager/ advisor of various accounts	121,688,399 ⁷	9.01

⁵ 560,153,905 shares were held by CCM Trust as corporate trustee of certain but not identical discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue.

⁶ 91,894,801 shares were held by LBJ Regents as corporate trustee of certain but not identical discretionary trusts of which members of the classes of discretionary beneficiaries comprise the late Dr CHA Chi Ming's issue.

⁷ 121,688,399 shares were disclosed on the website of the Stock Exchange as being held by Invesco Asset Management Limited as investment manager and/or advisor of various accounts.

Save as disclosed above, as at 30 September 2016, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

There was no grant to, and no exercise by, the Directors of the Company of any share options of the Company during the Period.

At no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

During the Period, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules save for a deviation of E.1.2 (Chairman of the Board's attendance of the Annual General Meeting). Due to other business engagements, Mr Payson CHA, the Chairman of the Board could not attend the Annual General Meeting of the Company held on 24 August 2016 (the "AGM") and Mr Victor CHA, the Deputy Chairman of the Board and Managing Director of the Company (and Member of the Remuneration Committee) chaired the AGM. All other Executive Directors and Mr Alfred TANG (Independent Non-Executive Director, Chairman of the Audit Committee and Member of Nomination Committee) were present at the AGM and available to answer questions.

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 inside information of the Group. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

OTHER INFORMATION

CHANGE IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of Chapter 13 of the Listing Rules, the following Directors of the Company have changed their particulars after the date of the Company's 2015/2016 Annual Report as required to be disclosed:

Dr Henry CHENG ceased to be the Chairman and Managing Director of New World China Land Limited when New World China Land Limited's delisting on the Stock Exchange on 4 August 2016.

Mr Victor CHA was appointed as the Chairman of the Hong Kong-Japan Business Co-operation Committee of Hong Kong Trade Development Council with effect from 20 September 2016.

Mr Payson CHA was appointed as an Independent Non-executive Director of Munsun Capital Group Limited (formerly named China Precious Metal Resources Holdings Co. Ltd.), a listed company in Hong Kong (Stock Code: 1194), with effect from 3 October 2016.

Mr Linus CHEUNG was appointed as a Director of Sotheby's, a listed company in the New York Stock Exchange (NYSE Symbol: BID), with effect from 7 November 2016.

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

In accordance with the continuing obligations 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 2016 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 8 September 2015 (the "Loan Agreement") for a transferable term loan and revolving credit facility in an aggregate principal amount of HK\$8.0 billion with final maturity date falling five years from the date of the Loan Agreement.

Under the Loan Agreement, among others, an event of default is triggered when the existing individual shareholder of the Company (together with his associate(s)) holding the single largest shareholding (direct or indirect) in the Company on the date of the Loan Agreement ceases to be the Company's single largest beneficial shareholder at any time during the term of the Loan Agreement.

As at the date of the Loan Agreement, Mr Payson CHA, the Chairman of the Company, who personally and together with his associates including a controlled corporation and certain companies acting as corporate trustees of certain discretionary family trusts of which Mr Payson CHA (to his knowledge) was among the discretionary beneficiaries, held direct and indirect an aggregate interest in 638,875,574 shares in the Company, representing approximately 47.31% of the issued share capital of the Company and he was treated the then individual beneficial shareholder holding the single largest shareholding in the Company under the Loan Agreement.

As at the date of this interim report, the shareholding in the Company held by Mr Payson CHA remains unchanged and he is still treated as the single largest beneficial shareholder of the Company.

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 were the details of financial assistances and of guarantees given for facilities granted to affiliated companies of the Company as at 30 September 2016 pursuant to Rule 13.16 thereof.

As at 30 September 2016, the Group advanced to Dazhongli Properties Limited and its subsidiaries ("Dazhongli group") an aggregate amount of HK\$4,630.9 million.

Dazhongli group is engaged in the development of certain properties in Jingan District, Shanghai, the PRC in which the Group has 50% interest. The advances were provided by the Group in the form of equity and loans in proportion to its shareholding interest therein, for the purpose of financing the development expenditure of Dazhongli group. The advances are unsecured, non-interest bearing and have no fixed terms of repayment.

As at 30 September 2016, the Group also advanced to several affiliated companies an aggregate amount of HK\$1,810.2 million. The Group has interests ranging from 31% to 50% in these affiliated companies.

As at 30 September 2016, the aggregate amount of advances provided to and guarantees given for these affiliated companies by the Group amounted to HK\$6,441.1 million representing 39.3% of the consolidated net tangible assets of the Group of HK\$16,389.7 million as at 30 September 2016.

A pro forma combined statement of financial position of these affiliated companies and the Group's attributable interests in these affiliated companies as at 30 September 2016 were as follows:

	Pro forma combined statement of financial position HK\$'M	The Group's attributable interest HK\$'M
Non-current assets	21,476.0	10,737.3
Current assets	3,046.8	1,511.9
Current liabilities	(13,055.1)	(6,520.2)
Net current liabilities	(10,008.3)	(5,008.3)
Non-current liabilities	(9,559.4)	(4,416.7)
Shareholders' surplus	1,908.3	1,312.3

REVIEW OF INTERIM REPORT

The interim report of the Group for the Period has been reviewed by the Audit Committee of the Company and the Group's auditor, Messrs Deloitte Touche Tohmatsu.

On behalf of the Board
CHA Mou Sing Payson
Chairman

Hong Kong
 11 November 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 condensed consolidated financial statements of HKR International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 34, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

11 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	NOTES	For the six months ended 30 September	
		2016 HK\$'M (unaudited)	2015 HK\$'M (restated and unaudited)
Continuing operations			
Turnover	3	1,072.5	1,494.6
Cost of sales		(757.8)	(843.8)
Gross profit		314.7	650.8
Other income		67.8	73.6
Administrative expenses		(178.2)	(181.4)
Other gains and losses		13.6	(25.5)
Change in fair value of investment properties			
Realised gains on disposals		–	0.8
Unrealised gains		268.3	337.1
Finance costs	4	(94.2)	(80.1)
Share of results of associates		–	(0.3)
Share of results of joint ventures		344.4	124.3
Profit before taxation	5	736.4	899.3
Taxation	6	(44.6)	(87.0)
Profit for the period from continuing operations		691.8	812.3
Discontinued operations			
Profit for the period from discontinued operations		–	172.7
Profit for the period		691.8	985.0
Profit for the period attributable to the owners of the Company			
For continuing operations		607.8	584.8
For discontinued operations		–	77.9
Profit for the period attributable to the owners of the Company		607.8	662.7
Profit for the period attributable to non-controlling interests			
For continuing operations		84.0	227.5
For discontinued operations		–	94.8
Profit for the period attributable to non-controlling interests		84.0	322.3
For continuing and discontinued operations			
Earnings per share	9		
Basic (HK cents)		45.0	49.1
For continuing operations			
Earnings per share	9		
Basic (HK cents)		45.0	43.3

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	For the six months ended 30 September	
	2016 HK\$'M (unaudited)	2015 HK\$'M (unaudited)
Profit for the period	691.8	985.0
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising from foreign joint ventures	(197.0)	(217.1)
Exchange differences arising from translation of other foreign operations	(71.3)	(181.8)
Share of exchange reserve of an associate	–	0.1
Release of exchange reserve upon deregistration of a foreign associate	–	(2.4)
Available-for-sale financial assets:		
Fair value changes during the period	(5.2)	7.6
Reclassified to profit or loss upon disposal	(0.8)	–
Deferred tax arising from fair value changes	(0.1)	0.6
	(274.4)	(393.0)
<i>Item that will not be reclassified to profit or loss</i>		
Revaluation gain on property, plant and equipment upon transfer to investment properties	–	21.6
Other comprehensive expenses for the period (net of tax)	(274.4)	(371.4)
Total comprehensive income for the period	417.4	613.6
Total comprehensive income attributable to:		
Owners of the Company	333.4	283.6
Non-controlling interests	84.0	330.0
	417.4	613.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

	NOTES	30 September 2016 HK\$'M (unaudited)	31 March 2016 HK\$'M (audited)
Non-current assets			
Investment properties	10	8,167.8	7,654.7
Property, plant and equipment	11	2,088.5	2,085.4
Prepaid lease payments		–	0.1
Interests in joint ventures	12	7,592.2	7,299.8
Held-to-maturity investments		130.8	146.2
Available-for-sale financial assets		92.2	98.8
Other assets		135.5	136.5
Deferred tax assets		3.3	3.1
		18,210.3	17,424.6
Current assets			
Inventories		50.9	49.9
Properties held for sale		1,405.0	1,557.6
Properties held for/under development for sale		3,588.2	3,111.5
Trade receivables	13	38.3	40.0
Deposits, prepayments and other financial assets		525.3	629.7
Amounts due from associates		8.2	19.0
Amounts due from joint ventures		153.1	145.5
Taxation recoverable		8.2	14.2
Held-to-maturity investments		36.7	56.9
Bank balances and cash		4,247.6	4,718.0
		10,061.5	10,342.3
Current liabilities			
Trade payables, provision and accrued charges	14	831.9	911.5
Deposits received and other financial liabilities		278.0	231.9
Taxation payable		76.0	79.6
Bank and other loans due within one year	15	391.9	351.2
Other liabilities due within one year	16	1.0	0.5
		1,578.8	1,574.7
Net current assets		8,482.7	8,767.6
Total assets less current liabilities		26,693.0	26,192.2
Non-current liabilities			
Bank and other loans due after one year	15	6,677.8	6,614.9
Other liabilities due after one year	16	1,080.6	1,062.0
Deferred tax liabilities		257.7	255.8
		8,016.1	7,932.7
		18,676.9	18,259.5
Capital and reserves			
Share capital		337.5	337.5
Reserves		16,052.2	15,718.8
Equity attributable to the owners of the Company		16,389.7	16,056.3
Non-controlling interests		2,287.2	2,203.2
		18,676.9	18,259.5

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to the owners of the Company										
	Share capital HK\$'M	Accumulated profits HK\$'M	Investment property revaluation reserve HK\$'M (note a)	Share premium HK\$'M	Asset revaluation reserve HK\$'M	Investment revaluation reserve HK\$'M	Exchange reserve HK\$'M	Capital redemption reserve HK\$'M (note b)	Sub-total HK\$'M	Non-controlling interests HK\$'M	Total HK\$'M
At 1 April 2016 (audited)	337.5	9,302.9	4,097.2	1,537.9	15.8	29.8	732.1	3.1	16,056.3	2,203.2	18,259.5
Profit for the period	-	607.8	-	-	-	-	-	-	607.8	84.0	691.8
Exchange differences arising from foreign joint ventures (note c)	-	-	-	-	-	-	(197.0)	-	(197.0)	-	(197.0)
Exchange differences arising from translation of other foreign operations	-	-	-	-	-	-	(71.3)	-	(71.3)	-	(71.3)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	(5.2)	-	-	(5.2)	-	(5.2)
Reclassified to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Total comprehensive income for the period	-	607.8	-	-	-	(6.1)	(268.3)	-	333.4	84.0	417.4
Transfer to investment property revaluation reserve relating to unrealised net fair value gain during the period	-	(638.1)	638.1	-	-	-	-	-	-	-	-
At 30 September 2016 (unaudited)	337.5	9,272.6	4,735.3	1,537.9	15.8	23.7	463.8	3.1	16,389.7	2,287.2	18,676.9

	Attributable to the owners of the Company					Non-controlling interests							
	Share capital HK\$'M	Accumulated profits HK\$'M	Investment property revaluation reserve HK\$'M (note a)	Share premium HK\$'M	Asset revaluation reserve HK\$'M	Investment revaluation reserve HK\$'M	Exchange reserve HK\$'M	Capital redemption reserve HK\$'M (note b)	Sub-total HK\$'M	Share of net assets (liabilities) of subsidiaries HK\$'M	Share options reserve of a subsidiary HK\$'M	Sub-total HK\$'M	Total HK\$'M
At 1 April 2015 (audited)	337.5	9,978.7	3,650.4	1,537.9	2.8	31.7	1,185.6	3.1	16,727.7	3,049.2	5.7	3,054.9	19,782.6
Profit for the period	-	662.7	-	-	-	-	-	-	662.7	322.3	-	322.3	965.0
Exchange differences arising from foreign joint ventures (note c)	-	-	-	-	-	-	(217.1)	-	(217.1)	-	-	-	(217.1)
Exchange differences arising from translation of other foreign operations	-	-	-	-	-	-	(181.1)	-	(181.1)	(0.7)	-	(0.7)	(181.8)
Share of exchange reserve of an associate	-	-	-	-	-	-	0.1	-	0.1	-	-	-	0.1
Release of exchange reserve upon deregistration of a foreign associate	-	-	-	-	-	-	(2.4)	-	(2.4)	-	-	-	(2.4)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	7.6	-	-	7.6	-	-	-	7.6
Deferred tax arising from fair value changes on available-for-sale financial assets	-	-	-	-	-	0.6	-	-	0.6	-	-	-	0.6
Revaluation gain on property, plant and equipment upon transfer to investment properties	-	-	-	-	13.2	-	-	-	-	8.4	-	8.4	21.6
Total comprehensive income for the period	-	662.7	-	-	13.2	8.2	(400.5)	-	283.6	330.0	-	330.0	613.6
Transfer to investment property revaluation reserve relating to unrealised net fair value gain during the period	-	(475.0)	475.0	-	-	-	-	-	-	-	-	-	-
Transfer from investment property revaluation reserve relating to net fair value gain realised during the period	-	75.8	(75.8)	-	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme of a subsidiary	-	(4.8)	-	-	-	-	-	-	(4.8)	13.8	(1.1)	12.7	7.9
Disposal of subsidiaries (Note 18)	-	-	-	-	-	-	-	-	-	(85.5)	-	(85.5)	(85.5)
Dividends paid	-	(94.5)	-	-	-	-	-	-	(94.5)	-	-	-	(94.5)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(159.5)	-	(159.5)	(159.5)
At 30 September 2015 (unaudited)	337.5	10,142.9	4,049.6	1,537.9	16.0	39.9	785.1	3.1	16,912.0	3,148.0	4.6	3,152.6	20,064.6

Notes:

(a) Investment property revaluation reserve represents the Group's accumulated post-tax unrealised net fair value gain on the investment properties of the subsidiaries, joint ventures and associates recognised in profit or loss, and then transferred from accumulated profits to investment property revaluation reserve. Upon the relevant investment property has been disposed of and the fair value gain has become realised, the relevant unrealised net fair value gain will be transferred to accumulated profits.

(b) 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.

(c) Exchange differences arising from foreign joint ventures during the period included exchange loss of HK\$59.3 million (six months ended 30 September 2015: HK\$66.6 million) arising from translation of interests in joint ventures and exchange loss of HK\$137.7 million (six months ended 30 September 2015: HK\$150.5 million) 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 2016

	NOTES	For the six months ended	
		2016	2015
		HK\$'M	HK\$'M
		(unaudited)	(unaudited)
Net cash (used in) generated from operating activities		(24.6)	784.4
Net cash used in investing activities			
Redemption of held-to-maturity investments		34.3	11.7
Proceeds from disposal of property, plant and equipment		15.2	2.9
Repayment of loans by associates		10.8	16.1
Additions of investment properties		(167.8)	(205.9)
Loan to a joint venture		(135.0)	(26.0)
Additions of property, plant and equipment		(72.3)	(83.3)
Net cash inflows from disposal of subsidiaries	18	–	242.9
Proceeds from disposal of investment properties		–	54.5
Capital distribution upon deregistration of an associate		–	22.2
Dividend received from an associate		–	19.7
Net cash outflows from acquisition of subsidiaries	17	–	(245.3)
Deposit paid for acquisition of a subsidiary		–	(99.8)
Other investing cash flows		22.5	8.8
		(292.3)	(281.5)
Net cash used in financing activities			
New bank and other loans raised		400.0	1,116.0
Advance from a non-controlling shareholder		15.0	10.1
Repayment of bank and other loans		(401.8)	(1,566.2)
Proceeds from issue of shares of a subsidiary		–	7.9
Dividends paid to non-controlling shareholders		–	(159.5)
Dividends paid		–	(94.5)
Other financing cash flows		(93.4)	(79.8)
		(80.2)	(766.0)
Net decrease in cash and cash equivalents		(397.1)	(263.1)
Cash and cash equivalents at beginning of the period		4,718.0	5,520.0
Effect of foreign exchange rate changes		(73.3)	(49.3)
Cash and cash equivalents at end of the period		4,247.6	5,207.6
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		4,247.6	5,207.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

The Group has applied amendments to HKAS 1 retrospectively and the exchange differences in relation to joint ventures were re-presented. The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

For the six months ended 30 September 2016, the Group is organised into five operating divisions: property development, property investment, services provided (clubs operation, transportation and professional property management services), hotel operations and healthcare (provision of medical and dental care services, comprising diabetic and cardiovascular centres, a cancer centre, an imaging facility, dental clinics, Chinese medicine outlets and multi-specialty outpatient centres). Each of the operating divisions represents an operating and reportable segment.

For the six months ended 30 September 2015, in addition to the above five operating and reportable segments, Hanison Construction Holdings Limited (“Hanison”) with its subsidiaries (“Hanison group”), which is engaged in construction, interior and renovation works, supply and installation of building materials, property investment and development, provision of property agency and management services and sales of health product, was considered as an operating segment. The operating segment ceased in the second half of the financial year ended 31 March 2016 and is presented as discontinued operations of the Group. The comparative figures for the segment information reported below have been re-presented and do not include any amounts for those discontinued operations which are described in more details in Note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segments for the period under review:

Continuing operations

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operations HK\$'M	Healthcare HK\$'M	Total HK\$'M
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Six months ended
30 September 2016

TURNOVER

Segment revenue – sales to external customers derived by the Group and an associate	398.1	161.3	230.8	143.1	139.3	1,072.6
Excluding turnover of an associate	(0.1)	–	–	–	–	(0.1)
Consolidated turnover, as reported	398.0	161.3	230.8	143.1	139.3	1,072.5

RESULTS

Segment results – total realised results of the Group, associates and joint ventures (note a)	36.6	(15.1)	44.4	1.2	(4.1)	63.0
Excluding realised results of associates and joint ventures not shared by the Group	9.1	49.8	–	–	–	58.9
Results attributable to the Group	45.7	34.7	44.4	1.2	(4.1)	121.9
Other income						5.9
Unallocated corporate expenses						(38.5)
Finance costs and corporate level exchange difference						(65.3)
Net unrealised gains on fair value change of investment properties (note b)						264.7
Net unrealised gains on fair value change of investment properties attributable to the Group's interest in a joint venture, net of deferred tax						403.1
Profit for the period						691.8
Non-controlling shareholders' share of profit for the period						(84.0)
Profit for the period attributable to the owners of the Company						607.8

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operations HK\$'M	Healthcare HK\$'M	Total HK\$'M
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Six months ended
30 September 2015

TURNOVER

Segment revenue – sales to external customers derived by the Group and associates	802.1	159.6	247.4	144.0	141.6	1,494.7
Excluding turnover of associates	(0.1)	–	–	–	–	(0.1)
Consolidated turnover, as reported	802.0	159.6	247.4	144.0	141.6	1,494.6

RESULTS

Segment results – total realised results of the Group, associates and joint ventures (note a)	308.0	54.2	48.7	4.1	(5.9)	409.1
Excluding realised results of associates and joint ventures not shared by the Group	0.6	17.7	–	–	–	18.3
Results attributable to the Group	308.6	71.9	48.7	4.1	(5.9)	427.4

Other income						6.6
Unallocated corporate expenses						(43.1)
Finance costs and corporate level exchange difference						(57.0)
Net unrealised gains on fair value change of investment properties (note b)						337.1
Net unrealised gains on fair value change of investment properties attributable to the Group's interest in a joint venture, net of deferred tax						141.3
Profit for the period						812.3
Non-controlling shareholders' share of profit for the period						(227.5)
Profit for the period attributable to the owners of the Company						584.8

Notes:

(a) The segment results of the Group include the entire results of associates and joint ventures for the period, excluding the unrealised gains on fair value change of investment properties net of deferred tax arising from change in fair value.

(b) The net unrealised gains on fair value change of investment properties for the six months ended 30 September 2016 of HK\$264.7 million (six months ended 30 September 2015: HK\$337.1 million) represented the unrealised gain on fair value change of investment properties of HK\$268.3 million (six months ended 30 September 2015: HK\$337.1 million) net of deferred tax charge arising from change in fair value of HK\$3.6 million (six months ended 30 September 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

4. FINANCE COSTS

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M
Continuing operations		
Interest on		
Bank and other loans	73.3	60.7
Advance from a non-controlling shareholder	4.3	3.2
	77.6	63.9
Less: Amounts included in the cost of properties under development for sale	(4.3)	(3.2)
	73.3	60.7
Bank and other loans arrangement fees	20.9	19.4
	94.2	80.1

5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M
Continuing operations		
Profit before taxation has been arrived at after (crediting) charging:		
Bank and other interest income	(33.9)	(32.1)
(Gain) loss on disposal of property, plant and equipment	(14.3)	0.3
Net exchange loss	1.2	27.2
Release of prepaid lease payments	0.1	0.2
Depreciation	73.9	75.5
Impairment loss recognised on trade receivables	0.3	0.3

6. TAXATION

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M
Continuing operations		
The taxation charge comprises:		
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the period	26.9	79.6
Overseas tax calculated at rates prevailing in respective jurisdictions	14.8	4.1
	41.7	83.7
Deferred taxation for current period	2.9	3.3
	44.6	87.0

7. DISCONTINUED OPERATIONS

Pursuant to a resolution of the board of directors of the Company on 13 October 2015, the Company declared an interim dividend, satisfied by distribution in specie of approximately 48.47% of the issued capital of its subsidiary, Hanison to the Company's shareholders. The distribution was made by way of allocating 1.21639 Hanison shares for every 5 shares held by the Company's shareholders. Upon the distribution, the Group held no interest in Hanison group and Hanison group ceased to be subsidiaries of the Company. Details of the distribution in specie have been disclosed in the announcement of the Company dated 13 October 2015. The comparative figures in the condensed consolidated statement of profit or loss have been re-presented to show Hanison group as discontinued operations.

The condensed consolidated profit for the period from the discontinued operations is as follows:

	For the six months ended 30 September 2015 HK\$'M
Turnover	1,305.6
Cost of sales	(1,096.3)
Gross profit	209.3
Other income	2.6
Administrative expenses	(103.4)
Other gains and losses	0.9
Change in fair value of investment properties	
Realised gains on disposals	31.9
Unrealised gains	59.5
Finance costs	(3.4)
Share of results of associates	0.1
Share of results of joint ventures	(3.8)
Profit before taxation	193.7
Taxation	(21.0)
Profit for the period	172.7

Profit for the period from discontinued operations has been arrived at after (crediting) charging:

	For the six months ended 30 September 2015 HK\$'M
Bank and other interest income	(0.9)
Gain on disposal of subsidiaries (Note 18)	(0.2)
Gain on disposal of property, plant and equipment	(1.9)
Net exchange loss	1.6
Release of prepaid lease payments	0.1
Depreciation	5.0

During the six months ended 30 September 2015, Hanison group contributed to the Group's net operating cash inflows of HK\$522.2 million, paid HK\$74.1 million in respect of investing activities and paid HK\$295.3 million in respect of financing activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

8. DIVIDENDS

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M
No final dividend paid for the financial year ended 31 March 2016 (2015: for the financial year ended 31 March 2015 of HK7 cents per share)	-	94.5
No interim dividend declared for the interim period ended 30 September 2016 (2015: no cash interim dividend declared for the interim period ended 30 September 2015)	-	-

On 13 October 2015, the Company declared an interim dividend, satisfied by distribution in specie of approximately 48.47% of the issued capital of its subsidiary, Hanison to the Company's shareholders. The distribution was made by way of allocating 1.21639 Hanison shares for every 5 shares held by the Company's shareholders.

9. EARNINGS PER SHARE

FOR CONTINUING AND DISCONTINUED OPERATIONS

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

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M

Earnings

Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to the owners of the Company)	607.8	662.7
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	For the six months ended 30 September	
	2016	2015

Number of shares

Number of ordinary shares in issue during the period for the purpose of calculating basic earnings per share	1,350,274,367	1,350,274,367
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FOR CONTINUING OPERATIONS

The calculation of basic earnings per share from continuing operations attributable to the owners of the Company is based on the earnings figures calculated as follows:

	For the six months ended 30 September	
	2016	2015
	HK\$'M	HK\$'M
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to the owners of the Company)	607.8	662.7
Less: Profit for the period from discontinued operations	-	(77.9)
Earnings for the purpose of calculating basic earnings per share for continuing operations (Profit for the period from continuing operations attributable to the owners of the Company)	607.8	584.8

No diluted earnings per share for continuing operations has been presented for the six months ended 30 September 2016 and 2015 because there were no potential ordinary shares outstanding from continuing operations during the periods.

The denominators used are the same as those detailed above for basic earnings per share for continuing and discontinued operations.

FOR DISCONTINUED OPERATIONS

For the six months ended 30 September 2015, basic earnings per share for discontinued operations was HK5.8 cents, based on the profit for the period attributable to the owners of the Company from discontinued operations of HK\$77.9 million and the denominator used is the same as that detailed above for basic earnings per share for continuing and discontinued operations.

10. INVESTMENT PROPERTIES

	For the six months ended 30 September	
	2016 HK\$'M	2015 HK\$'M
Fair value		
At 1 April	7,654.7	7,703.5
Currency realignment	77.0	(3.2)
Additions	167.8	205.9
Acquisition of subsidiaries (Note 17)	–	254.9
Change in fair value recognised in profit or loss		
Realised gains on disposals	–	32.7
Unrealised gains	268.3	396.6
Disposals	–	(54.5)
Transferred from property, plant and equipment	–	35.7
Transferred to assets classified as held for sale	–	(10.1)
Eliminated on disposal of subsidiaries (Note 18)	–	(550.0)
At 30 September	8,167.8	8,011.5

For the six months ended 30 September 2016, the Group has not disposed of any investment properties. For the six months ended 30 September 2015, the Group disposed of certain investment properties and the details of which are as follows:

	For the six months ended 30 September 2015 HK\$'M
Sales proceeds received	54.5
Original cost of acquisitions	(22.2)
Accumulated gains on change in fair value recognised in prior years	(29.6)
Realised gains on disposal recognised during the period	2.7
Realised gains on investment properties through disposal of subsidiaries	30.0
Total realised gains on disposal of investment properties	32.7

The investment properties were revalued at 30 September 2016, giving rise to an unrealised fair value gain of approximately HK\$268.3 million (six months ended 30 September 2015: HK\$396.6 million) which has been recognised in the condensed consolidated statement of profit or loss for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The fair values of the Group's investment properties at 30 September 2016, 31 March 2016 and the date of transfer from property, plant and equipment have been derived by the following independent firms of qualified professional valuers with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value is determined by using (a) income capitalisation approach and with reference to market transaction prices of similar properties in the relevant locations; or (b) direct comparison approach assuming sale of the property interest in the existing state by making reference to comparable sales transactions as available in the relevant market.

Name of valuer	Location of investment properties
DTZ Cushman & Wakefield Limited	Hong Kong and the People's Republic of China ("PRC")
Cushman & Wakefield K.K.	Japan
N&A Appraisal Company Limited	Thailand

11. PROPERTY, PLANT AND EQUIPMENT

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

	For the six months ended	
	30 September	2015
	2016	2015
	HK\$'M	HK\$'M
Net carrying value		
At 1 April	2,085.4	2,233.3
Currency realignment	5.6	(38.8)
Additions	72.3	83.3
Acquisition of subsidiaries (Note 17)	–	0.3
Disposals	(0.9)	(3.3)
Depreciation	(73.9)	(80.5)
Transferred to investment properties	–	(14.1)
Eliminated on disposal of subsidiaries (Note 18)	–	(0.7)
At 30 September	2,088.5	2,179.5

12. INTERESTS IN JOINT VENTURES

The interests in joint ventures include the Group's 50% equity interest in Dazhongli Properties Limited ("Dazhongli"). An analysis is as follows:

	30 September	31 March
	2016	2016
	HK\$'M	HK\$'M
Interests in:		
Dazhongli	6,389.5	6,240.7
Other joint ventures	1,202.7	1,059.1
	7,592.2	7,299.8

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 2016 HK\$'M	31 March 2016 HK\$'M
Cost of unlisted shares	0.1	0.1
Exchange realignment (note a)	337.1	534.1
Share of post-acquisition profits (note b)	1,574.5	1,221.4
	1,911.7	1,755.6
Loans to Dazhongli (note c)	4,477.8	4,485.1
	6,389.5	6,240.7

Notes:

(a) The exchange realignment of Dazhongli mainly represents the cumulative net exchange gains on translation of interest in Dazhongli and translation of the loans advanced by the Group to Dazhongli, which are denominated in US dollars and HK dollars, that form part of net investment in foreign operations.

(b) The increase in share of post-acquisition profits of Dazhongli in the current interim period mainly arose from the Group's share of fair value gain on investment properties of Dazhongli.

(c) The loans to Dazhongli are unsecured, non-interest bearing and have no fixed terms of repayment. 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 of the Company believe the settlement of these loans is not likely to occur in the foreseeable future and they, in substance, form part of net investment in Dazhongli group as the proceeds of the loans have been substantially used by Dazhongli 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 joint ventures for the purpose of presentation in the condensed consolidated statement of financial position.

The summarised consolidated financial information in respect of Dazhongli group as at 30 September 2016 and 31 March 2016 is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Non-current assets		
Investment properties	20,288.0	18,741.1
Hotel properties under construction and equipment	1,054.6	1,024.9
Other non-current assets	129.8	141.5
	21,472.4	19,907.5
Current assets		
Bank balances and cash	391.8	374.1
Other current assets	79.5	23.4
	471.3	397.5
Current liabilities		
Loans from shareholders	8,955.6	8,970.2
Other current liabilities	1,515.8	1,005.1
	10,471.4	9,975.3
Net current liabilities	(10,000.1)	(9,577.8)
Total assets less current liabilities	11,472.3	10,329.7
Non-current liabilities		
Bank loans	6,465.6	5,877.2
Deferred tax liabilities	1,183.3	941.3
	7,648.9	6,818.5
Net assets	3,823.4	3,511.2
Group's share of net assets	1,911.7	1,755.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Note: The investment properties were measured at 30 September 2016 at fair value of HK\$20,288.0 million (equivalent to RMB17,467.3 million) (31 March 2016: HK\$18,741.1 million (equivalent to RMB15,616.0 million)) which was based on the valuation conducted by DTZ Cushman & Wakefield Limited, who has appropriate qualification and recent experiences in the valuation of similar properties in the relevant locations. The valuation was derived from residual method based on capitalising the net earnings that would be generated from the investment properties in their completed form, and has taken into account the developer's profit and construction costs already incurred as well as the estimate costs to be incurred to complete the properties. The fair value gain of investment properties for the six months ended 30 September 2016 is HK\$1,074.8 million (six months ended 30 September 2015: HK\$376.7 million). The attributable deferred taxation charge in respect of the gain was HK\$268.7 million (six months ended 30 September 2015: HK\$94.2 million). Thus the net fair value gain after tax amounted to HK\$806.1 million (six months ended 30 September 2015: HK\$282.5 million) of which the Group's 50% share of gain was HK\$403.1 million (six months ended 30 September 2015: HK\$141.3 million). The investment properties are held within a business model of the joint venture whose business objective is to consume substantively all of the economic benefits embodied in the investment properties over time, rather than through sale.

The capital commitments of Dazhongli group at 30 September 2016 and 31 March 2016 are as follows:

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Contracted but not provided for	582.8	1,339.0

The capital commitments of Dazhongli group attributable to the Group represents 50% of the amounts stated above, will be financed by shareholders' loan or direct borrowings of Dazhongli group.

13. TRADE RECEIVABLES

The credit periods allowed by the Group to its customers are dependent on the general practices in the industries concerned. For property sales, sales terms vary for each property project and are determined with reference to the prevailing market conditions. Property rentals are receivable in advance. Payments for healthcare, clubs and hotel services are receivable on demand.

The following is an aged analysis of trade receivables presented based on the payment due date at the end of the reporting period:

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Not yet due	10.8	8.7
Overdue:		
0 – 60 days	23.1	28.4
61 – 90 days	1.4	1.4
Over 90 days	3.0	1.5
	38.3	40.0

14. TRADE PAYABLES, PROVISION AND ACCRUED CHARGES

At 30 September 2016, included in trade payables, provision and accrued charges were trade payables of HK\$138.1 million (31 March 2016: HK\$114.1 million), an aged analysis presented based on the payment due date at the end of the reporting period is as follows:

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Not yet due	92.0	79.1
Overdue:		
0 – 60 days	16.1	19.7
61 – 90 days	1.0	1.4
Over 90 days	29.0	13.9
	138.1	114.1

The trade payables, provision and accrued charges included (a) construction cost accruals of HK\$167.8 million (31 March 2016: HK\$231.1 million); and (b) provisions for certain construction obligations of HK\$328.5 million (31 March 2016: HK\$328.5 million). In the course of the property development activities, the Group is obliged to construct certain common or public facilities within the development projects in accordance with the development plans approved by the relevant authorities. Provision for such construction costs has been made when a reliable estimate can be made of the amount of this obligation.

15. BANK AND OTHER LOANS

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Bank loans (note a)	6,097.6	6,012.8
Bonds and notes (note b)	972.1	953.3
	7,069.7	6,966.1
Less: Amount included under current liabilities (including bank loans with a repayable on demand clause)	(391.9)	(351.2)
Amount included under non-current liabilities	6,677.8	6,614.9
Bank and other loans are repayable:		
On demand or within one year	391.9	351.2
Between one and two years	948.0	751.2
Between two and five years	5,729.8	5,863.7
	7,069.7	6,966.1
Secured	483.8	483.6
Unsecured	6,585.9	6,482.5
	7,069.7	6,966.1

Notes:

(a) As at 30 September 2016, the Group's bank borrowings carry interest at an average margin of 1.25% (31 March 2016: 1.26%) plus Hong Kong Interbank Offered Rate, other relevant interbank offered rates or other benchmark interest rates per annum.

(b) On 2 April 2013, the Company issued principal amount of HK\$560.0 million 7-year unlisted notes at a coupon rate of 4.5% per annum. Subsequently on 10 April 2013, the Company established a US\$1.0 billion Medium Term Note Programme ("MTN Programme"). In May 2013, a total principal amount of HK\$238.0 million 7-year unlisted notes at a coupon rate of 4.3% per annum was issued under the MTN Programme. Furthermore, included in bonds and notes as at 30 September 2016 an outstanding bond with principal amount of HK\$177.1 million (31 March 2016: HK\$158.7 million) carried interest at a margin of 0.8% (31 March 2016: 0.8%) plus the relevant interbank offered rates per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

16. OTHER LIABILITIES

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Advance from a non-controlling shareholder	226.1	206.8
Club debentures	855.5	855.7
	1,081.6	1,062.5
Less: Amount due within one year included under current liabilities	(1.0)	(0.5)
Amount due after one year	1,080.6	1,062.0

17. ACQUISITION OF SUBSIDIARIES

On 19 May 2015, a then indirect non-wholly owned subsidiary of the Company, Shangzhi Limited, entered into a sale and purchase agreement with an independent third party to acquire the entire issued capital of General Mark Holdings Limited ("General Mark"), and the shareholder's loan, at a cash consideration of HK\$253.3 million. The acquisition was completed on 17 July 2015. The major asset of General Mark is an investment property representing an en-bloc residential property situated in Hong Kong.

The assets acquired and liabilities assumed on the date of acquisition are as follows:

	HK\$'M
Non-current assets	
Investment properties	254.9
Property, plant and equipment	0.3
Current assets	
Trade receivables, deposits, prepayments and other financial assets	0.1
Current liabilities	
Trade payables, provision and accrued charges	(0.1)
Non-current liabilities	
Deferred tax liabilities	(1.9)
Net assets acquired	253.3
Net cash outflows on acquisition:	
Cash consideration paid	253.3
Deposit paid	(8.0)
	245.3

18. DISPOSAL OF SUBSIDIARIES

On 19 March 2015, a then indirect non-wholly owned subsidiary of the Company, Hanison Construction Holdings (BVI) Limited ("Hanison BVI") and an indirect non-wholly owned subsidiary of CCM Trust (Cayman) Limited ("CCM Trust"), Sky Champion International Limited ("Sky Champion"), entered into a sale and purchase agreement with an independent third party. Pursuant to which, Hanison BVI and Sky Champion disposed of their entire interests in Superior Choice Holdings Limited ("Superior Choice"), which is held by Hanison BVI and Sky Champion on a 60:40 basis together with its wholly-owned subsidiary, Excel Pointer Limited, and the same proportionate shareholders' loans made to Superior Choice. Excel Pointer Limited is engaged in property investment. The total cash consideration for the disposal is HK\$549.7 million. An amount of HK\$143.0 million out of the total cash consideration has been applied for bank loan repayment directly before the completion of the disposal. The cash consideration attributed to Hanison BVI is HK\$244.8 million. The disposal was completed on 7 July 2015.

Assets and liabilities of the subsidiaries on the date of disposal:

	HK\$'M
Non-current assets	
Investment properties	550.0
Property, plant and equipment	0.7
Current assets	
Trade receivables, deposits, prepayments and other financial assets	0.3
Bank balances and cash	2.0
Current liabilities	
Trade payables, provision and accrued charges	(2.6)
Amount due to a group company	(116.3)
Other liabilities due within one year	(76.2)
Bank and other loans due within one year	(143.0)
Non-current liabilities	
Deferred tax liabilities	(1.1)
Net assets disposed of	213.8
Non-controlling interests	(85.5)
Assignment of shareholder's loan	116.3
Gain on disposal (note)	0.2
	244.8
Satisfied by:	
Cash consideration received	244.9
Other payable	(0.1)
	244.8
Net cash inflows on disposal:	
Cash consideration received	244.9
Less: Bank balances and cash disposed of	(2.0)
	242.9

Note: Gain on disposal of Superior Choice is recognised in the result of discontinued operations during the six months ended 30 September 2015.

19. CONTINGENT LIABILITIES

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Guarantee given, to the extent of the Group's proportionate share, in respect of a banking facility granted to an investee company (note a)	127.2	132.0
Guarantees given by a subsidiary in respect of mortgage facilities granted to purchasers of the Group's properties (note b)	88.3	142.2

Notes:

(a) No provision for financial guarantee contracts has been recognised in the condensed consolidated financial statements as, in the opinion of the directors of the Company, the fair value of the financial guarantee on initial recognition and the amount of provision to be recognised subsequently was insignificant.

(b) In the opinion of the directors of the Company, the fair values of these financial guarantee contracts are insignificant on initial recognition and no provision for financial guarantee contracts has been made at the end of the reporting period as the directors of the Company consider that the possibility of default of the parties involved is remote.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

20. COMMITMENTS

	30 September 2016 HK\$'M	31 March 2016 HK\$'M
Contracted but not provided for in the condensed consolidated financial statements:		
Expenditure in respect of properties held for/under development for sale	2,375.3	2,184.8
Capital expenditure in respect of investment properties and property, plant and equipment	374.4	528.3
Others	22.8	24.5
	2,772.5	2,737.6

The capital commitments in respect of the Group's interest in Dazhongli group are disclosed in Note 12.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

	Fair value as at		Fair value hierarchy (note a)
	30 September 2016 HK\$'M	31 March 2016 HK\$'M	
Financial assets			
Listed equity securities classified as available-for-sale financial assets in the condensed consolidated statement of financial position (note b)	47.9	48.3	Level 1
Unlisted equity securities classified as available-for-sale financial assets in the condensed consolidated statement of financial position (note c)	44.3	50.5	Level 3
	92.2	98.8	

Notes:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) The fair values of all listed equity securities are determined by reference to the quoted market bid prices available on the relevant exchanges in active markets as at 30 September 2016 and 31 March 2016.

(c) The Group uses the key inputs of market comparable companies and discounted cash flows, which include the valuation multiples and recent transaction price, to determine the fair value of the unlisted equity securities as at 30 September 2016 and 31 March 2016. The unobservable inputs are valuation multiples, discount for lack of marketability and discount rate. Valuation multiples include enterprise value divided by earnings before interest and taxes, and price-to-sales multiple. The higher the valuation multiples, the lower the discount for lack of marketability or the lower the discount rate, the higher the fair value.

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data as the management considers that the exposure is insignificant to the Group.

There was no transfer among different levels of the fair value hierarchy in the current and prior periods.

Reconciliation of Level 3 fair value measurements of financial assets

	For the six months ended 30 September	
	2016 HK\$'M	2015 HK\$'M
At 1 April	50.5	28.2
Acquisition during the period	1.8	12.1
Total gain (loss)		
In profit or loss	0.8	–
In other comprehensive income	(5.5)	15.7
Proceeds from disposal	(3.3)	–
At 30 September	44.3	56.0

FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

The Group determines the appropriate valuation techniques and inputs for Level 3 fair value measurements.

In estimating the fair value of unlisted equity securities, the Group uses market-observable data to the extent it is available. The valuation is performed at the end of each reporting period. Where there is material change in the fair value of the assets, the cause of the fluctuations will be reported to the management of the Group.

22. RELATED PARTY TRANSACTIONS

During the period, other than transaction disclosed in Note 18 and balances with related parties as shown in the condensed consolidated statement of financial position, the Group had significant transactions with related parties as follows:

(a) Transactions with entities controlled (or jointly controlled as joint venture) by CCM Trust and certain discretionary trusts. Four (2015: Four) directors of the Company are among the discretionary beneficiaries of the above trusts at the end of the reporting period. The trusts have controlling beneficial interests in these entities and the Company:

	For the six months ended 30 September	
	2016 HK\$'M	2015 HK\$'M
Transactions with the entities:		
Rental income received	3.0	3.5
Management service fee received	0.4	0.6
Other services provided	0.1	0.1
Transactions with the entities that are entered into by Hanison group:		
Project management income and site supervision service income received	–	1.4
Project management income and site supervision service income from a joint venture	–	0.8

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FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

(b) Transactions with Hanison group, in which CCM Trust and certain discretionary trusts have beneficial interests:

	For the six months ended 30 September	
	2016 HK\$'M	2015 HK\$'M
Construction service fee (note)	0.4	–
Renovation service fee	0.3	–

Note: For the six months ended 30 September 2015, the Group had construction service fee paid to Hanison group of HK\$2.2 million which had been fully eliminated in the condensed consolidated financial statements.

(c) Transactions with associates and joint ventures of the Group:

	For the six months ended 30 September	
	2016 HK\$'M	2015 HK\$'M
Rental income received from a joint venture	–	0.5
Management fee and other operating service fees received from an associate	–	0.3
Management fee and other operating service fees received from a joint venture	13.7	16.2
Interest income received from an associate	0.1	0.1
Interest income received from a joint venture	5.0	4.9
Rental expenses to an associate	–	(0.1)

(d) Compensation of key management personnel

The remuneration of key management personnel during the period amounted to HK\$9.8 million (six months ended 30 September 2015: HK\$9.5 million).

CHAIRMAN 主席

Mr CHA Mou Sing Payson
查懋聲先生

DEPUTY CHAIRMAN AND MANAGING DIRECTOR 副主席兼董事總經理

Mr CHA Mou Zing Victor
查懋成先生

EXECUTIVE DIRECTORS 執行董事

Mr CHUNG Sam Tin Abraham[#]
鍾心田先生[#]
Mr TANG Moon Wah
鄧滿華先生

[#] Also alternate to Mr CHA Mou Sing Payson
[#] 兼任查懋聲先生之候補董事

NON-EXECUTIVE DIRECTORS 非執行董事

The Honourable Ronald Joseph ARCULLI
夏佳理先生
Mr CHA Mou Daid Johnson
查懋德先生
Ms WONG CHA May Lung Madeline
王查美龍女士

INDEPENDENT NON- EXECUTIVE DIRECTORS 獨立非執行董事

Dr CHENG Kar Shun Henry
鄭家純博士
Mr CHEUNG Wing Lam Linus
張永霖先生
Ms HO Pak Ching Loretta
何柏貞女士
Mr TANG Kwai Chang
鄧貴彰先生

AUDIT COMMITTEE 審核委員會

Mr TANG Kwai Chang (*Chairman*)
鄧貴彰先生 (主席)
Mr CHEUNG Wing Lam Linus
張永霖先生
Ms HO Pak Ching Loretta
何柏貞女士

REMUNERATION COMMITTEE 薪酬委員會

Dr CHENG Kar Shun Henry (*Chairman*)
鄭家純博士 (主席)
Mr CHA Mou Zing Victor
查懋成先生
Mr CHEUNG Wing Lam Linus
張永霖先生

NOMINATION COMMITTEE 提名委員會

Mr CHA Mou Sing Payson (*Chairman*)
查懋聲先生 (主席)
Ms HO Pak Ching Loretta
何柏貞女士
Mr TANG Kwai Chang
鄧貴彰先生

COMPANY SECRETARY 公司秘書

Ms YEE Chooi Mee Josephine
余翠媚女士

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INDEPENDENT AUDITOR 獨立核數師

Deloitte Touche Tohmatsu
德勤•關黃陳方會計師行

PRINCIPAL BANKERS 主要往來銀行

Bank of China (Hong Kong) Limited
中國銀行(香港)有限公司
Hang Seng Bank Limited
恒生銀行有限公司
The Hongkong and Shanghai Banking
Corporation Limited
香港上海滙豐銀行有限公司
Standard Chartered Bank (Hong Kong)
Limited
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