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HKRI

香港興業國際集團有限公司*

HKR International Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00480)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the “Board”) of HKR International Limited (the “Company”) announces the results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019 (the “Period”).

INTERIM RESULTS

The Group’s unaudited turnover for the Period amounted to HK\$1,903.1 million, representing a decrease of 17.5% as compared to HK\$2,306.2 million for the last corresponding period. Profit for the Period attributable to shareholders of the Company amounting to HK\$939.2 million showing a decrease of 7.9% as compared to HK\$1,020.1 million for the last corresponding period. Basic earnings per share were HK63.2 cents for the Period as compared to HK68.7 cents for the last corresponding period.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK5 cents per share for the Period to its shareholders whose names will appear on the Registers of Members of the Company on 6 December 2019. The interim dividend will be paid on 20 December 2019. An interim dividend of HK4 cents per share was paid by the Company to its shareholders for the last corresponding period.

CLOSURE OF REGISTERS OF MEMBERS

The main and branch registers of members of the Company will be closed from 4 to 6 December 2019 (both days inclusive) for the interim dividend. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 3 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | <i>NOTES</i> | For the six months ended | |
|---|--------------|--------------------------|-----------------------|
| | | 2019 | 2018 |
| | | <i>HK\$'M</i> | <i>HK\$'M</i> |
| | | (unaudited) | (unaudited) |
| Turnover | 3 | 1,903.1 | 2,306.2 |
| Cost of sales | | <u>(1,179.7)</u> | <u>(1,674.0)</u> |
| Gross profit | | 723.4 | 632.2 |
| Other income | | 76.9 | 109.8 |
| Other gains and losses | | 20.4 | (4.1) |
| Administrative expenses | | (219.7) | (211.0) |
| Change in fair value of investment properties | | | |
| Realised gains on disposals | | 3.3 | – |
| Unrealised gains | | 329.9 | 629.8 |
| Finance costs | 4 | (145.1) | (120.7) |
| Share of results of associates | | – | (0.1) |
| Share of results of joint ventures | | <u>449.2</u> | <u>261.5</u> |
| Profit before taxation | 5 | 1,238.3 | 1,297.4 |
| Taxation | 6 | <u>(270.3)</u> | <u>(148.8)</u> |
| Profit for the period | | <u><u>968.0</u></u> | <u><u>1,148.6</u></u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 939.2 | 1,020.1 |
| Non-controlling interests | | <u>28.8</u> | <u>128.5</u> |
| | | <u><u>968.0</u></u> | <u><u>1,148.6</u></u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | 8 | | |
| Basic | | <u>63.2</u> | <u>68.7</u> |
| Diluted | | <u>63.2</u> | <u>68.6</u> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | For the six months ended | |
|--|---------------------------------|----------------------|
| | 30 September | |
| | 2019 | 2018 |
| | <i>HK\$'M</i> | <i>HK\$'M</i> |
| | (unaudited) | (unaudited) |
| Profit for the period | <u>968.0</u> | <u>1,148.6</u> |
| Other comprehensive (expense) income: | | |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Investments in equity instruments measured at fair value through other comprehensive income: | | |
| Fair value changes during the period | (7.4) | (14.3) |
| Deferred tax arising from fair value changes | 0.2 | (0.1) |
| Revaluation gain on property, plant and equipment upon transfer to investment properties | 15.8 | 17.2 |
| Share of asset revaluation reserve of a joint venture | <u>3.2</u> | <u>–</u> |
| | <u>11.8</u> | <u>2.8</u> |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Exchange differences arising from foreign joint ventures | (350.5) | (596.9) |
| Exchange differences arising from translation of other foreign operations | (101.1) | (378.3) |
| Release of exchange reserve upon deregistration of a foreign subsidiary | <u>(16.9)</u> | <u>–</u> |
| | <u>(468.5)</u> | <u>(975.2)</u> |
| Other comprehensive expense for the period (net of tax) | <u>(456.7)</u> | <u>(972.4)</u> |
| Total comprehensive income for the period | <u>511.3</u> | <u>176.2</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 474.6 | 47.7 |
| Non-controlling interests | <u>36.7</u> | <u>128.5</u> |
| | <u>511.3</u> | <u>176.2</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 September | 31 March |
|--|---------------------|------------------|
| | 2019 | 2019 |
| | <i>NOTE</i> | |
| | HK\$'M | HK\$'M |
| | (unaudited) | (audited) |
| Non-current assets | | |
| Investment properties | 13,642.8 | 12,434.6 |
| Property, plant and equipment | 2,434.3 | 2,362.1 |
| Right-of-use assets | 71.7 | – |
| Interests in associates | – | – |
| Interests in joint ventures | 8,915.8 | 8,763.7 |
| Equity instruments measured at fair value through other comprehensive income | 79.1 | 33.7 |
| Financial assets at fair value through profit or loss | 447.7 | 396.4 |
| Investments in debt instruments measured at amortised cost | 58.7 | 60.7 |
| Other assets | 207.2 | 172.9 |
| Deferred tax assets | 206.8 | 15.5 |
| | 26,064.1 | 24,239.6 |
| Current assets | | |
| Inventories | 45.6 | 44.2 |
| Properties held for sale | 2,747.8 | 2,591.4 |
| Properties held for/under development for sale | 4,834.7 | 4,576.5 |
| Trade receivables | 36.0 | 43.1 |
| Deposits, prepayments and other receivables | 318.3 | 811.0 |
| Loan to a joint venture | – | 307.4 |
| Amounts due from associates | 8.2 | 8.1 |
| Amounts due from joint ventures | 193.4 | 183.9 |
| Taxation recoverable | 15.7 | 13.4 |
| Investments in debt instrument measured at amortised cost | 32.2 | 27.9 |
| Bank balances and cash | 2,705.3 | 2,610.9 |
| | 10,937.2 | 11,217.8 |

| | | 30 September 2019 | 31 March 2019 |
|---|-------------|------------------------------|----------------------------|
| | <i>NOTE</i> | <i>HK\$'M</i> (unaudited) | <i>HK\$'M</i> (audited) |
| Current liabilities | | | |
| Trade payables, provision and accrued charges | <i>10</i> | 1,093.9 | 1,200.9 |
| Deposits received and other financial liabilities | | 154.7 | 150.8 |
| Contract liabilities | | 2,450.8 | 1,599.3 |
| Taxation payable | | 209.5 | 144.3 |
| Bank and other loans due within one year | | 5,059.5 | 906.2 |
| Lease liabilities | | 20.8 | – |
| | | <u>8,989.2</u> | <u>4,001.5</u> |
| Net current assets | | <u>1,948.0</u> | <u>7,216.3</u> |
| Total assets less current liabilities | | <u>28,012.1</u> | <u>31,455.9</u> |
| Non-current liabilities | | | |
| Bank and other loans due after one year | | 1,711.0 | 5,780.4 |
| Lease liabilities | | 62.7 | – |
| Other liabilities due after one year | | 1,486.2 | 1,371.1 |
| Deferred tax liabilities | | 394.5 | 382.0 |
| | | <u>3,654.4</u> | <u>7,533.5</u> |
| | | <u>24,357.7</u> | <u>23,922.4</u> |
| Capital and reserves | | | |
| Share capital | | 371.3 | 371.3 |
| Reserves | | 21,338.5 | 20,929.1 |
| Equity attributable to owners of the Company | | 21,709.8 | 21,300.4 |
| Non-controlling interests | | 2,647.9 | 2,622.0 |
| | | <u>24,357.7</u> | <u>23,922.4</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 (the “Stock Exchange”) (the “Listing Rules”) 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, as appropriate.

Other than changes in accounting policy resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. The Group recognised lease liabilities of HK\$64.6 million and right-of-use assets of HK\$53.4 million as at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.03%.

| | At 1 April 2019 <i>HK\$'M</i> |
|--|-------------------------------------|
| Operating lease commitments disclosed as at 31 March 2019 | 37.2 |
| Lease liabilities discounted at relevant incremental borrowing rates | 36.8 |
| Add: Termination option reasonably certain not to be exercised | 35.2 |
| Less: Practical expedient – Leases with lease term ending within 12 months from the date of initial application | (7.4) |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and as at 1 April 2019 | <u>64.6</u> |
| Analysed as | |
| Current | 16.7 |
| Non-current | 47.9 |
| | <u>64.6</u> |

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

| | Right-of-use assets <i>HK\$'M</i> |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | <u>53.4</u> |
| By class: | |
| Leasehold land and buildings | 52.4 |
| Furniture, fixtures and equipment | 1.0 |
| | <u>53.4</u> |

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 April 2019. However, effective on 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets. The discounting effect has no material impact on the condensed consolidated financial statements of the Group for the current period.
- (c) Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

Interests in joint ventures

The net effects arising from the initial application of HKFRS 16 resulted in an increase in the carrying amounts of interests in joint ventures of HK\$30.3 million with corresponding adjustments to accumulated profits.

The following table summarises the impact of transition to HKFRS 16 on accumulated profits at 1 April 2019.

| | <i>Notes</i> | <i>HK\$'M</i> |
|---------------------------------------|--------------|---------------|
| Accumulated profits | | |
| Impact to the Group | <i>(i)</i> | (11.2) |
| Impact to interests in joint ventures | <i>(ii)</i> | 30.3 |
| Non-controlling interests | <i>(i)</i> | 4.8 |
| | | <hr/> |
| Impact at 1 April 2019 | | 23.9 |
| | | <hr/> <hr/> |

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

| | Notes | Carrying amounts previously reported at 31 March 2019 <i>HK\$'M</i> | Adjustments <i>HK\$'M</i> | Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'M</i> |
|------------------------------|------------------|--|------------------------------|---|
| Non-current assets | | | | |
| Right-of-use assets | <i>(i)</i> | – | 53.4 | 53.4 |
| Interests in joint ventures | <i>(ii)</i> | 8,763.7 | 30.3 | 8,794.0 |
| Current liability | | | | |
| Lease liabilities | <i>(i)</i> | – | (16.7) | (16.7) |
| Non-current liability | | | | |
| Lease liabilities | <i>(i)</i> | – | (47.9) | (47.9) |
| Capital and reserves | | | | |
| Accumulated profits | <i>(i), (ii)</i> | (10,540.7) | (23.9) | (10,564.6) |
| Non-controlling interests | <i>(i)</i> | (2,622.0) | 4.8 | (2,617.2) |

Notes:

- (i) Due to the application of HKFRS 16, the Group recognised lease liabilities of HK\$64.6 million and right-of-use assets of HK\$53.4 million at 1 April 2019. The net difference of HK\$11.2 million has been debited to the accumulated profits and non-controlling interests amounting to HK\$6.4 million and HK\$4.8 million, respectively.
- (ii) Due to the application of HKFRS 16, a joint venture of the Group recognised lease liabilities of HK\$211.2 million, investment properties of HK\$292.0 million and deferred tax liabilities of HK\$20.2 million at 1 April 2019. The net difference amounted to HK\$60.6 million, of which the Group's 50% share was HK\$30.3 million, has been credited to the accumulated profits and debited to interests in joint ventures.

3. TURNOVER AND SEGMENT INFORMATION

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 chronic disease management and integrated medical centres, Chinese medicine centres, dental clinics, medical diagnostic centres and multi-specialty outpatient centres). Each of the operating divisions represents an operating and reportable segment.

Disaggregation of turnover

| | For the six months ended 30 September | |
|---------------------------------------|--|-----------------------|
| | 2019 <i>HK\$'M</i> | 2018 <i>HK\$'M</i> |
| Types of goods or services: | | |
| Sales of properties | 1,140.7 | 1,561.4 |
| Hotel revenue | 134.9 | 147.9 |
| Provision of healthcare services | 147.9 | 134.5 |
| Other services rendered | 231.2 | 251.8 |
| | <hr/> | <hr/> |
| Revenue from contracts with customers | 1,654.7 | 2,095.6 |
| Rental income | 248.4 | 210.6 |
| | <hr/> | <hr/> |
| Consolidated turnover, as reported | <u>1,903.1</u> | <u>2,306.2</u> |
| Geographical markets: | | |
| Hong Kong | 609.3 | 1,789.8 |
| Mainland China | 1,141.2 | 303.4 |
| Japan | 27.9 | 73.8 |
| South East Asia | 124.7 | 139.2 |
| | <hr/> | <hr/> |
| | <u>1,903.1</u> | <u>2,306.2</u> |

Segment Information

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

| | Property development <i>HK\$'M</i> | Property investment <i>HK\$'M</i> | Services provided <i>HK\$'M</i> | Hotel operations <i>HK\$'M</i> | Healthcare <i>HK\$'M</i> | Total <i>HK\$'M</i> |
|---|--|---|---------------------------------------|--------------------------------------|-----------------------------|------------------------|
| Six months ended 30 September 2019 | | | | | | |
| TURNOVER | | | | | | |
| Segment revenue – sales to external customers derived by the Group, an associate and joint ventures | 2,118.1 | 1,114.1 | 213.5 | 134.9 | 147.9 | 3,728.5 |
| Excluding turnover of an associate and joint ventures | <u>(971.7)</u> | <u>(853.7)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(1,825.4)</u> |
| Consolidated turnover, as reported <i>(note a)</i> | <u>1,146.4</u> | <u>260.4</u> | <u>213.5</u> | <u>134.9</u> | <u>147.9</u> | <u>1,903.1</u> |
| RESULTS | | | | | | |
| Segment results – total realised results of the Group, associates and joint ventures <i>(note b)</i> | 428.7 | 391.7 | 12.8 | (16.8) | (0.6) | 815.8 |
| Excluding realised results of associates and joint ventures not shared by the Group | <u>(107.3)</u> | <u>(116.3)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(223.6)</u> |
| Results attributable to the Group | <u>321.4</u> | <u>275.4</u> | <u>12.8</u> | <u>(16.8)</u> | <u>(0.6)</u> | 592.2 |
| Unallocated other income | | | | | | 6.6 |
| Unallocated corporate expenses | | | | | | (57.4) |
| Finance costs and corporate level exchange difference | | | | | | (103.3) |
| Net unrealised gains on fair value change of investment properties <i>(note c)</i> | | | | | | 319.9 |
| Net unrealised gains on fair value change of investment properties attributable to the Group's interest in a joint venture, net of deferred tax | | | | | | <u>210.0</u> |
| Profit for the period | | | | | | 968.0 |
| Non-controlling shareholders' share of profit for the period | | | | | | <u>(28.8)</u> |
| Profit for the period attributable to owners of the Company | | | | | | <u>939.2</u> |

| | Property development <i>HK\$'M</i> | Property investment <i>HK\$'M</i> | Services provided <i>HK\$'M</i> | Hotel operations <i>HK\$'M</i> | Healthcare <i>HK\$'M</i> | Total <i>HK\$'M</i> |
|---|--|---|---------------------------------------|--------------------------------------|-----------------------------|------------------------|
| Six months ended 30 September 2018 | | | | | | |
| TURNOVER | | | | | | |
| Segment revenue – sales to external customers derived by the Group, an associate and joint ventures | 2,000.6 | 939.3 | 235.1 | 147.9 | 134.5 | 3,457.4 |
| Excluding turnover of an associate and joint ventures | <u>(434.2)</u> | <u>(717.0)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(1,151.2)</u> |
| Consolidated turnover, as reported <i>(note a)</i> | <u>1,566.4</u> | <u>222.3</u> | <u>235.1</u> | <u>147.9</u> | <u>134.5</u> | <u>2,306.2</u> |
| RESULTS | | | | | | |
| Segment results – total realised results of the Group, associates and joint ventures <i>(note b)</i> | 352.7 | 477.5 | 23.0 | (2.1) | 1.0 | 852.1 |
| Excluding realised results of associates and joint ventures not shared by the Group | <u>(40.9)</u> | <u>(174.8)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(215.7)</u> |
| Results attributable to the Group | <u>311.8</u> | <u>302.7</u> | <u>23.0</u> | <u>(2.1)</u> | <u>1.0</u> | 636.4 |
| Unallocated other income | | | | | | 1.0 |
| Unallocated corporate expenses | | | | | | (55.9) |
| Finance costs and corporate level exchange difference | | | | | | (96.6) |
| Net unrealised gains on fair value change of investment properties <i>(note c)</i> | | | | | | 625.0 |
| Net unrealised gains on fair value change of investment properties attributable to the Group's interest in a joint venture, net of deferred tax | | | | | | <u>38.7</u> |
| Profit for the period | | | | | | 1,148.6 |
| Non-controlling shareholders' share of profit for the period | | | | | | <u>(128.5)</u> |
| Profit for the period attributable to owners of the Company | | | | | | <u>1,020.1</u> |

Notes:

- (a) Turnover disclosed in the segment information are different from those per disaggregation of turnover since the revenue generated from the provision of mortgage loans to the buyers of properties are included in the property development segment while the provision of professional property management services are included in property investment segment.
- (b) The segment results of the Group include the entire results of associates and joint ventures, excluding the net unrealised gains on fair value change of investment properties net of deferred tax arising from change in fair value.
- (c) The net unrealised gains on fair value change of investment properties for the six months ended 30 September 2019 of HK\$319.9 million (six months ended 30 September 2018: HK\$625.0 million) represented the unrealised gain on fair value change of investment properties of HK\$329.9 million (six months ended 30 September 2018: HK\$629.8 million) net of deferred tax charge arising from change in fair value of HK\$10.0 million (six months ended 30 September 2018: HK\$4.8 million).

4. FINANCE COSTS

| | For the six months ended | |
|--|---------------------------------|---------------|
| | 30 September | |
| | 2019 | 2018 |
| | HK\$'M | HK\$'M |
| Interest on | | |
| Bank and other loans | 101.3 | 98.3 |
| Advances from non-controlling shareholders | 17.6 | 9.7 |
| Lease liabilities | 2.6 | – |
| Finance costs from a significant financing component of contract liabilities | 21.9 | 0.9 |
| | 143.4 | 108.9 |
| Less: Amounts included in the qualifying assets (<i>note</i>) | (16.5) | (7.7) |
| | 126.9 | 101.2 |
| Bank and other loans arrangement fees | 18.2 | 19.5 |
| | 145.1 | 120.7 |

Note: Borrowing costs capitalised arose on specific borrowings to finance the expenditures of qualifying assets for both periods.

5. PROFIT BEFORE TAXATION

| | For the six months ended | |
|--|--------------------------|---------------|
| | 30 September | |
| | 2019 | 2018 |
| | <i>HK\$'M</i> | <i>HK\$'M</i> |
| Profit before taxation has been arrived at after (crediting) charging: | | |
| Bank and other interest income | (30.2) | (38.2) |
| Gain on disposal of a subsidiary | – | (22.4) |
| Gain on disposal of property, plant and equipment | (0.1) | (0.3) |
| Gain on deregistration of a subsidiary | (16.6) | – |
| Net exchange (gain) loss | (9.6) | 13.7 |
| Depreciation on property, plant and equipment | 85.0 | 81.2 |
| Depreciation on right-of-use assets | 12.3 | – |
| Impairment loss recognised on trade receivables | – | 0.5 |
| Fair value change of financial assets at fair value through profit or loss | 5.8 | 12.8 |
| | <u>5.8</u> | <u>12.8</u> |

6. TAXATION

| | For the six months ended | |
|---|--------------------------|---------------|
| | 30 September | |
| | 2019 | 2018 |
| | <i>HK\$'M</i> | <i>HK\$'M</i> |
| The taxation charge comprises: | | |
| Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the period | 17.9 | 28.3 |
| Overseas tax calculated at rates prevailing in respective jurisdictions | 281.8 | 29.1 |
| Land appreciation tax (“LAT”) | 141.3 | 55.3 |
| | <u>441.0</u> | <u>112.7</u> |
| Deferred taxation for current period | (170.7) | 36.1 |
| | <u>270.3</u> | <u>148.8</u> |

According to the requirements of the Provisional Regulations of the People’s Republic of China (the “PRC”) on LAT effective from 1 January 1994 and amended on 8 January 2011, and the Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for

construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance.

7. DIVIDENDS

| | For the six months ended | |
|---|---------------------------------|---------------|
| | 30 September | |
| | 2019 | 2018 |
| | HK\$'M | HK\$'M |
| Final dividend paid for the financial year ended 31 March 2019 of HK6 cents (six months ended 30 September 2018: for the financial year ended 31 March 2018 of HK7 cents) per share | <u>89.1</u> | <u>94.5</u> |

The directors of the Company declared an interim dividend of HK5 cents (six months ended 30 September 2018 of HK4 cents) per share totalling not less than HK\$74.3 million (six months ended 30 September 2018: HK\$59.4 million) for the six months ended 30 September 2019.

8. EARNINGS PER SHARE

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

| | For the six months ended | |
|--|---------------------------------|----------------------|
| | 30 September | |
| | 2019 | 2018 |
| | HK\$'M | HK\$'M |
| Earnings | | |
| Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company) | <u>939.2</u> | <u>1,020.1</u> |
| | | |
| | For the six months ended | |
| | 30 September | |
| | 2019 | 2018 |
| Number of shares | | |
| Number of ordinary shares in issue during the period for the purpose of calculating basic earnings per share | 1,485,301,803 | 1,485,301,803 |
| Effect of dilutive potential ordinary shares: | | |
| Adjustment in relation to share options issued by the Company | <u>225,892</u> | <u>1,924,739</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>1,485,527,695</u> | <u>1,487,226,542</u> |

On 22 August 2018, an ordinary resolution was duly passed by the shareholders of the Company to approve the bonus issue on the basis of one bonus share for every ten existing ordinary shares held by the shareholders as of 31 August 2018.

9. 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 2019 <i>HK\$'M</i> | 31 March 2019 <i>HK\$'M</i> |
|--------------|--|-----------------------------------|
| Not yet due | 3.8 | 10.4 |
| Overdue: | | |
| 0–60 days | 22.8 | 22.5 |
| 61–90 days | 2.3 | 2.9 |
| Over 90 days | 7.1 | 7.3 |
| | <u>36.0</u> | <u>43.1</u> |

10. TRADE PAYABLES, PROVISION AND ACCRUED CHARGES

At 30 September 2019, included in trade payables, provision and accrued charges are trade payables of HK\$127.2 million (31 March 2019: HK\$160.3 million), an aged analysis presented based on the payment due date at the end of the reporting period is as follows:

| | 30 September 2019 <i>HK\$'M</i> | 31 March 2019 <i>HK\$'M</i> |
|--------------|--|-----------------------------------|
| Not yet due | 97.5 | 107.3 |
| Overdue: | | |
| 0–60 days | 5.6 | 20.1 |
| 61–90 days | 11.2 | 19.9 |
| Over 90 days | 12.9 | 13.0 |
| | <u>127.2</u> | <u>160.3</u> |

BUSINESS REVIEW

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

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's turnover from property development and investment for the Period, including proportionate shares of joint ventures and associates of HK\$912.7 million, was HK\$2,319.5 million. The Group's contribution from property development and investment for the Period, including proportionate shares of joint ventures and associates of HK\$239.2 million, was HK\$596.8 million.

Our property development and investment businesses were affected by a number of factors during the Period. While the US-China trade dispute and a slowdown in global economic growth inevitably had impact on all regions we operate in, the recent social events in Hong Kong further added uncertainties to the local property market, curbing primary private residential transactions. But on the other hand, the US Federal Reserve's interest cuts and strong end-user demand provided support to the Hong Kong real estate market.

Hong Kong – Property Development

Discovery Bay, our flagship project in Hong Kong and in which the Group holds a 50% interest, continued to be our key development in 2019. Poggibonsi, the latest residential development in Discovery Bay, was launched for sale in 2019. The project comprises 196 units in three mid-rise blocks with a total gross floor area (“GFA”) of approximately 186,000 square feet. As of 30 September 2019, 66 units were sold. A number of other residential projects in the development, including IL PICCO on the hill, are also in the pipeline.

With a sustained demand for high-quality properties, the Group's other luxurious residential development continued to perform well. La Cresta, a 50:50 joint venture with Nan Fung Development Limited, is a luxurious residential development offering 61 units with a total GFA of approximately 135,000 square feet. As of 30 September 2019, 51 units were sold and the revenue from 12 units was recognised upon transfer of ownerships during the Period.

Furthermore, site formation work is well underway for another premium low-density development at Tai Po Town Lots Nos. 223 and 229. This project, a 40:60 joint-venture with Hysan Development Company Limited, is scheduled to commence main contract works in November 2019.

Hong Kong – Property Investment

During the Period, we continued to strengthen our property investment business through continuous enhancement of existing developments and acquisitions. DB Plaza and DB North Plaza in Discovery Bay, where the Group holds 50% interest, achieved occupancy rates of 88% and 94% respectively as of 30 September 2019. They continued to bring in stable rental revenues.

In an effort to enhance dining and leisure choices and the overall lifestyle experience for residents and visitors, the new DB Plaza extension is now underway and is scheduled for completion in 2020. The new extension will feature Hong Kong's largest ice skating rink that meets international standards, offering more choice for sport and leisure activities in Discovery Bay.

The revamped CDW Building, an office-cum-retail tower, has become home to many multinational corporations and government departments. As of 30 September 2019, the occupancy rate for the entire building stood at 96% while its retail podium, 8½, was fully occupied. 8½ is now the must-visit destination for families and a shopping hotspot in the district.

During the Period, West Gate Tower and Tuen Mun Central Square Public Car Park continued to generate stable rental income for the Group with a satisfactory occupancy rate.

To reinforce our property investment portfolio, the Group acquired Wellgan Villa, an 18-storey residential building in Kowloon Tong, in August 2019. During the Period, the building achieved an average occupancy rate of around 44% and generated stable rental income.

Mainland China – Property Development

The property market in mainland China has become more stable after cooling measures were introduced by the Central Government. We believe that the property market in the Yangtze River Delta, one of the major propellers of mainland China's economy, will remain resilient. We shall continue to seek opportunities in the delta to consolidate our portfolio.

Jiaxing city, Zhejiang Province, where most of our key residential projects are located, benefits from its proximity to Shanghai. City One, our first project in the city, comprises approximately 580 apartment units and 20 villas. As of 30 September 2019, 99.7% of units were sold. The revenue from five sold units was recognised upon transfer of ownerships during the Period.

City One's positive recognition laid a solid foundation for our development in the province. Adjacent to City One, Riviera One offers about 700 low- and high-rise apartments, and has a total GFA of approximately 1.1 million square feet. Pre-sales began in January 2018

and the project was completed and granted its occupation permit on 30 January 2019. As of 30 September 2019, about 98% of 632 released units were sold. Sales revenue will be realised upon completion and transfer of ownerships.

Two land plots in Jiaxing held by the Group were officially named Creekside One and Mansion One during the Period. Creekside One, with a total GFA of 214,000 square feet, will be developed into a luxury project comprising mid-rise apartments and villas. Mansion One, located in the Jiaxing Economic and Technological Development Zone, is a premium residential project of mid-rise apartments with a total GFA of approximately 355,000 square feet. Foundation works of both projects commenced in October 2018 and are expected to be completed by 2021.

Another land plot (Lot No. 2018-42) is located in Nanhu New District, with a total GFA of approximately 786,000 square feet. It will be developed into a deluxe residential project with high-rise apartments and villas. Construction work is targeted to begin in the fourth quarter of 2019, with completion anticipated in 2023.

In Hangzhou city, the Group has one development project named Oasis One. It has about 350 low-rise apartments and 50 villas. It was completed and had its occupation permit granted on 2 February 2019. 312 released units were all sold out as of 30 September 2019. Of these, revenue from 203 units was realised upon completion and transfer of ownerships during the Period.

In Shanghai, the Group owns a 30-storey residential building called Elite House located in Changning District. The property comprises 120 units and has a total GFA of approximately 234,000 square feet. As of 30 September 2019, 66 units were sold and the revenue from 11 sold units was realised upon transfer of ownerships during the Period.

Mainland China – Property Investment

The economic growth of mainland China has seen signs of slowing. Shanghai, where our flagship investment property is located, also experienced the same. Notwithstanding, thanks to its prime location, HKRI Taikoo Hui remained one of Shanghai's most prestigious and sought-after mixed-used properties. Profit contribution to the Group significantly increased during the Period. The two office towers, HKRI Centres One and Two, which house many global conglomerates and large local companies, achieved 100% commitment rate as of 30 September 2019.

Heading to its second anniversary in November 2019, the shopping mall at HKRI Taikoo Hui had achieved a commitment rate of 98% by the end of 30 September 2019. Due to the mall's prime location, unique offerings, attractive events and promotions, it has become a popular attraction for people working and residing nearby, as well as for visitors from other parts of the city. Since the mall opened for business, both traffic and sales have improved steadily, with retail turnover increased by 69% during the first half of 2019 compared with the same period in 2018.

The two boutique hotels and the serviced apartment building within the complex, namely The Sukhothai Shanghai (operated by Beaufort Hotels Limited, a subsidiary of the Company), and The Middle House and The Middle House Residences (operated by Swire Hotels), became talk of the town upon opening in 2018. The Group has a 50% interest in HKRI Taikoo Hui.

The Exchange, the Group's 15%-owned investment property in Tianjin, has a total GFA of over 1.6 million square feet. During the Period, the retail mall, Heping Joy City, and the two office towers maintained an average occupancy rate of 87%, generating stable rental income. Hotel Nikko Tianjin closed its business in October 2018 and was converted into a residential rental apartment called Joyer Apt.. Managed by COFOC, Joyer Apt. has been available for renting since 1 September 2019, and had its grand opening ceremony on 17 October 2019.

Thailand – Property Development

Thailand, one of our key markets, is expected to grow over the next five years. Building on our reputation from The Sukhothai Residences, the Group continued to consolidate its foothold in the country, mainly in Bangkok. This stately, luxury condominium tower located on Bangkok's Sathorn Road had 97% of its units sold during the Period.

The Group is now working on another sizeable project which will provide around 1,500 residential units and a hotel on Rama 3 Road. The site is situated by the Chaophraya River in the Bang Phongphang Subdistrict, which is part of Bangkok's Yannawa District. Construction will continue into 2020.

Master planning is underway for three plots of land located on Ramintra Road in the Khannayao District, which cover an area of approximately 610,000 square feet. The Group also holds a 49% interest in a freehold plot of land on Wireless Road, which covers a site area of approximately 136,000 square feet.

Japan – Property Development and Investment

The Group owns five investment properties in Tokyo: Horizon Place Akasaka, a high-rise residential block; Graphio Nishi-Shinjuku, a centrally located office building; Souei Park Harajuku, an en bloc residential apartment building in Shibuya-ku; Veneo Minami-Azabu, an en bloc residential apartment building in Minato-ku; and Haluwa Shibakoen, a 15-storey residential building in Minato-ku. As of 30 September 2019, all the investment properties achieved a good leasing performance, with occupancy ranging from 94% to 100%.

The Group also holds residential plots located in Niseko, Hokkaido, close to the Niseko Annupuri International Ski Area. The total site area is approximately 650,000 square feet.

SERVICED PROVIDED

The Group's subsidiaries operate various transport services in Discovery Bay, including ferries, land transport and tunnel operations. During the Period, ridership on both ferry and bus services decreased. Operations continued to face strong challenges posed by escalating fuel and maintenance costs, a shortage of manpower and an acute lack of skilled labour.

Despite these factors, the Group continued to seek a more frequent and accessible way to optimise our service and performance. The upgraded bus terminus at Discovery Bay, which began operations in April 2019, is equipped with more bus bays and road crossing facilities, further enhancing our services. Looking ahead, the challenges are expected to alleviate with Discovery Bay ferry services being included in the Special Helping Measures ferry subsidy scheme launched by the HKSAR Government.

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 the Discovery Bay service providers.

HOSPITALITY

Hong Kong – Auberge Discovery Bay Hong Kong and Clubs

Ongoing social unrest and the US-China trade tensions had affected local and regional companies' plans to hold meetings and conferences in Hong Kong. These factors also hit tourist numbers. The trading conditions remain challenging, for our hotel and for the city in general. All cost containment measures are in place to balance operating results.

On the other hand, for service optimisation, upgrade programmes at the four clubs in Discovery Bay continued during the Period. Facility and service enhancement at Discovery Bay Recreation Club and Club Siena is underway, while Discovery Bay Golf Club's Diamond Course has been closed for renovation since May 2019, and will reopen in November 2019. Discovery Bay Marina Club has been transformed into Lantau Yacht Club, and is the first and only yacht club in Hong Kong catering for super yachts over 80 metres in length. The new Marina is scheduled to open in the second half of 2020.

The Group holds a 50% interest in Auberge Discovery Bay Hong Kong and clubs at Discovery Bay.

Thailand – The Sukhothai Bangkok

Over the course of two decades, the Group has cultivated the "Sukhothai" brand. Today, the name is still associated with timeless elegance with a modern, unique style.

Renovation work on the luxurious Club Wing at The Sukhothai Bangkok was completed in December 2018. In 2019, in addition to club facility enhancement at the Club Wing, the first phase of room renovations in the hotel's Main Wing took place, which involved 65 rooms and suites. In 2020, work will enter the next phase, encompassing the lobby, The Zuk Bar, Colonnade and another 60 rooms and suites.

Colonnade has retained its top position on TripAdvisor, while Celadon and La Scala were listed in the *MICHELIN Guide Thailand 2019*.

Mainland China – The Sukhothai Shanghai

The Sukhothai Shanghai opened its door in April 2018 and has gained fame thanks to its outstanding service and facilities since then. The hotel has received over 50 awards and industry recognitions since opening, including “City Hotel of the Year 2018” by Small Luxury Hotels of the World, which saw it fend off competition from 520 hotels globally. More recently it was listed in the *MICHELIN Guide Shanghai 2020* for both the hotel and the Italian restaurant La Scala. The Sukhothai Shanghai recorded an average room occupancy level of 72% during the Period.

HEALTHCARE

GenRx Holdings Limited (“GenRx”), a wholly-owned subsidiary of the Group, operates a comprehensive healthcare service network. This covers chronic disease management and integrated medical centres (Qualigenics Medical), Chinese medicine centres (Discovery TCM Centre), dental clinics (Health & Care Dental Clinic – 57%-owned), medical diagnostic centres (AmMed Medical Diagnostic Center), and multi-specialty outpatient centres (Healthway Medical). These can be found across Hong Kong, Macau and Manila in the Philippines.

In Hong Kong, opportunities have arisen thanks to increased demand for quality private healthcare services, as the city's public healthcare system continues to come under pressure. In 2019, GenRx acquired Humphrey & Partners Medical Services Limited, which operates a medical panel of over 250 affiliated clinics that provide general practitioners, specialists and physiotherapy services. The acquisition will strengthen GenRx's position in the private healthcare services sector.

Healthway Medical in the Philippines has been renowned for its excellent service for over two decades. It was the country's first ambulatory clinic to have been consistently recognised by *Reader's Digest* as the “Trusted Brand” in its category for seven years in a row. Healthway Medical's full circle of care, IT system enhancement and its comprehensive network of more than 800 doctors from various areas of expertise, have created solid alliances and meaningful partnerships in the market.

HUMAN RESOURCES

As of 30 September 2019, the Group employed 2,333 people in Hong Kong and overseas. We are fully committed to building a supportive and positive working environment to find, develop and retain new talents and current employees. By reviewing our staff benefits and remuneration packages on a regular basis, we can help ensure these aims are met.

During the Period, we increased the amount of our employee relations subsidy and expanded staff medical coverage. The Group continues to provide learning development opportunities to colleagues, which support our business needs.

To mark the Group's 30th listing anniversary on the Stock Exchange, we launched a series of activities in June 2019. This included a lucky draw of 480 prizes and the distribution of healthy snacks. A congratulatory video was commissioned, featuring messages from local and overseas colleagues and celebrating the Group's milestones and successes.

OUTLOOK

Looking ahead, prospects for global economy will continue to be clouded by uncertainties, including US-China trade tensions and the risk of a no-deal Brexit, as well as unexpectedly weak activity in emerging markets and developing economies. The International Monetary Fund has thus lowered its 2019 and 2020 global growth forecasts to 3.0% and 3.4% respectively.

Against this backdrop, the Group will remain prudent and flexible as we continue to monitor the situation and make all necessary adjustments. The prospect of Hong Kong's economy remains weak during the second half of 2019, and the HKSAR Government has announced a number of housing plans and tightened policies to make residential units more affordable. However, we believe that demand for high-quality property will not be hindered by the current sentiment, which is proven by the satisfactory performance of La Cresta and Poggibonsi. We will seize all opportunities while identifying any potential risks, and adjust our plans accordingly.

China's economic situation is expected to remain challenging due to the US-China trade tensions, which have already dragged down growth to a three-decade low of 6.0% in the third quarter of 2019, and perhaps further in the coming years. The Central Government is likely to adhere to the principle of maintaining a stable and healthy property market, and keep strict regulatory control. We will continue to look for suitable opportunities, especially in the Yangtze River Delta. The launch of a stimulus plan, the elevation of the Yangtze River Delta Urban Agglomeration to national development strategy level and well-established, inter-connected transport network are expected to bolster demand for quality housing in the delta region. Our upcoming projects in Jiaying, Mansion One and Creekside One, will benefit from this rising trend.

In Thailand, while the GDP growth has been slightly more sluggish than expected, the government's continuous public infrastructure investment, plus the expansion of the tourism sector, will bring momentum to the local economy, benefitting the Group's hospitality business and our future residential-cum-commercial development.

We also manage the amount of risk we are exposed to through diversified income. Our rental income remains resilient on account of the high occupancy rate at CDW Building in Hong Kong and HKRI Taikoo Hui in Shanghai. The acquisition of Wellgan Villa in Hong Kong, and the launch of the DB Plaza extension next year, are expected to further consolidate our asset portfolio.

As we celebrate the 30th anniversary of the Group's public listing on the Stock Exchange this year, we will continue to explore suitable opportunities across Asia and exercise prudence to safeguard the interests of our shareholders.

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 21 August 2019 (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, Mr Henry FAN (Independent Non-executive Director ("INED") and Member of the Remuneration Committee and Corporate Government Committee) and Mr TANG Kwai Chang (INED, Chairman of the Audit Committee and Member of Nomination Committee and Corporate Government Committee) were present at the AGM and available to answer questions.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee of the Company and the Group's Auditor, Messrs Deloitte Touche Tohmatsu.

By order of the Board
HKR International Limited
CHA Mou Zing Victor
Deputy Chairman & Managing Director

Hong Kong, 15 November 2019

As at the date of this announcement, the Directors of the Company are:

Chairman

Mr CHA Mou Sing Payson

Deputy Chairman & Managing Director

Mr CHA Mou Zing Victor

Executive Directors

Mr CHUNG Sam Tin Abraham

Mr TANG Moon Wah

Non-executive Directors

The Honourable Ronald Joseph ARCULLI

Mr CHA Mou Daid Johnson

Ms WONG CHA May Lung Madeline

Independent Non-executive Directors

Mr FAN Hung Ling Henry

Mr CHEUNG Wing Lam Linus

Ms HO Pak Ching Loretta

Mr TANG Kwai Chang

* Registered under the predecessor ordinance of the Companies Ordinance, Chapter 622 of the laws of Hong Kong