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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 and
registered under the Companies Ordinance of Hong Kong)*

(Stock code: 00480)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 (“Hanison”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 September	
	NOTES	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 <i>HK\$'M</i> (unaudited)	2015 <i>HK\$'M</i> (unaudited)
Profit for the period	<u>691.8</u>	<u>985.0</u>
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
	<u>(274.4)</u>	<u>(393.0)</u>
<i>Item that will not be reclassified to profit or loss</i>		
Revaluation gain on property, plant and equipment upon transfer to investment properties	<u>–</u>	<u>21.6</u>
Other comprehensive expenses for the period (net of tax)	<u>(274.4)</u>	<u>(371.4)</u>
Total comprehensive income for the period	<u>417.4</u>	<u>613.6</u>
Total comprehensive income attributable to:		
Owners of the Company	333.4	283.6
Non-controlling interests	<u>84.0</u>	<u>330.0</u>
	<u>417.4</u>	<u>613.6</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2016	31 March 2016
<i>NOTES</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
	(unaudited)	(audited)
Non-current assets		
Investment properties	8,167.8	7,654.7
Property, plant and equipment	2,088.5	2,085.4
Prepaid lease payments	–	0.1
Interests in joint ventures	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	<i>10</i> 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	<i>11</i> 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	391.9	351.2
Other liabilities due within one year	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

	30 September 2016 HK\$'M (unaudited)	31 March 2016 HK\$'M (audited)
Non-current liabilities		
Bank and other loans due after one year	6,677.8	6,614.9
Other liabilities due after one year	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

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 (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.

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 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 products, 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.

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 <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 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	<u>398.0</u>	<u>161.3</u>	<u>230.8</u>	<u>143.1</u>	<u>139.3</u>	<u>1,072.5</u>
RESULTS						
Segment results – total realised results of the Group, associates and joint ventures (<i>note a</i>)	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	<u>45.7</u>	<u>34.7</u>	<u>44.4</u>	<u>1.2</u>	<u>(4.1)</u>	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 (<i>note b</i>)						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						<u>403.1</u>
Profit for the period						691.8
Non-controlling shareholders' share of profit for the period						<u>(84.0)</u>
Profit for the period attributable to the owners of the Company						<u><u>607.8</u></u>

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operations HK\$'M	Healthcare HK\$'M	Total HK\$'M
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	<u>802.0</u>	<u>159.6</u>	<u>247.4</u>	<u>144.0</u>	<u>141.6</u>	<u>1,494.6</u>
RESULTS						
Segment results – total realised results of the Group, associates and joint ventures (<i>note a</i>)	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	<u>308.6</u>	<u>71.9</u>	<u>48.7</u>	<u>4.1</u>	<u>(5.9)</u>	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 (<i>note b</i>)						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						<u>584.8</u>

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).

4. FINANCE COSTS

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

5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2016	2015
	<i>HK\$'M</i>	<i>HK\$'M</i>
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
	<hr/> <hr/>	<hr/> <hr/>

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 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 <i>HK\$'M</i>
Turnover		1,305.6
Cost of sales		(1,096.3)
		209.3
Gross profit		2.6
Other income		(103.4)
Administrative expenses		0.9
Other gains and losses		
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)
		193.7
Profit before taxation		(21.0)
Taxation		172.7
Profit for the period		

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

	For the six months ended 30 September 2015 <i>HK\$'M</i>
Bank and other interest income	(0.9)
Gain on disposal of subsidiaries	(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
	<u>5.6</u>

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.

8. DIVIDENDS

	For the six months ended 30 September	
	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
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)	<u>–</u>	<u>94.5</u>
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)	<u>–</u>	<u>–</u>

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
	<i>HK\$'M</i>	<i>HK\$'M</i>
Earnings		
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to the owners of the Company)	<u>607.8</u>	<u>662.7</u>
	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	<u>1,350,274,367</u>	<u>1,350,274,367</u>

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
	<i>HK\$'M</i>	<i>HK\$'M</i>
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	<u>–</u>	<u>(77.9)</u>
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)	<u>607.8</u>	<u>584.8</u>

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 is 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. 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 <i>HK\$'M</i>	31 March 2016 <i>HK\$'M</i>
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
	<hr/> 38.3 <hr/>	<hr/> 40.0 <hr/>

11. 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 <i>HK\$'M</i>	31 March 2016 <i>HK\$'M</i>
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
	<hr/> 138.1 <hr/>	<hr/> 114.1 <hr/>

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 (6) 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 (3) 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.

Tai Po Town Lots 223 and 229

The Group has recently been awarded the tenders for two (2) plots of land in Tai Po (for the total sum of HK\$3,393 million), which will be developed into a luxurious low rise 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 (2) premium Grade-A office towers (HKRI Centres One and Two), three (3) 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 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 (2) office towers and Hotel Nikko 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 (3) 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 (4) 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 (6) double-decker buses for external bus routes in 2015. By the end of 2016, four (4) 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 Metro 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* 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 completely 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.

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 our 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, our 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. Our 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 our hospitality operations, we anticipate 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 our hospitality business.

Despite positive developments on the horizon, our 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 our overall performance. This is particularly true for the mainland China market, where the Group has a significant business portfolio. Indeed, our 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 us to cope with changing markets and environments while seeking out investment opportunities with high development potential. At the same time, we will focus on reducing costs and achieving sustainable growth, maximising value for 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 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.

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 Sing Payson
Chairman

Hong Kong, 11 November 2016

As at the date of this announcement, the Board comprises:

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

Dr CHENG Kar Shun Henry

Mr CHEUNG Wing Lam Linus

Ms HO Pak Ching Loretta

Mr TANG Kwai Chang