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 2018

The board of directors (the "Board") of HKR International Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018 (the "Period").

INTERIM RESULTS

The Group's unaudited turnover for the Period amounted to HK$2,306.2 million, representing an increase of 161.2% compared to HK$882.8 million for the last corresponding period. Profit for the Period attributable to shareholders of the Company amounts to HK$1,020.1 million, showing an increase of 33.7% as compared to HK$762.7 million for the last corresponding period. Basic earnings per share were HK68.7 cents for the Period as compared to HK51.3 cents for the last corresponding period.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK4 cents per share for the Period to shareholders of the Company whose names will appear on the Registers of Members of the Company on 10 December 2018. The interim dividend will be paid on 21 December 2018. An interim dividend of HK3 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 6 to 10 December 2018 (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 5 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 September	
		2018	2017
	NOTES	***HK$'M***	*HK$'M*
		(unaudited)	(unaudited)
Turnover	*3*	**2,306.2**	882.8
Cost of sales		**(1,674.0)**	(603.2)
Gross profit		**632.2**	279.6
Other income		**109.8**	60.4
Other gains and losses		**(4.1)**	33.0
Administrative expenses		**(211.0)**	(190.4)
Change in fair value of investment properties			
Realised gains on disposals		**–**	11.1
Unrealised gains		**629.8**	939.8
Finance costs	*4*	**(120.7)**	(98.9)
Share of results of associates		**(0.1)**	–
Share of results of joint ventures		**261.5**	(71.9)
Profit before taxation	*5*	**1,297.4**	962.7
Taxation	*6*	**(148.8)**	(119.8)
Profit for the period		**1,148.6**	842.9
Profit for the period attributable to:			
Owners of the Company		**1,020.1**	762.7
Non-controlling interests		**128.5**	80.2
		1,148.6	842.9
		HK cents	*HK cents* (restated)
Earnings per share	*8*		
Basic		**68.7**	51.3
Diluted		**68.6**	51.3

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2018	2017
	HK$'M	*HK$'M*
	(unaudited)	(unaudited)
Profit for the period	**1,148.6**	842.9
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss		
Investments in equity instruments measured at fair value through other comprehensive income:		
Fair value changes during the period	**(14.3)**	–
Deferred tax arising from fair value changes	**(0.1)**	–
Revaluation gain on property, plant and equipment upon transfer to investment properties	**17.2**	–
	2.8	–
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising from foreign joint ventures	**(596.9)**	249.9
Exchange differences arising from translation of other foreign operations	**(378.3)**	183.5
Available-for-sale financial assets:		
Fair value changes during the period	**–**	16.5
Reclassified to profit or loss upon disposal	**–**	(12.5)
Deferred tax arising from fair value changes	**–**	0.2
	(975.2)	437.6
Other comprehensive (expense) income for the period (net of tax)	**(972.4)**	437.6
Total comprehensive income for the period	**176.2**	1,280.5
Total comprehensive income attributable to:		
Owners of the Company	**47.7**	1,200.3
Non-controlling interests	**128.5**	80.2
	176.2	1,280.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 September 2018 HK$'M (unaudited)	31 March 2018 HK$'M (audited)
Non-current assets			
Investment properties		**11,780.6**	11,255.2
Property, plant and equipment		**2,271.4**	2,313.2
Interests in associates		**–**	–
Interests in joint ventures		**8,573.5**	9,072.2
Equity instruments measured at fair value through other comprehensive income		**34.9**	–
Financial assets at fair value through profit or loss		**350.9**	–
Investments in debt instruments measured at amortised cost		**60.5**	–
Held-to-maturity investments		**–**	96.9
Available-for-sale financial assets		**–**	110.6
Other assets		**172.8**	150.6
Deferred tax assets		**28.8**	42.0
		23,273.4	23,040.7
Current assets			
Inventories		**43.9**	44.6
Properties held for sale		**969.3**	2,308.5
Properties held for/under development for sale		**5,705.1**	5,546.4
Trade receivables	*9*	**39.6**	29.8
Deposits, prepayments and other receivables		**316.6**	514.0
Amounts due from associates		**8.1**	8.1
Amounts due from joint ventures		**203.9**	191.2
Taxation recoverable		**15.4**	11.7
Investments in debt instruments measured at amortised cost		**19.2**	–
Held-to-maturity investments		**–**	33.3
Bank balances and cash		**3,129.3**	2,908.4
		10,450.4	11,596.0
Current liabilities			
Trade payables, provision and accrued charges	*10*	**841.9**	1,040.0
Deposits received and other financial liabilities		**156.2**	2,219.4
Contract liabilities		**1,614.6**	–
Taxation payable		**128.6**	97.8
Bank and other loans due within one year		**653.6**	1,058.0
Other liabilities due within one year		**40.1**	41.6
		3,435.0	4,456.8
Net current assets		**7,015.4**	7,139.2
Total assets less current liabilities		**30,288.8**	30,179.9

	30 September 2018 HK$'M (unaudited)	31 March 2018 HK$'M (audited)
Non-current liabilities		
Bank and other loans due after one year	**6,252.3**	6,527.7
Other liabilities due after one year	**1,223.6**	1,126.6
Deferred tax liabilities	**373.9**	368.2
	7,849.8	8,022.5
	22,439.0	22,157.4
Capital and reserves		
Share capital	**371.3**	337.5
Reserves	**19,519.3**	19,380.3
Equity attributable to owners of the Company	**19,890.6**	19,717.8
Non-controlling interests	**2,548.4**	2,439.6
	22,439.0	22,157.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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, 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of properties
- Rental income (not within the scope of HKFRS 15)
- Provision of other services (clubs operation, transportation and professional property management services)
- Hotel revenue
- Provision of healthcare services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For the presentation and consistence with the terminology used under HKFRS 15, contract liabilities for property sales deposits received in relation to property development activities and advance payments from customers were previously presented and included in the line item "deposits received and other financial liabilities" on the condensed consolidated statement of financial position. Reclassifications were made as at 1 April 2018 to present the property sales deposits received and advance payments from customers as "contract liabilities".

A point in time revenue recognition

The revenue of the Group is recognised at a point in time, except for revenue from provision of hotel accommodation services, clubs operation services, and professional property management services, which are recognised over time. As the customer simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant, and is included in contract liabilities before the transfer of the promised property or services. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated profits at 1 April 2018.

	Note	**Impact of adopting HKFRS 15 at 1 April 2018** *HK$'M* (increase) decrease
Accumulated profits		
Impact of significant financing component on finance costs	*(a)*	10.7
Tax effects	*(a)*	(1.7)
Non-controlling interests	*(a)*	(2.2)
Impact at 1 April 2018		6.8

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

Impact on assets, (liabilities) and (reserve) as at 1 April 2018

	Notes	**Carrying amount previously reported at 31 March 2018** *HK$'M* (Audited)	**Impacts of adopting HKFRS 15** *HK$'M*	**Carrying amount under HKFRS 15 at 1 April 2018*** *HK$'M*
Deferred tax assets	*(a)*	42.0	1.7	43.7
Properties held for sale	*(a)*	2,308.5	13.7	2,322.2
Properties held for/under development for sale	*(a)*	5,546.4	17.5	5,563.9
Deposits received and other financial liabilities	*(b)*	(2,219.4)	2,068.9	(150.5)
Contract liabilities	*(a), (b)*	–	(2,110.8)	(2,110.8)
Non-controlling interests	*(a)*	(2,439.6)	2.2	(2,437.4)
Accumulated profits		(9,722.3)	6.8	(9,715.5)

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	Notes	**As reported** *HK$'M*	**Adjustments** *HK$'M*	**Amount without application of HKFRS 15** *HK$'M*
Properties held for/under development for sale	*(d)*	5,705.1	(39.9)	5,665.2
Deposits received and other financial liabilities	*(b)*	(156.2)	(1,574.5)	(1,730.7)
Contract liabilities	*(b), (c), (d)*	(1,614.6)	1,614.6	–
Accumulated profits		(10,272.6)	(0.2)	(10,272.8)

Impacts on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018

	Notes	As reported	Adjustments	Amount without application of HKFRS 15
		HK$'M	*HK$'M*	*HK$'M*
Turnover	*(c), (e)*	2,306.2	(25.1)	2,281.1
Cost of sales	*(e)*	(1,674.0)	13.7	(1,660.3)
Finance costs	*(e)*	(120.7)	0.9	(119.8)
Taxation	*(e)*	(148.8)	1.7	(147.1)
Profit for the period		1,148.6	(8.8)	1,139.8
Total comprehensive income for the period		176.2	(8.8)	167.4

Notes:

(a) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (a property sales deposit) is recognised in accounting for the contract with the customers and adjusted the promised amount of consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to HK$13.7 million have been adjusted to properties held for sale and HK$17.5 million have been adjusted to properties held for/under development for sale. Finance costs not eligible for capitalisation of HK$10.7 million, net of deferred tax of HK$1.7 million have been debited to the accumulated profits and non-controlling interests amounting to HK$6.8 million and HK$2.2 million respectively. The corresponding adjustment of the significant financing component of HK$41.9 million is credited to contract liabilities. The corresponding tax effect of HK$1.7 million has been recognised as deferred tax assets.

(b) At the date of initial application of HKFRS 15, property sales deposits and advance payments from customers of HK$2,034.7 million and HK$34.2 million, respectively, included in deposits received and other liabilities were reclassified to contract liabilities.

Due to the application of HKFRS 15, property sales deposits of HK$1,542.1 million and advance payments from customers of HK$32.4 million are classified as contract liabilities as at 30 September 2018.

(c) For the provision of dental services that have multiple deliverables which represent separate performance obligation, revenue is recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customers. In accordance with HKFRS 15, the transaction price is allocated to the different performance obligation on a relative stand-alone selling price basis. The revenue relating to the undelivered elements of the arrangements is deferred until delivery of these elements. In relation to this change, a decrease of HK$0.2 million in revenue is noted for current interim period and the corresponding advance payment is credited to contract liabilities.

(d) Due to the application of HKFRS 15, finance costs from significant financing component eligible for capitalisation of HK$39.9 million have been adjusted to properties held for/under development for sale. The corresponding adjustment of the significant financing component is credited to contract liabilities.

(e) The impact of adopting HKFRS 15 to revenue in relation to the property sales contracts with significant financing component that are completed during the current interim period amounted to HK$25.3 million, with the corresponding finance costs of HK$13.7 million capitalised in properties held for sale which are included in cost of sales upon sales of the relevant properties. The finance costs from a significant financing component not eligible for capitalisation of HK$0.9 million are recognised in finance costs in the current interim period. The corresponding tax effect of the above adjustments amounting to HK$1.7 million was credited to profit or loss.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between the carrying amounts as at 31 March 2018 and those as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

<u>Equity instruments designated as at FVTOCI</u>

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

<u>Financial assets at FVTPL</u>

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including investments in debt instruments measured at amortised cost, trade receivables, loans to joint ventures, loan to an investee, mortgage instalment receivables, amounts due from associates, amounts due from joint ventures and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 April 2018.

	Notes	**Available-for-sale financial assets** *HK$'M*	**Held-to-maturity investments** *HK$'M*	**Financial assets at FVTPL required by HKFRS 9** *HK$'M*	**Equity instruments measured at FVTOCI** *HK$'M*	**Investments in debt instruments measured at amortised cost** *HK$'M*	**Amortised cost (previously classified as loans and receivables)** *HK$'M*	**Investment revaluation reserve** *HK$'M*	**Accumulated profits** *HK$'M*
At 31 March 2018 (Audited) – HKAS 39		110.6	130.2	–	–	–	6,859.9	39.2	9,722.3
Reclassification									
From available-for-sale financial assets	*(a)*	(110.6)	–	61.0	49.6	–	–	(10.3)	10.3
From held-to-maturity investments	*(b)*	–	(130.2)	45.6	–	84.6	–	–	–
Re-measurement									
From cost less impairment to fair value	*(a), (b)*	–	–	247.5	–	–	–	–	247.5
From amortised cost to fair value	*(b)*	–	–	0.4	–	–	–	–	0.4
Impairment under ECL model	*(c)*	–	–	–	–	–	(21.5)	–	(21.5)
At 1 April 2018 (restated)		–	–	354.5	49.6	84.6	6,838.4	28.9	9,959.0

Notes:

(a) Available-for-sale financial assets

From available-for-sale financial assets to equity instruments measured at FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of certain equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$49.6 million were reclassified from available-for-sale financial assets to equity instruments measured at FVTOCI. The fair value gains of HK$28.9 million relating to those equity investments continued to accumulate in investment revaluation reserve.

From available-for-sale financial assets to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's investments in private equity funds of HK$61.0 million previously accounted for as available-for-sale financial assets measured at fair value are reclassified as financial assets at FVTPL. The cumulative fair value gains of HK$10.3 million relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated profits.

From equity investment measured at cost less impairment to financial assets at FVTPL

At the date of initial application of HKFRS 9, the unquoted equity investment previously measured at cost less impairment under HKAS 39 is reclassified from other assets to financial assets at FVTPL. The net fair value gain of HK$247.5 million relating to that investment previously carried at cost less impairment were adjusted to financial assets at FVTPL and accumulated profits as at 1 April 2018.

(b) Held-to-maturity investments

Debt instruments amounting to HK$84.6 million previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 April 2018.

At the date of initial application of HKFRS 9, the Group's held-to-maturity investments of HK$45.6 million were reclassified from held-to-maturity investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value gains of HK$0.4 million was adjusted to financial assets at FVTPL and accumulated profits as at 1 April 2018.

(c) Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. As at 1 April 2018, additional credit loss allowances of HK$21.5 million has been recognised against accumulated profits. The additional loss allowances were charged against the respective assets.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost (previously classified as loans and receivables) mainly comprise those arising from investments in debt instruments measured at amortised cost, loans to joint ventures, loan to an investee, amounts due from associates, amounts due from joint ventures and bank balances. Such loss allowances are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance of HK$21.5 million has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets classified as loans and receivables including loans to joint ventures and loan to an investee as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Loans to joint ventures include in interests in joint ventures	**Loan to an investee included in other assets**	**Total**
	HK$'M	*HK$'M*	*HK$'M*
At 31 March 2018 (Audited) – HKAS 39	6,753.3	106.6	6,859.9
Impairments under ECL model	(21.1)	(0.4)	(21.5)
At 1 April 2018	6,732.2	106.2	6,838.4

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*
	(Audited)			(Restated)
Financial assets at FVTPL	–	–	354.5	354.5
Equity instruments measured at FVTOCI	–	–	49.6	49.6
Investments in debt instruments measured at amortised cost	–	–	84.6	84.6
Held-to-maturity investments	130.2	–	(130.2)	–
Available-for-sale financial assets	110.6	–	(110.6)	–
Loan to an investee included in other assets	106.6	–	(0.4)	106.2
Loans to joint ventures included in interests in joint ventures	6,753.3	–	(21.1)	6,732.2
Deferred tax assets	42.0	1.7	–	43.7
Properties held for sale	2,308.5	13.7	–	2,322.2
Properties held for/under development for sale	5,546.4	17.5	–	5,563.9
Deposits received and other financial liabilities	(2,219.4)	2,068.9	–	(150.5)
Contract liabilities	–	(2,110.8)	–	(2,110.8)
Investment revaluation reserve	(39.2)	–	10.3	(28.9)
Non-controlling interests	(2,439.6)	2.2	–	(2,437.4)
Accumulated profits	(9,722.3)	6.8	(236.7)	(9,952.2)

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 centres, Chinese medicine centres, dental clinics, a centre for diagnosis and treatment of cancer 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	
	2018	2017
	HK$'M	*HK$'M*
Major products and services:		
Sales of properties	**1,561.4**	171.4
Rental income	**210.6**	184.7
Hotel revenue	**147.9**	136.1
Provision of healthcare services	**134.5**	142.4
Other services rendered	**251.8**	248.2
	2,306.2	882.8
Geographical markets:		
Hong Kong	**1,789.8**	575.7
Mainland China	**303.4**	88.2
Japan	**73.8**	22.4
South East Asia	**139.2**	196.5
	2,306.2	882.8

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 *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 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	**(434.2)**	**(717.0)**	**–**	**–**	**–**	**(1,151.2)**
Consolidated turnover, as reported *(note a)*	**1,566.4**	**222.3**	**235.1**	**147.9**	**134.5**	**2,306.2**
RESULTS						
Segment results – total realised results of the Group, associates and joint ventures *(note b)*	**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	**(40.9)**	**(174.8)**	**–**	**–**	**–**	**(215.7)**
Results attributable to the Group	**311.8**	**302.7**	**23.0**	**(2.1)**	**1.0**	**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 *(note c)*						**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						**38.7**
Profit for the period						**1,148.6**
Non-controlling shareholders' share of profit for the period						**(128.5)**
Profit for the period attributable to owners of the Company						**1,020.1**

	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 2017						
TURNOVER						
Segment revenue – sales to external customers derived by the Group, an associate and a joint venture	174.1	665.2	232.6	136.1	142.4	1,350.4
Excluding turnover of an associate and a joint venture	(0.1)	(467.5)	–	–	–	(467.6)
Consolidated turnover, as reported *(note a)*	174.0	197.7	232.6	136.1	142.4	882.8
RESULTS						
Segment results – total realised results of the Group, associates and joint ventures *(note b)*	(26.0)	152.3	32.4	(6.9)	0.1	151.9
Excluding realised results of associates and joint ventures not shared by the Group	8.8	(19.3)	–	–	–	(10.5)
Results attributable to the Group	(17.2)	133.0	32.4	(6.9)	0.1	141.4
Unallocated other income						27.5
Unallocated corporate expenses						(47.9)
Finance costs and corporate level exchange difference						(73.4)
Net unrealised gains on fair value change of investment properties *(note c)*						878.0
Net unrealised losses on fair value change of investment properties attributable to the Group's interest in a joint venture, net of deferred tax credit						(82.7)
Profit for the period						842.9
Non-controlling shareholders' share of profit for the period						(80.2)
Profit for the period attributable to owners of the Company						762.7

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 unrealised gains or losses on fair value change of investment properties net of deferred tax charge or credit 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 2018 of HK$625.0 million (six months ended 30 September 2017: HK$878.0 million) represented the unrealised gain on fair value change of investment properties of HK$629.8 million (six months ended 30 September 2017: HK$939.8 million) net of deferred tax charge arising from change in fair value of HK$4.8 million (six months ended 30 September 2017: HK$61.8 million).

4. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	HK$'M	*HK$'M*
Interest on		
Bank and other loans	**98.3**	79.2
Advances from non-controlling shareholders	**9.7**	4.0
	108.0	83.2
Less: Amounts included in the cost of properties under development for sale	**(7.7)**	(4.0)
	100.3	79.2
Bank and other loans arrangement fees	**19.5**	19.7
Finance costs from a significant financing component of contract liabilities	**0.9**	–
	120.7	98.9

5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2018	2017
	HK$'M	*HK$'M*
Profit before taxation has been arrived at after (crediting) charging:		
Bank and other interest income	**(38.2)**	(23.8)
Gain on disposal of a subsidiary	**(22.4)**	–
Gain on disposal of property, plant and equipment	**(0.3)**	(6.6)
Net exchange loss (gain)	**13.7**	(6.6)
Depreciation	**81.2**	76.2
Reversal of impairment loss recognised on held-to-maturity investments	**–**	(7.3)
Impairment loss recognised on trade receivables	**0.5**	–
Fair value change of financial assets at fair value through profit or loss	**12.8**	–

6. TAXATION

	For the six months ended 30 September	
	2018	2017
	HK$'M	*HK$'M*
The taxation charge comprises:		
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the period	**28.3**	13.5
Overseas tax calculated at rates prevailing in respective jurisdictions	**29.1**	34.1
Land appreciation tax ("LAT")	**55.3**	10.5
	112.7	58.1
Deferred taxation for current period	**36.1**	61.7
	148.8	119.8

According to the requirements of the Provisional Regulations of the People 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	
	2018	2017
	HK$'M	*HK$'M*
Final dividend paid for the financial year ended 31 March 2018 of HK7 cents (six months ended 30 September 2017: for the financial year ended 31 March 2017 of HK7 cents) per share	**94.5**	94.5

The directors of the Company declared an interim dividend of HK4 cents (six months ended 30 September 2017 of HK3 cents) per share totalling not less than HK$59.4 million (six months ended 30 September 2017: HK$40.5 million) for the six months ended 30 September 2018.

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	
	2018	2017
	HK$'M	*HK$'M*
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**1,020.1**	762.7

	For the six months ended 30 September	
	2018	2017 (restated)
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	**1,924,739**	760,571
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,487,226,542**	1,486,062,374

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 shares held by the shareholders as of 31 August 2018. The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 September 2017 has been retrospectively adjusted to reflect the bonus issue that was completed on 17 September 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 2018	31 March 2018
	HK$'M	*HK$'M*
Not yet due	**11.5**	1.7
Overdue:		
0–60 days	**21.7**	23.9
61–90 days	**1.6**	2.7
Over 90 days	**4.8**	1.5
	39.6	29.8

10. TRADE PAYABLES, PROVISION AND ACCRUED CHARGES

At 30 September 2018, included in trade payables, provision and accrued charges were trade payables of HK$174.2 million (31 March 2018: HK$176.2 million), an aged analysis presented based on the payment due date at the end of the reporting period is as follows:

	30 September 2018	31 March 2018
	HK$'M	*HK$'M*
Not yet due	**113.8**	123.0
Overdue:		
0–60 days	**46.9**	41.3
61–90 days	**0.3**	1.0
Over 90 days	**13.2**	10.9
	174.2	176.2

BUSINESS REVIEW

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

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's turnover of property development and investment (including proportionate share of joint ventures and associates of HK$575.6 million) for the Period was HK$2,364.3 million. The Group's contribution from property development and investment (including proportionate share of joint ventures and associates of HK$222.7 million) for the Period was HK$614.5 million.

Hong Kong

Discovery Bay

To further enhance facilities for residents, our subsidiary, Hong Kong Resort Company Limited, is upgrading the Discovery Bay bus terminus and extending the DB Plaza retail podium. Construction for the new extension is scheduled for completion in 2019.

Meanwhile, there are a number of residential projects in the pipeline and we are in close liaison with the HKSAR Government in regard to the new developments in Discovery Bay.

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

La Cresta, Sha Tin

La Cresta, a 50:50 joint venture development between the Group and Nan Fung Development Limited, comprises three high-end residential towers and a number of villas with a total gross floor area ("GFA") of approximately 12,500 square metres. A sale in the form of a tender was launched in October 2017. As of 30 September 2018, 31 units were sold and the revenue of 8 sold units was realised upon transfer of ownerships during the Period.

The project was completed in the 2017/2018 financial year.

2GETHER, Tuen Mun

This 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 was launched in October 2016 and completed in 2017. All 222 residential units were sold. The revenue of 220 sold units was realised upon transfer of ownerships during the Period.

The Group owns a 75% interest in the development.

Kap Pin Long Project, Sai Kung

The project, involving a total GFA of approximately 350 square metres, was sold in March 2018 and ownership was transferred in September 2018.

Tai Po Town Lots Nos. 223 and 229

The land is planned for a luxurious low-density residential development in a joint venture partnership with Hysan Development Company Limited, at the ratio of 40:60. Site formation work is in progress. The project is scheduled for completion in phases starting from 2021.

DB Plaza and DB North Plaza, Discovery Bay

As of 30 September 2018, DB Plaza and DB North Plaza continued to generate a steady rental income and achieved occupancy rates of 86% and 98% respectively.

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

CDW Building, Tsuen Wan

As at 30 September 2018, the retail podium (known as "8½") was fully occupied whereas the commitment rate of the entire building was 82%.

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.

Mainland China

HKRI Taikoo Hui, Shanghai

HKRI Taikoo Hui is one of Shanghai's most prestigious and sought-after commercial properties. The complex has a total GFA of approximately 322,000 square metres, including two premium Grade A office towers, two boutique hotels, a serviced apartment building, a high-end shopping mall with extensive parking facilities and Cha House, a historic building commemorating the Group's late founder, Dr CHA Chi-ming.

The two office towers, HKRI Centres One and Two, are home to many important multinational and domestic tenants. As of 30 September 2018, the two office towers had achieved a commitment rate of 95%. In June 2018, the two office towers received the LEED® (Core and Shell Version 2.0) Platinum Certification by the U.S. Green Building Council.

The shopping mall had its grand opening on 3 November 2017, and by the end of September 2018 had achieved a commitment rate of 97%. It has become a popular destination for people working and living nearby, as well as individuals from across the city.

The two boutique hotels and the serviced apartment building, The Sukhothai Shanghai (operated by Beaufort Hotels Limited, a subsidiary of the Company), and The Middle House and The Middle House Residence (operated by Swire Hotels), were soft opened in April and May 2018 respectively and received positive feedback from the market.

The Group has 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 of 30 September 2018, 99% of units were sold and the revenue of 2 sold units was realised upon transfer of ownerships during the Period.

Riviera One, Jiaxing City, Zhejiang Province

With a total GFA of approximately 102,000 square metres, Riviera One is a prime residential project adjacent to City One in Jiaxing City. Upon completion in early 2019, this luxurious project will provide 702 low-rise and high-rise apartment units. A presale began in January 2018. As of 30 September 2018, 92% of 316 launched units were sold, and sales revenue will be realised upon completion and transfer of ownerships.

Oasis One, Hangzhou City, Zhejiang Province

Situated in Zhejiang Hangzhou Future Sci-Tech City, Oasis One has a total GFA of approximately 61,600 square metres and will provide 348 low-rise apartments and 48 villas upon completion in late 2018. A pre-sale began in 2017, and approximately 99% of 168 launched units had been sold as of 30 September 2018, with the revenue realised upon completion and transfer of ownerships.

The Exchange, Tianjin

The Exchange is the Group's 15%-owned investment property in Tianjin with a total GFA of over 152,000 square metres. During the Period, the retail mall Heping Joy City, two office towers and Hotel Nikko Tianjin, all of which are part of the property, maintained occupancy rates of 87%, 87% and 63% respectively, and continued to generate stable rental income. Hotel Nikko Tianjin closed business in October 2018 and thereafter will be converted to residential apartments for leasing.

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. A strata title sale of the property was launched in early October 2017 and received a positive response from the market. As of 30 September 2018, 59 units had been sold and the revenue of 19 sold units was realised upon transfer of ownerships during the Period.

Land Lots Nos. 2017-28 and 2017-34, Jiaxing City, Zhejiang Province

The Group acquired two land plots in Jiaxing Economic and Technological Development Zone (Nos. 2017-28 and 2017-34) in December 2017 and February 2018. Land plot no. 2017-28 has a total GFA of approximately 33,000 square metres and will become a prestige residential project with 198 low-rise apartments. Land plot no. 2017-34 has a total GFA of 19,900 square metres and will be developed into a luxurious project comprising 93 low-rise apartments and 11 villas. Both projects will commence construction works by the fourth quarter of 2018 and are targeted for completion by 2022.

Thailand

The Sukhothai Residences, Bangkok

This luxury condominium tower, located on Sathorn Road, is a leader in Bangkok's high-end residential market. 97% of its 196 units have been sold, and one sold unit was duly transferred during the Period.

Wireless Road Project, Bangkok

The Group's freehold land on Bangkok's Wireless Road covers a site area of approximately 12,600 square metres. 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 Chao Phraya River in the Bang Phongphang Subdistrict, which is part of Bangkok's Yannawa District. The project will provide approximately 1,400 residential units. The design of the development is currently in progress and construction will start in 2019.

Ramintra Road Project, Khannayao District, Bangkok

In February 2018, the Group acquired three plots of land located on Bangkok's Ramintra Road in the Khannayao District. The plots cover an area of approximately 56,500 square metres and master planning is currently underway.

Japan

Proud Roppongi, Tokyo

The Group and Nomura Real Estate Development Co., Ltd. have jointly redeveloped Proud Roppongi, a premium residential project at Roppongi 4-chome in Tokyo. All 35 units were sold and handed over as of 30 September 2018.

The Group holds a 51% interest in this 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 are presently held as land bank.

Investment Properties in Tokyo

The Group owns five 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; 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 2018, all the investment properties achieved good leasing performance with occupancy ranging from 96% to 100%.

SERVICES PROVIDED

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

The Group's subsidiaries operate various transportation services in Discovery Bay, including ferry, land transport and tunnel. During the Period, ferry ridership decreased but usage of external bus routes increased. The operations continued to face challenges from rising fuel and labour costs.

The Group's property management services companies in Discovery Bay and in other locations 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 market remained competitive, nevertheless Auberge Discovery Bay Hong Kong still maintained an average occupancy rate of 78% throughout the Period. The hotel also received several awards from the travel and leisure industry, including the "Most Liked Fairytale Wedding" in the *Wedding Message* Most Liked Awards 2018.

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

Thailand

The Sukhothai Bangkok

Despite ongoing renovations of the Club Wing, the hotel's average occupancy rate during the Period was at 59%. Celadon, La Scala and Colonnade were awarded the TripAdvisor 2018 Certificate of Excellence for consistently high ratings from travellers. Colonnade even achieved the number 1 spot among all 10,620 restaurants in Bangkok in April 2018.

Shanghai

The Sukhothai Shanghai

The Sukhothai Shanghai, featuring 201 rooms in addition to dining and leisure facilities, is the latest addition to the Sukhothai brand and has soft-opened on 28 April 2018. Despite being open for a short time, the hotel has already secured several awards, including "The Most Anticipated Hotel Award" by *City Traveler* magazine and "Best Boutique Hotel of the Year" by *Travel Weekly China*.

HEALTHCARE

GenRx Holdings Limited ("GenRx"), the Group's wholly-owned subsidiary, operates a comprehensive healthcare service network. With the motto of providing general public with "Longer Happier Lives", GenRx established chronic disease management centres (Qualigenics Medical), Chinese medicine centres (Discovery TCM Centre), dental clinics (Health & Care Dental Clinic), a centre for diagnosis and treatment of cancer (AmMed Cancer Center), and multi-specialty outpatient centres (Healthway Medical) across Hong Kong, Macau and Manila.

Healthway Medical has successfully positioned itself as a reputable medical service provider through its network of strategically located mall-based ambulatory clinics in the Philippines' national capital region. It has extended its medical service expertise to a wide network of more than 60 corporate clinics across the major islands of Luzon and Visayas.

Known for providing quality medical care, Healthway Medical operates multi-specialty clinics, with laboratory, diagnostic, pharmacy and wellness services under a one-stop clinic set-up.

In 2018, Healthway Medical was a recipient of the Reader's Digest Gold Award for the Most Trusted Brand in the Ambulatory and Multi-Specialty Clinic Category for the sixth consecutive year.

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

HUMAN RESOURCES

As of 30 September 2018, the Group had a total of 2,396 employees in Hong Kong and overseas.

The Group understands the importance of providing employees with a supportive and positive working environment in order to attract new talent and retain current employees. As such, we actively seek employee feedback to identify the motivators to enhance our working environment.

To strengthen our connection with employees, post training and follow up activities were organised. Besides employing different channels to reach mass population, a recruitment video to highlight Discovery Bay was developed in order to attract talents in the market.

The Group continues to provide learning and development opportunities to colleagues to support business needs.

OUTLOOK

Global growth has moderated in recent months with IMF slightly adjusting its 2018 global growth forecast to 3.7%. As tighter financing conditions impact investor sentiment, risks to the outlook remain on the downside with prevailing uncertainty. They include rising geopolitical tensions fuelling trade protectionism and disjointed market movements creating an unstable macroeconomic landscape.

Overall US growth is not expected to be impacted significantly in light of the country's recent trade policy changes. US growth is targeted to reach 2.7% in 2018 and trim to 2.5% in 2019. With the inflation target on track, the US Federal Reserve will accelerate policy tightening measures and will likely raise the benchmark rate from 2.9% to 3.1% in 2019.

In Hong Kong, economic activity in the third quarter softened primarily due to an ongoing slowdown in the mainland China combined with the effects of the US-China trade war, which is weighing on the growth momentum as well as overall business sentiment. Despite a series of measures designed to cool demand, the residential property sector remained resilient to this with active trading. In August, banks raised their mortgage rate by 10 basis points, thus increasing borrowing costs for homebuyers, but demand from investors and end-users remained strong. Yet market expects home prices to soften in the fourth quarter of 2018 resulting from tightened monetary policy and receding Chinese liquidity into Hong Kong.

The HKSAR Government outlined new measures designed to ease the housing supply crunch by boosting available land supply. This includes the proposal for a new vacancy tax and a public consultation to seek views and solutions to land supply issues. The Group is supportive of measures that can increase land supply, while we also believe that Hong Kong has ample undeveloped land that can be used, such as Discovery Bay. Our strategy will remain fluid and we will continue to monitor housing policy changes and make necessary adjustments when required. The Group remains cautiously optimistic towards the future property market and sales of our latest luxury residential project, La Cresta, remained strong. Several residential and commercial projects in Discovery Bay are under development and will be launched soon, further enhancing our portfolio in Hong Kong.

The mainland China economy experiences stagnation after recording 6.9% growth in 2017. Despite stricter housing market legislation, including home purchase restrictions, the mainland China's residential prices have continued to rise with lower-tier cities recording strongest growth. With infrastructure projects aimed at boosting intra-regional links and investment, there is a compelling opportunity for secondary cities. The Group's key residential projects in mainland China are located in Jiaxing, which is well connected to Shanghai. Benefitting from the population outflow from Shanghai and its favourable location, Jiaxing's property market remains strong. Riviera One continues to be one of consumers' favourite choices, and the Group's latest acquisition of new land plots in Jiaxing will also set us ahead in this competitive scene. However, we must not overlook possible impact brought by the trade tensions between the US and mainland China. While we believe the Central government will do their best in mitigating the downside effects, we will closely monitor related risks and market changes and meet challenges as they arise.

The Group's hospitality business across the Hong Kong, Bangkok and Shanghai markets is flourishing. The Sukhothai Shanghai opened in April 2018 has further strengthened the Sukhothai brand. Overall tourism performance in Hong Kong and Thailand recorded strong growth and boosted our hotel business.

Looking ahead, we shall continue our strategy in focusing our businesses equally in Hong Kong, mainland China and the rest of Asia, and maintaining a steady and recurrent revenue by augmenting our investment properties portfolio. Meanwhile we shall also seek suitable opportunities and partners to further develop our business.

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 22 August 2018 (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 Ronald ARCULLI (Non-executive Director), Mr Henry FAN (Independent Non-executive Director ("INED") and Member of the Remuneration Committee) and Mr TANG Kwai Chang (INED, Chairman of the Audit Committee and Member of Nomination Committee) were present at the AGM and available to answer questions.

In September 2018, the Company further set up a Corporate Governance Committee ("CGCom"). The CGCom comprises four members including Mr Payson CHA, Ms Madeline WONG, Mr Henry FAN and Mr TANG Kwai Chang with Mr Payson CHA acting as the Chairman of the CGCom. Role and responsibilities of the CGCom and other details, including the number of meeting held, record of attendance of members and the matters discussed during the year will be set out in the 2018/2019 annual report of the Company.

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, 21 November 2018

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 CHEUNG Wing Lam Linus
Mr FAN Hung Ling Henry
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*