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HKR INTERNATIONAL LIMITED

香港興業國際集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00480)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

RESULTS

The directors (the “Board” or the “Directors”) of HKR International Limited (the “Company”) are pleased to announce the audited final results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2010.

The Group’s overall turnover during the year amounted to HK\$1,839.8 million, representing a decrease of 29% as compared to HK\$2,593.7 million of last year. Profit attributable to shareholders amounted to HK\$1,841.4 million, compared to loss attributable to shareholders of HK\$224.1 million of last year. The basic earnings per share were HK136 cents for the year, compared to loss per share of HK17 cents of last year.

DIVIDEND

The Directors have recommended the declaration of a final dividend of HK12 cents (2009: Nil) per share for the year ended 31 March 2010 to shareholders whose names appear on the registers of members of the Company on 12 August 2010. The proposed final dividend together with the interim dividend of HK6 cents (2009: Nil) per share makes a total dividend of HK18 cents (2009: Nil) per share for the year. The proposed final dividend will be paid on 2 September 2010 following approval at the 2010 annual general meeting (“AGM”) of the Company.

CLOSURE OF REGISTERS

The main and branch registers of members of the Company will be closed from 10 August 2010 to 12 August 2010, both days inclusive. During the period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 9 August 2010.

AUDITED CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
		2010	2009
	<i>NOTES</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
Turnover	3	1,839.8	2,593.7
Cost of sales		(1,322.9)	(1,692.5)
Gross profit		516.9	901.2
Other operating income		154.7	117.8
Administrative expenses		(400.4)	(422.7)
Impairment loss recognised	5	(75.3)	(146.4)
Net gains (losses) from financial assets/liabilities	5	86.6	(273.0)
Change in fair value of investment properties			
Realised gains on disposals		611.3	32.1
Unrealised gains (losses)		479.9	(462.7)
Finance costs	4	(82.2)	(171.2)
Share of results of associates		111.0	179.0
Share of result of a jointly controlled entity*		780.2	(0.3)
Profit (loss) before taxation	5	2,182.7	(246.2)
Taxation	6	(282.4)	8.6
Profit (loss) for the year		1,900.3	(237.6)
Attributable to:			
Owners of the Company		1,841.4	(224.1)
Minority interests		58.9	(13.5)
		1,900.3	(237.6)
Earnings (loss) per share	8		
– Basic (HK cents)		136	(17)
– Diluted (HK cents)		130	(17)

* including unrealised fair value gain net of deferred taxation on investment properties under construction of HK\$774.6 million.

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2010	2009
	<i>HK\$'M</i>	<i>HK\$'M</i>
Profit (loss) for the year	<u>1,900.3</u>	<u>(237.6)</u>
Other comprehensive income (expense):		
Exchange differences arising from translation of foreign operations	164.4	(228.9)
Share of exchange reserve of a jointly controlled entity	7.3	74.4
Share of asset revaluation reserve of an associate	0.4	–
Reclassification of exchange reserve to profit or loss upon disposal of an associate	(0.3)	–
Available-for-sale financial assets:		
Fair value changes during the year	65.4	51.9
Reclassified to profit or loss upon disposal	(63.3)	–
Deferred tax arising on fair value changes	(0.9)	0.8
Impairment loss recognised in profit or loss	–	3.1
Revaluation gain on land and buildings upon transfer to investment properties	<u>4.6</u>	<u>–</u>
Other comprehensive income (expense) for the year (net of tax)	<u>177.6</u>	<u>(98.7)</u>
Total comprehensive income (expense) for the year	<u><u>2,077.9</u></u>	<u><u>(336.3)</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	2,017.4	(316.8)
Minority interests	<u>60.5</u>	<u>(19.5)</u>
	<u><u>2,077.9</u></u>	<u><u>(336.3)</u></u>

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
	<i>NOTE</i>	2010	2009
		HK\$'M	HK\$'M
Non-current assets			
Investment properties		5,298.6	5,367.3
Property, plant and equipment		2,345.7	2,488.5
Prepaid lease payments		99.5	143.1
Goodwill		–	9.2
Interests in associates		356.9	311.0
Interest in a jointly controlled entity		4,918.5	4,120.4
Held-to-maturity investments		52.4	21.8
Available-for-sale financial assets		79.2	108.8
Other assets		53.2	94.0
Deferred tax assets		3.2	2.7
		<hr/> 13,207.2	<hr/> 12,666.8
Current assets			
Inventories		134.7	145.1
Properties held for sale		30.6	121.3
Trade receivables	9	92.2	286.3
Deposits, prepayments and other financial assets		287.3	213.2
Properties held for/under development		1,735.1	1,173.3
Amounts due from associates		211.5	476.4
Amount due from a jointly controlled entity		18.2	25.9
Taxation recoverable		1.7	12.8
Held-to-maturity investments		135.5	23.7
Available-for-sale financial assets		9.2	–
Financial assets at fair value through profit or loss		128.6	741.7
Pledged bank deposits		59.3	58.9
Bank balances and cash		2,055.4	1,903.5
		<hr/> 4,899.3	<hr/> 5,182.1

		At 31 March	
		2010	2009
	NOTES	HK\$'M	HK\$'M
Current liabilities			
Trade payables, provision and accrued charges	10	933.4	849.0
Deposits received and other financial liabilities		694.5	548.6
Amounts due to associates		10.0	2.2
Taxation payable		43.6	103.9
Bank loans due within one year		159.3	1,021.5
Other liabilities due within one year		4.7	18.9
Convertible bonds – liability component		830.5	–
		<u>2,676.0</u>	<u>2,544.1</u>
Net current assets		<u>2,223.3</u>	<u>2,638.0</u>
Total assets less current liabilities		<u>15,430.5</u>	<u>15,304.8</u>
Non-current liabilities			
Bank loans due after one year		1,411.3	2,360.6
Convertible bonds – liability component		–	777.3
Other liabilities due after one year		886.4	945.4
Deferred tax liabilities		383.1	468.4
		<u>2,680.8</u>	<u>4,551.7</u>
		<u>12,749.7</u>	<u>10,753.1</u>
Capital and reserves			
Share capital	11	337.5	337.5
Reserves		11,297.3	9,360.9
Equity attributable to owners of the Company		<u>11,634.8</u>	<u>9,698.4</u>
Minority interests		<u>1,114.9</u>	<u>1,054.7</u>
		<u>12,749.7</u>	<u>10,753.1</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”s)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of these new standards has resulted in the following changes and impact on the results and financial position for the current year. The adoption of the other new and revised standards, amendments and interpretations has no material effect on the consolidated financial statements.

Presentation of financial statements

In the current year, the Group has adopted Hong Kong Accounting Standard (“HKAS”) 1 (Revised) “Presentation of financial statements” which has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised), however, has no impact on the reported results or financial position of the Group.

Segment information

In the current year, the Group has adopted HKFRS 8 “Operating segments”. HKFRS 8 requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group’s chief operating decision maker. HKFRS 8 replaces HKAS 14 “Segment reporting” which required an entity to identify two sets of segments (business and geographical). Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed (see note 3 for details). However, the adoption of HKFRS 8 has not resulted in redesignation of the Group’s reportable segments.

In prior year, the segment information reported externally prepared in accordance with HKAS 14 was based on risks and returns approach. Segment turnover represents the turnover of the Group. Segment results represents the profit (loss) before taxation earned by each segment without allocation of interest income, central corporate expenses, finance costs, share of result of associates and a jointly controlled entity. However, information reported to the chief operating decision maker for the purpose of resources allocation and assessment of performance is different. Segment revenue includes the turnover of the Group and associates, and sale proceeds of investment properties located in the People’s Republic of China (“PRC”) and net sales proceeds of securities investment. Segment results represents the profit (loss) for the year attributable to the owners of the Company earned by each segment without allocation of central corporate expenses, finance costs and corporate level exchange difference, the gross unrealised gain on fair value change of investment properties net of deferred tax arising from unrealised fair value change, attributable to the owners of the Company.

Segment information reported to the chief operating decision maker is presented in note 3. Amounts reported for the prior year have been restated to conform with the requirement of HKFRS 8.

Financial instruments disclosure

The Group has applied HKFRS 7 (Amendment) “Improving disclosures about financial instruments” which requires that, for each class of financial instruments measured at fair value, an entity should disclose the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair values hierarchy are classified into the following levels:

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

The fair value for financial instrument classified as level 1 and level 2 is based on quoted market prices and observable market data respectively while for financial instrument classified as level 3, the measurement of fair value can be measured based on inputs that can be observed in the market in addition to unobservable inputs such as company specific financial information. If the observable market data is not available, the measurement of fair value can be based on unobservable inputs.

The relevant comparative information based on the requirements of HKFRS 7 (Amendment) has been presented for the first time in the current year.

Improvements to HKFRSs issued in 2008

HKAS 40 “Investment property” has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). In the past, the Group’s leasehold land and building elements of investment properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease in accordance with HKAS 17 “Leases” and the building element was carried at cost less accumulated impairment losses in accordance with HKAS 16 “Property, plant and equipment”. The Group has applied the amendment to HKAS 40 prospectively from 1 April 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group’s properties under construction for future use as investment properties that include the leasehold land and buildings elements, which were previously included in construction in progress under property, plant and equipment and prepaid lease payments for land, have been reclassified as investment properties. In addition, properties under development for future use as investment properties of a jointly controlled entity had been reclassified to investment properties. The impacts of the adoption of HKAS 40 are as follows:

	<i>HK\$’M</i>
Carrying value of properties under construction for future use as investment properties at 1 April 2009 comprises:	
– construction in progress included in property, plant and equipment	49.3
– prepaid lease payments for land	42.2
	<hr/>
At 1 April 2009	91.5
Additions during the year	130.7
Constructions completed during the year	(71.0)
	<hr/>
Carrying value of properties under construction for future use as investment properties at 31 March 2010	151.2
Fair value loss of the investment properties under construction	(41.2)
	<hr/>
Fair value of the investment properties under construction at 31 March 2010	110.0
	<hr/> <hr/>
Fair value loss of the investment properties under construction	(41.2)
Share of fair value loss of the investment properties under construction by a minority shareholder	20.6
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Fair value loss attributable to the owners of the Company	(20.6)
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Certain properties under development for future use as investment properties of a jointly controlled entity had been reclassified to investment properties as a result of the amendment to HKAS 40. The fair value gain net of deferred taxation of those investment properties under construction amounted to HK\$1,549.2 million of which 50% thereof (HK\$774.6 million) is attributable to the Group.

The effect of the adoption of amendment to HKAS 40 on the Group's basic and diluted earnings (loss) per share for the current and prior year is as follows:

Impact on basic and diluted earnings (loss) per share

	Impact on basic		Impact on diluted	
	earnings (loss) per share		earnings (loss) per share	
	2010	2009	2010	2009
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Figures before adjustments	80	(17)	78	(17)
Adjustments arising from change in accounting policy in relation to investment properties under construction	56	–	52	–
Reported figures after adjustments	136	(17)	130	(17)

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

The application of HKFRS 3 (Revised) “Business Combinations” may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) “Consolidated and separate financial statements” will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating segments” with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group is currently organised into seven operating divisions: property development, property investment, services provided (club operation, provision of professional property management and transportation services to the residents of Discovery Bay), hotel operation, healthcare (provision of medical and dental care services, comprising cancer centres, dental clinics, diabetic and cardiovascular centres and multi-specialty outpatient centres), manufacturing (manufacturing and sales of sanitarywares) and securities investment. Each of the operating divisions represents an operating segment. An analysis of the Group’s revenue and results by operating segments for the year is as follows:

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotel operation HK\$'M	Healthcare HK\$'M	Manufacturing HK\$'M	Securities investment HK\$'M	Total HK\$'M
For the year ended 31 March 2010								
TURNOVER								
Segment revenue – sales derived from the Group and associates	1,478.5	1,730.8	379.6	290.0	496.9	223.1	98.9	4,697.8
Excluding turnover of associates	(1,270.0)	(84.9)	–	–	(84.9)	–	–	(1,439.8)
Excluding sale proceeds of investment properties located in the PRC	–	(1,325.9)	–	–	–	–	–	(1,325.9)
Excluding sale proceeds of securities investment	–	–	–	–	–	–	(98.9)	(98.9)
Turnover	<u>208.5</u>	<u>320.0</u>	<u>379.6</u>	<u>290.0</u>	<u>412.0</u>	<u>223.1</u>	<u>–</u>	<u>1,833.2</u>
Reconciling adjustment: Others								6.6
Total consolidated turnover, as reported								<u>1,839.8</u>
RESULTS								
Segment results (note 1)	<u>122.4</u>	<u>680.7</u>	<u>24.4</u>	<u>9.1</u>	<u>27.4</u>	<u>(70.5)</u>	<u>89.2</u>	882.7
Unallocated corporate expenses								(75.4)
Finance costs and corporate level exchange difference								(80.2)
Net unrealised gains on fair value change of investment properties (note 2)								339.7
Net unrealised gain on fair value change of investment properties attributable to the Group's interest in a jointly controlled entity								774.6
Profit for the year attributable to the owners of the Company								1,841.4
Minority shareholders' share of profit for the year								58.9
Profit for the year								<u>1,900.3</u>

Notes:

- (1) The segment results of property investment business included realised gains on fair value change of investment properties, net of the effect on reversal of deferred tax and recognition of current tax upon disposal of investment properties, and withholding tax on undistributed profits of a PRC subsidiary, attributable to the owners of the Company, amounting to HK\$587.6 million, HK\$162.0 million and HK\$27.6 million, respectively.
- (2) The net unrealised gains on fair value change of investment properties attributable to the owners of the Company of HK\$339.7 million represented the unrealised gain on fair value change of investment properties of HK\$479.9 million net of the deferred tax arising from change in fair value of HK\$140.2 million.

	Property development <i>HK\$'M</i>	Property investment <i>HK\$'M</i>	Services provided <i>HK\$'M</i>	Hotel operation <i>HK\$'M</i>	Healthcare <i>HK\$'M</i>	Manufacturing <i>HK\$'M</i>	Securities investments <i>HK\$'M</i>	Total <i>HK\$'M</i>
For the year ended 31 March 2009								
TURNOVER								
Segment revenue – sales derived from the Group and associates	4,679.3	435.6	383.1	350.3	451.1	199.2	–	6,498.6
Excluding turnover of associates	(3,731.3)	(86.0)	–	–	(99.1)	–	–	(3,916.4)
Turnover	<u>948.0</u>	<u>349.6</u>	<u>383.1</u>	<u>350.3</u>	<u>352.0</u>	<u>199.2</u>	<u>–</u>	<u>2,582.2</u>
Reconciling adjustment: Others								11.5
Total consolidated turnover, as reported								<u>2,593.7</u>
RESULTS								
Segment results (<i>note 3</i>)	<u>510.2</u>	<u>238.1</u>	<u>2.1</u>	<u>22.9</u>	<u>(35.9)</u>	<u>(68.5)</u>	<u>(403.6)</u>	265.3
Unallocated corporate expenses								(74.6)
Finance costs and corporate level exchange difference								(89.3)
Net unrealised losses on fair value change of investment properties (<i>note 4</i>)								<u>(325.5)</u>
Loss for the year attributable to the owners of the Company								(224.1)
Minority shareholders' share of loss for the year								<u>(13.5)</u>
Loss for the year								<u>(237.6)</u>

Notes:

- (3) The segment results of property investment business included realised gains on fair value change of investment properties, net of the effect on reversal of deferred tax and recognition of current tax upon disposal of investment properties, attributable to the owners of the Company, amounting to HK\$32.1 million and HK\$3.6 million, respectively.
- (4) The net unrealised losses on fair value change of investment properties attributable to the owners of the Company of HK\$325.5 million represented the unrealised losses on fair value change of investment properties of HK\$462.7 million net of the deferred tax arising from change in fair value of HK\$137.2 million.

All of the segment revenue reported above is from external customers.

No analysis of the Group's assets and liabilities by operating segments is disclosed as they are not reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker for review.

Other segment information

For the year ended 31 March 2010

	Property development <i>HKS'M</i>	Property investment <i>HKS'M</i>	Services provided <i>HKS'M</i>	Hotels <i>HKS'M</i>	Healthcare <i>HKS'M</i>	Manufacturing <i>HKS'M</i>	Securities investment <i>HKS'M</i>	Unallocated amounts <i>HKS'M</i>	Total <i>HKS'M</i>
Amounts included in the measure of segment profit or loss:									
Revenue from inter-segment sales*	-	(3.3)	(4.4)	-	-	-	-	-	(7.7)
Depreciation	5.3	8.8	45.9	46.8	30.5	11.4	-	3.7	152.4
Impairment losses on property, plant and equipment recognised	-	-	-	-	-	60.6	-	-	60.6
Allowance for doubtful debts	-	-	0.1	-	1.9	0.4	-	-	2.4
Impairment loss on goodwill recognised in profit or loss	-	-	-	-	9.4	5.3	-	-	14.7
Net gains from financial assets/liabilities	-	-	-	-	-	-	(86.6)	-	(86.6)
(Gain) loss on disposal of property, plant and equipment	(6.7)	0.3	10.4	6.0	3.8	0.1	-	-	13.9
Realised gains on disposals of investment properties	-	(611.3)	-	-	-	-	-	-	(611.3)
Interest income	(0.2)	(6.0)	-	(0.6)	(0.1)	-	(3.3)	(1.5)	(11.7)
Interest expenses	2.0	1.9	-	0.3	-	1.3	-	76.7	82.2
Income tax expenses (credit)	14.3	138.0	5.3	(21.7)	(2.4)	-	10.4	138.5	282.4
Share of result of associate	(111.0)	-	-	-	-	-	-	-	(111.0)
Share of result of a jointly controlled entity	-	(5.6)	-	-	-	-	-	(774.6)	(780.2)

For the year ended 31 March 2009

	Property development <i>HK\$'M</i>	Property investment <i>HK\$'M</i>	Services provided <i>HK\$'M</i>	Hotels <i>HK\$'M</i>	Healthcare <i>HK\$'M</i>	Manufacturing <i>HK\$'M</i>	Securities investment <i>HK\$'M</i>	Unallocated amounts <i>HK\$'M</i>	Total <i>HK\$'M</i>
Amounts included in the measure of segment profit or loss:									
Revenue from inter-segment sales*	-	(2.7)	(0.6)	-	-	-	-	-	(3.3)
Depreciation	5.1	7.7	48.2	47.0	28.0	11.1	-	4.4	151.5
Impairment losses on property, plant and equipment recognised	-	-	-	-	-	16.7	-	-	16.7
Allowance for doubtful debts	0.4	-	-	-	6.3	0.6	-	-	7.3
Impairment loss on goodwill recognised in profit or loss	-	-	-	-	-	2.6	-	-	2.6
Impairment loss on held-to-maturity investments recognised in profit or loss	-	-	-	-	-	-	7.7	-	7.7
Impairment loss on available-for-sale investments recognised in profit or loss	-	-	-	-	-	-	119.4	-	119.4
Net losses from financial assets/liabilities	-	-	-	-	-	-	273.0	-	273.0
Loss (gain) on disposal of property, plant and equipment	0.9	-	(0.3)	(0.1)	-	(3.0)	-	-	(2.5)
Realised gains on disposals of investment properties	-	(32.1)	-	-	-	-	-	-	(32.1)
Interest income	(5.5)	(2.3)	-	(4.3)	-	(0.1)	(3.9)	(3.1)	(19.2)
Interest expenses	-	5.7	-	1.0	1.6	1.4	-	161.5	171.2
Income tax expenses	70.0	16.8	4.6	1.5	2.1	1.2	-	(104.8)	(8.6)
Share of result of associate	(179.0)	-	-	-	-	-	-	-	(179.0)
Share of result of a jointly controlled entity	-	0.3	-	-	-	-	-	-	0.3

* Inter-segment sales are entered into in accordance with the relevant agreements, if any, governing those transactions in which the pricing was the reference to prevailing market price or actual cost incurred, as appropriate.

Turnover from major products and services

The following is an analysis of the Group's turnover from its major products and services:

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Sales of properties	208.5	948.0
Sales of goods	223.1	199.2
Services rendered	1,081.6	1,085.4
Rental income	320.0	349.6
Others	6.6	11.5
	<u>1,839.8</u>	<u>2,593.7</u>

Geographical information

For each of the years ended 31 March 2010 and 2009, the Group's operations are located in Hong Kong, South East Asia, North America, PRC and Australia.

The Group's revenue from external customers based on the location where the sales occurred and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Hong Kong	1,143.9	973.7	6,611.3	6,251.7
South East Asia	458.2	1,389.5	1,263.7	1,248.0
North America	33.8	39.6	0.3	0.3
PRC	28.4	45.1	5,140.8	4,936.8
Australia	175.5	145.8	3.1	2.7
	<u>1,839.8</u>	<u>2,593.7</u>	<u>13,019.2</u>	<u>12,439.5</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

The revenue from individual customer contributed less than 10% of the total turnover of the Group for both years.

4. FINANCE COSTS

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Interest on		
Bank loans wholly repayable within five years	13.6	91.6
Other borrowings wholly repayable within five years	5.6	6.6
Convertible bonds – liability component wholly repayable within five years	53.2	70.9
	<u>72.4</u>	<u>169.1</u>
Less: Amounts included in the cost of properties held for/under development	(3.5)	(6.6)
	<u>68.9</u>	<u>162.5</u>
Bank loans arrangement fees	13.3	8.7
	<u>82.2</u>	<u>171.2</u>

5. PROFIT (LOSS) BEFORE TAXATION

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	6.6	5.6
Cost of inventories and developed properties recognised as an expense	248.2	815.2
Operating lease rentals in respect of land and buildings	44.8	42.5
Loss (gain) on disposal of property, plant and equipment	13.9	(2.5)
Net exchange (gain) loss	(28.6)	10.7
Allowance for doubtful debts	2.4	7.3
Staff costs (including directors' remuneration)	456.5	457.4
Release of prepaid lease payments	3.4	5.0
Less: Amounts capitalised and included in properties under development	(1.0)	(2.7)
	<u>2.4</u>	<u>2.3</u>
Depreciation		
Owned assets	151.4	150.4
Assets under finance leases	1.0	1.1
	<u>152.4</u>	<u>151.5</u>
Net rental income under operating leases on		
Investment properties	(329.9)	(364.9)
Other properties	(5.1)	(7.4)
Less: Outgoings	18.5	20.9
	<u>(316.5)</u>	<u>(351.4)</u>
Impairment loss recognised		
Property, plant and equipment	60.6	16.7
Goodwill	14.7	2.6
Held-to-maturity investments	–	7.7
Available-for-sale investments	–	119.4
	<u>75.3</u>	<u>146.4</u>
Net (gains) losses from financial assets/liabilities		
Net realised (gains) losses on financial assets at fair value through profit or loss	(21.5)	145.4
Net unrealised (gains) losses on financial assets at fair value through profit or loss	(4.9)	133.9
Net realised gains on available-for-sale financial assets	(63.3)	–
	<u>(89.7)</u>	<u>279.3</u>
Net losses (gains) on derivative financial instruments	3.1	(6.3)
	<u>(86.6)</u>	<u>273.0</u>

6. TAXATION

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
The charge (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5%		
on the estimated assessable profit for the year	40.1	24.2
Overseas tax calculated at rates prevailing in respective jurisdictions (<i>note</i>)	332.2	73.3
	<u>372.3</u>	<u>97.5</u>
Deferred taxation		
Current year	(89.9)	(87.2)
Attributable to a change in tax rate	–	(18.9)
	<u>(89.9)</u>	<u>(106.1)</u>
	<u><u>282.4</u></u>	<u><u>(8.6)</u></u>

Note: The overseas tax charge for the year ended 31 March 2010 mainly includes the Land Appreciation Tax of HK\$114.8 million (2009: nil) and Enterprise Income Tax arising from disposal of the investment properties in the PRC.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the EIT Law, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation of HK\$27.6 million (2009: nil) has been provided for in the current year.

7. DIVIDENDS

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
No final dividend paid for the year 2009 (2009: HK9 cents per share for the year 2008)	–	121.5
Interim dividend paid for 2010 of HK6 cents per share (2009: nil)	81.0	–
	<u>81.0</u>	<u>121.5</u>
Proposed final dividend of HK12 cents per share (2009: nil)	<u><u>162.0</u></u>	<u><u>–</u></u>

8. EARNINGS (LOSS) PER SHARE

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

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Earnings (loss)		
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	1,841.4	(224.1)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<u>53.2</u>	<u>—</u>
Earnings for the purpose of calculating diluted earnings (loss) per share	<u><u>1,894.6</u></u>	<u><u>(224.1)</u></u>
	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings (loss) per share	1,350,274,367	1,350,274,367
Effect of dilutive potential ordinary shares relating to convertible bonds	<u>105,885,434</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	<u><u>1,456,159,801</u></u>	<u><u>1,350,274,367</u></u>

The calculation of diluted loss per share for the year ended 31 March 2009 did not include the effect of conversion of convertible bonds since the exercise of the Company's outstanding convertible bonds would result in a decrease in loss per share.

9. TRADE RECEIVABLES

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

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

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Not yet due	24.5	219.0
Overdue:		
0-60 days	59.1	56.5
61-90 days	4.5	3.5
Over 90 days	4.1	7.3
	<u>92.2</u>	<u>286.3</u>

10. TRADE PAYABLES, PROVISION AND ACCRUED CHARGES

Included in trade payables, provision and accrued charges are trade payables of HK\$164.3 million (2009: HK\$120.9 million), an aged analysis of which is as follows:

	2010 <i>HK\$'M</i>	2009 <i>HK\$'M</i>
Not yet due	121.5	84.7
Overdue:		
0-60 days	27.7	27.2
61-90 days	1.2	2.0
Over 90 days	13.9	7.0
	<u>164.3</u>	<u>120.9</u>

11. SHARE CAPITAL

	2010 & 2009	
	<i>Number of shares</i>	<i>HK\$'M</i>
Ordinary shares of HK\$0.25 each		
Authorised:	<u>2,000,000,000</u>	<u>500.0</u>
Issued and fully paid:		
At 1 April 2008, 31 March 2009 and 31 March 2010	<u>1,350,274,367</u>	<u>337.5</u>

BUSINESS REVIEW

Property Development

Discovery Bay, Hong Kong

Chianti, Phase 13 of Discovery Bay comprising 530 units, was almost sold out at an average price of HK\$6,452 per square foot GFA. During the year, 21 units were sold.

Riding on the success of Chianti, Phase 14 of Discovery Bay is planned for sales launch in early 2011. Construction works of the three mid-rise blocks with a size of about 168,000 square feet GFA were well on schedule and the project is expected to be completed by the end of 2010. With the Group's track record in property development and lifestyle creation, we are confident that the project would be well-received by the market.

The up-market lifestyle shopping centre in Yi Pak, with a size of about 201,000 square feet GFA, has begun to serve the community since March 2010 with a number of popular brands and services, some of them completely new to the community. The tenant mix will be further diversified and a wide range of products & services will be made available as more shops are expected to open soon.

Meanwhile, construction and interior fitting-out works for the conference and resort hotel in Yi Pak have resumed as the hospitality market showed positive signs of recovery. The project is targeted for completion by the end of 2011.

In recognition of the unique planning and comprehensive development of Discovery Bay, CAPITAL Magazine presented "CAPITAL The Best Developer Awards—Urban Design & Master Planning" to Hong Kong Resort Company Limited, the Group's 50%-owned subsidiary in June 2010.

The Bounty, the only European tall ship in Hong Kong, has become an icon of local waters since she was made available for charter in 2008. Residing in Discovery Bay, The Bounty was chartered by international firms, professional groups & associations as well as individuals for a wide range of functions during the year, including large-scale international conferences, corporate entertainment, team-building activities and private theme parties etc.

The Group has a 50% interest in Discovery Bay.

Coastal Skyline, Tung Chung, Hong Kong

The only waterfront low-density mid-rise residential development in Tung Chung, Le Bleu Deux, the last phase of Coastal Skyline, has received encouraging response from the market since its sales launch. All 524 units were sold, with the last one taken up in April 2010, at an average price of HK\$5,982 per square foot GFA. This exceptional six-block development was completed in June 2009.

The show flats of this quality development also clinched a number of awards during the year. Le Bleu Spa Villa, a specialty unit show flat, won the “Platinum Award” of “2010 ADEX Awards for Design Excellence” sponsored by Design Journal in April 2010 and the “Best Interior Design Hong Kong Award” in the “Asia Pacific Residential Property Awards 2009” in May 2009. Another typical unit show flat was awarded the “First Prize” in both the Interior Design Competition of the “International Design Awards” in May 2010 and the Sample House/Room category of “2009 G-Magic Cube Award” organised by the China Building Decoration Association in November 2009.

The Group has a 31% interest in the Coastal Skyline project.

Beaufort on Nassim, Singapore

In Singapore, the last two remaining units of luxury low-rise development Beaufort on Nassim were sold at an average price of S\$2,300 (approximately HK\$12,400) per square foot during the year. The project was given the Certificate of Statutory Completion in April 2009.

The Sukhothai Residences, Thailand

Despite the political uncertainties in Thailand, construction works of The Sukhothai Residences, the Group’s high-end freehold development in Bangkok, progressed well on schedule during the year. This ultra luxury 41-storey condominium tower is targeted for completion in 2011.

As at 31 March 2010, 139 units of The Sukhothai Residences were sold, representing approximately 71% of the 196 units available, at an average price of Thai Baht 226,493 per square metre (approximately HK\$5,100 per square foot). The remaining units are planned for sales launch after completion of the project.

With its outstanding architectural design and exceptional building quality, The Sukhothai Residences received international recognition and a number of prestigious awards during the year. In July 2009, The Sukhothai Residences won the “Best High-rise Development, Thailand (5 Stars)”, “Best Interior Design, Thailand (5 Stars)” and “Best Asia Pacific High-rise Development” in the world-renowned “Asia Pacific Residential Property Awards 2009”. In November 2009, the project also landed the “Best Interior Design” and the “Best Development Website” awards in the “Thailand Property Awards 2009”.

Property Investment

Dazhongli Project in Jingan District, Shanghai

Over the years, the Group has spent a lot of efforts in the resettlement works in Dazhongli of the Jingan district in Shanghai (“Dazhongli project”). The Financial Year 2009/2010 saw significant progress made in the project, with resettlement works basically completed in March 2010. The Land Title Certificates are targeted to be granted within 2010 after site clearance.

Meanwhile, relocation of a historical building within the site was also successfully completed in March 2010. After the historical building was moved to its new location on Weihai Road, it will command a strategic location and become a gateway building to the project. Fitting-out works will be carried out in the next stage to restore the building's original appearance while at the same time giving it new glory. General foundation works of the Dazhongli project are planned to commence in early 2011.

Located in the heart of Shanghai, the Dazhongli project enjoys superb accessibility and will benefit greatly from the upgrade and re-development of the Jingan district as well as Nanjing West Road. With a planned gross floor area of approximately 323,000 square metres, the Dazhongli project will be developed into a world class project comprising large-scale offices, hotels and retail facilities. The project is scheduled for completion in phases from 2014 onward.

The Dazhongli project is jointly developed by the Group and Swire Properties Limited. The Group has a 50% interest in the Dazhongli project.

Chelsea Residence, Shanghai

With its excellent location in the prestigious Huashan Road residential area and panoramic views of the legendary Ding Xiang Garden, Chelsea Residence, formerly the Group's wholly-owned deluxe serviced apartments in Shanghai, was snapped up by buyers when it was launched for strata-title sales in May 2009. As at 31 March 2010, 110 units, representing 95% of all 116 units, were sold at an average price of RMB57,723 per square metre GFA (approximately HK\$6,100 per square foot GFA). Together with the 115 car parking spaces sold, the project generated a revenue of about RMB1.18 billion (approximately HK\$1.34 billion). Renovation and upgrading works of Chelsea Residence commenced in August 2009 and are targeted for completion in the third quarter of 2010.

The exceptional designs of the show flats of Chelsea Residence also won recognition from the industry. In November 2009, two show flats, namely Vista and Premier, were awarded the "Successful Design Awards" in the "2009 China's Most Successful Design Awards" jointly organised by the Shanghai International Creative Industry Week Organizing Committee, Shanghai Industrial Design Association and Shanghai Creative Industry Association; and the "First Prizes" in the Sample House/Room category of the "2009 G-Magic Cube Award" organised by the China Building Decoration Association.

The Exchange, Tianjin

The Exchange, the Group's 15%-owned investment property in Tianjin, comprises two office towers, a retail mall and a hotel with a total GFA of over 152,000 square metres. The Exchange generated a stable rental income during the year and the average occupancy rates of the office towers, the retail mall and the hotel were 75%, 99% and 58% respectively.

Industrial, commercial and residential properties, Hong Kong

D Deck, the largest oceanfront alfresco dining hotspot in Hong Kong, continued to be a vibrant gourmet paradise for locals and visitors alike. About 20 thematic restaurants along the waterfront promenade connecting Tai Pak Beach offer delectable choices of international menu. Since its opening, D Deck has become a popular dining destination with its patronage increasing steadily. It was also selected as one of the 14 Major Food Districts in Hong Kong by the Hong Kong Tourism Board in early 2010. The Group will continue to promote D Deck as a unique venue offering superb dining experience unlike anywhere else in the city.

DB Plaza, together with D Deck, achieved an average occupancy rate of 93% during the year and generated a stable rental income for the Group.

The Group's long-term commercial and industrial property investment portfolio continued to record high occupancy rates and bring in stable rental revenue. During the year, the Group's wholly-owned West Gate Tower in Cheung Sha Wan, CDW Building in Tsuen Wan and Joyce Building in Wong Chuk Hang attained average occupancy rates of 93%, 91% and 100% respectively. The 50%-owned Discovery Park Shopping Centre in Tsuen Wan also recorded an average occupancy rate of 91%. The Group will continue to enhance its investment portfolio and seek to generate more profits through strategic acquisitions and disposals.

The Group held various residential units in Hong Kong as medium to long term investments. Such properties continued to generate steady recurring rental income to the Group for the year.

Residential properties, Japan

To further enhance and diversify its investment portfolio in Asia, the Group entered into an agreement in March 2010 to acquire a 94-unit apartment building and an attached building with 54 parking spaces in Akasaka of Tokyo, Japan. The transaction was completed in May 2010. Located at the prime district of Akasaka with close proximity to metro stations, the property will be held for investment purpose and is expected to generate a steady rental income for the Group. Meanwhile, DIA Palace II, a 39-unit en bloc residential building in Sapporo acquired by the Group in 2008, also achieved an average occupancy rate of 96% during the year and brought in a stable recurrent income.

The Group will continue to explore new projects and investment opportunities in various Asian markets, with a view to strengthening its presence in the region and adding value to its investment portfolio.

Services Provided

In response to the demand of Discovery Bay residents for added transportation convenience and flexibility, Hong Kong Resort Company Limited applied to the Transport Department in late 2009 for the introduction of a strictly controlled taxi service for Discovery Bay. The proposed taxi service, if approved, will offer residents and visitors a more flexible and timely transportation option, especially in emergency situations.

During the year, the patronage of bus and ferry services in Discovery Bay remained stable while the four Clubs in Discovery Bay recorded a slight increase in turnover. The Group's subsidiaries will continue to deliver professional property management, transportation and club services to the residents of Discovery Bay.

Hospitality

The Financial Year 2009/2010 saw a significant drop in international travel to Asia, both for business and pleasure, due to the political instability in Thailand and the outbreak of human swine influenza.

Arrivals in Thailand declined drastically and The Sukhothai hotel and Siri Sathorn serviced residences in Bangkok recorded average occupancy rates that were lower than last year.

Despite the difficult operating environment, The Sukhothai hotel continued to win regional and international recognition with its impressive services and facilities. In August 2009, it was voted by readers of the on-line travel magazine SmartTravelAsia.Com as one of the hotels on the "Top 25 List – Business Hotels" and the "Top 25 List – Leisure Hotels". It was also named by Conde Nast Traveler US magazine as one of the "Top 100 Asia Hotels" in the "Readers' Choice Awards" and one of the top hotels on the "Gold List – The World's Best Places to Stay" in November 2009 and January 2010 respectively. Leveraging on the brand equity of The Sukhothai hotel, the Group would step up marketing & promotional efforts to attract patronage when the local situations stabilise.

In Singapore, business of The Sentosa Resort & Spa started to pick up in the second half of the year. Its occupancy rate went up further in early 2010 as tourist arrivals surged after the opening of two integrated resorts in Marina Bay and Sentosa Island.

The Sentosa Resort & Spa was also given a number of awards. In July 2009, it won the prestigious titles of the "Best Asia Pacific Hotel" and the "Best Hotel, Singapore (5 Stars)" in the "Asia Pacific Commercial Property Awards 2009". Spa Botanica, Singapore's first garden destination spa, was voted the "Best Spa in Singapore" in the "Time Out Singapore Best of Awards 2010" by readers in March 2010. It also landed the "Bazaar Spa Awards 2010" in the Most Relaxing Experience – Beaufort Touch category and the Best Girls' Day Out Spa – Spa Glow category as well as the "Expatriate Living Reader Awards 2009 Health & Beauty" in the Spa category in February 2010.

To upkeep and enhance our branding in the international hospitality scene, the Group's hotels, spas, and serviced apartments will continue to deliver the highest standards of comforts, services, and unique experiences to customers and stand ready to take advantage of an eventual rebound of global economy.

Healthcare

GenRx Holdings Limited ("GenRx"), the Group's wholly-owned subsidiary specialising in premium healthcare services, continued to perform well during the year. Turnover increased to HK\$412.0 million, up 17% from the previous year.

With its top-notch medical staff and state-of-the-art facilities, the business of GenRx has been growing steadily with the number of patients/customers increasing over the years. GenRx is currently operating in major cities across Asia, namely Hong Kong, Shanghai, Guangzhou, Shenzhen, Macau and Manila. Its comprehensive service network comprises cancer centres, dental clinics, diabetic and cardiovascular centres and multi-specialty outpatient centres affiliated with ambulatory hospitals.

During the year, GenRx sold all its shares in Arrail's dental group which operates multiple dental clinics in Mainland China. The disposal brought a profit of HK\$74.4 million.

Manufacturing

The effect of the global financial crisis was felt across the building industry. Not only were new developments stagnant in countries like Australia, renovation markets in the UK and the US also contracted due to volatility in real estate value. Nevertheless, Imperial Bathroom Products Limited, the Group's sanitaryware unit, managed to grow its business in its core market, Australia, resulting in a successful year. Growth in the US was also encouraging.

Securities Investment

During the financial year, the Group has monetized part of the securities investments for a total amount of HK\$833.5 million which was subsequently deployed to repay part of the bank loans. The investment in securities has contributed a net profit of HK\$89.2 million to the Group. As of 31 March 2010, the Group maintained a balanced portfolio comprising debt instruments, hedge funds, listed securities and private equities valued at a total of HK\$404.9 million.

Construction

Hanison Construction Holdings Limited ("Hanison"), the Group's 49%-owned associated company engaging primarily in construction business, interior and renovation business, supply and installation of building materials, and property investment and development, delivered a steady performance. The consolidated turnover during the year was HK\$884.4 million, 52% lower than last year's HK\$1,828.5 million. However, Hanison managed to turn around the overall financial results from a loss of HK\$59.4 million last year to a profit of HK\$109.2 million this year. This favourable result was mainly attributable to the gain on change in fair value of investment properties and recognition of profit from sales of certain units of One LaSalle, a 50%-owned luxury low-rise residential development in Kowloon Tong. While overall market conditions remain competitive, Hanison will continue to control cost, strengthen its core businesses to sustain growth and identify businesses with good potential for acquisition and development.

HUMAN RESOURCES

As at 31 March 2010, the Group had a total of 3,257 employees in Hong Kong and overseas. To sustain its long term growth and competitiveness, the Group has identified three priorities in human resources management: sharpening performance, developing talents and strengthening employee relations.

During the year, the Group put in tremendous efforts in promoting a performance-driven culture. The Performance Management System (“PMS”) was revamped and a structured process in planning, reviewing and appraising staff performance was established. A series of in-house workshops on key management skills, such as objective setting, coaching and performance appraisal, were designed and organised for senior staff to uplift their competencies in people management. The enhanced PMS process will be introduced to other overseas business units gradually to align business goals across the Group.

The Group is dedicated to identifying, developing and retaining key talents. The first Talent Review and Succession Planning meeting at Group level was completed during the year and tailored-made development opportunities including executive education at prestigious business schools were provided to high potential staff. This process will be rolled out to second-tier management staff and others in the coming years to ensure leadership continuity.

To foster and upkeep an engaged and energetic workforce, the Group organised various employee relations activities such as health talks and seminars, annual dinner and staff outing, etc. to strengthen the bond between colleagues. Meanwhile, human resources related policies and procedures have been continuously reviewed and improved to cope with operational changes and new legal requirements, if any.

CORPORATE SOCIAL RESPONSIBILITY

The Group cares about the community in which we operate. Being a responsible corporate citizen, the Group pursued a number of initiatives to extend our love and care to the needy.

In January 2010, the Group’s corporate volunteer team HKR Care & Share organised Discoverer Trip @ Discovery Bay and brought a group of children suffering from chronic diseases and their family members to Discovery Bay. The children were given an opportunity to play outdoors in the serene environment of Discovery Bay after a long period of hospitalisation.

In the same month, following the 7.3 magnitude earthquake that hit Haiti, the Group also organised a fund raising campaign in support of the Red Cross’ relief operation in Haiti.

In November 2009, the Group participated in the Job Shadowing Programme, organised by Junior Achievement Hong Kong, as a host company for secondary students in order to help develop leaders of the new generation. The Group also took part in a series of job fairs organised by the Labour Department and the Hong Kong Young Women’s Christian Association during the year. To help raise the public’s interest in arts and culture, and to bring world-class performances to Hong Kong, the Group sponsored the Programme Opening Performance of Valery Gergiev & the Mariinsky Orchestra at the 38th Hong Kong Arts Festival in March 2010.

In recognition of our continued contribution to the community, the Hong Kong Council of Social Service awarded the Group the “Caring Company” logo for the fifth consecutive year. The Social Welfare Department also awarded the Group the “Gold Award for Volunteer Service” in December 2009.

INFORMATION TECHNOLOGY

The Group continued to enhance its competitiveness and operational efficiency by upgrading the existing information technology systems.

The Group introduced a new commitment control and contractors pre-qualification workflow system to automate the approval cycle which aimed to facilitate status tracking, eliminate paper flow and ensure that funding requests were processed in a timely manner. This workflow system is expected to be extended to cover the tendering procedure.

Upgrade of the Property Sales System with new design and logic running on a new platform was completed. The system is now ready for the upcoming sales launch of the Group's properties. Meanwhile, the Architect Instruction Approval System was also reengineered with additional workflow and logic to handle various approval requirements and procedures more effectively.

OUTLOOK

The Financial Year 2009/2010 is a year of achievements. We made good progress in all our key projects. While the international markets have remained fragile, we are optimistic about a global recovery in the long term and have every confidence in the growth momentum in Mainland China as well as in Hong Kong. With strong land banks in Hong Kong, Shanghai and Bangkok, the Group will vigilantly and diligently work towards sustaining growth, creating values and increasing returns for all our shareholders.

With our sound financials, prudent tradition and forward-thinking vision, complemented by the insightful leadership of our Directors and the team work of all staff, we are executing our growth strategy with vigour and precision. We are confident that the Group will be among the first to reap the fruits of a rebound in all the markets in which we operate.

FINANCIAL REVIEW

Shareholders' Funds

As at 31 March 2010, the shareholders' funds of the Group significantly increased by HK\$1,936.4 million to HK\$11,634.8 million (2009: HK\$9,698.4 million). The increase was mainly attributable to change in fair value on investment properties, gain on disposal of certain investment properties and income from operating units. The overall gross profit margin for the Group was 28.1% (2009: 34.7%).

Major cash flows to/from investing activities

In addition, the sale of property units of Le Bleu Deux in Tung Chung by Tung Chung Station Development Company Limited ("TCSDDL"), in which the Group has 31% interest, has been satisfactory. TCSDDL repaid HK\$297.6 million shareholders' loan to the Group during the year.

Major cash flows from operating activities

The sale of residential properties located in Discovery Bay, Hong Kong, Nassim Road, Singapore and The Sukhothai Residences, Bangkok contributed approximately HK\$155.3 million, HK\$196.9 million, and HK\$100.3 million cash respectively to the Group during the year.

The Group has disposed certain residential investment properties located in Discovery Bay and other areas of Hong Kong, as well as in Shanghai, PRC, which contributed HK\$235.5 million and HK\$1,326.6 million cash respectively to the Group.

Investment properties of the Group generated approximately HK\$253.5 million operating cash during the year.

Financial Liquidity

As at 31 March 2010, the Group had total cash and securities investment of HK\$2,527.5 million (2009: HK\$2,889.7 million) and total bank borrowings of HK\$1,570.6 million (2009: HK\$3,382.1 million).

Gearing

The Group's gearing ratio maintained at a low level of 2.4% (2009: 22.3%) as calculated by the Group's consolidated net borrowings to the shareholders' funds.

Banking Facilities

As at 31 March 2010, the Group had adequate internal cash and banking facilities, both secured and unsecured, to finance its development projects and operations. As at 31 March 2010, the unutilised credit facilities amounted to HK\$5,141.1 million (2009: HK\$2,438.8 million).

The maturity profile of bank borrowings were 10.1% (2009: 30.2%) falling within one year, nil (2009: 0.1%) falling between one to two years, and 89.9% (2009: 69.7%) falling between two to five years as at 31 March 2010.

Treasury Policy

The Group has centralised treasury functions for the management of funding requirements, interest rate and currency risk exposure. With majority of assets and liabilities denominated in HK dollars and US dollars and certain investments overseas, the Group has limited its foreign currency exposure by maintaining naturally hedged positions and through the use of currency swap arrangements. The Group's banking facilities are principally on floating rate basis and interest rate swaps will be employed to manage interest rate risk for its short to medium term borrowings when appropriate and necessary.

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

Pledge of Assets

As at 31 March 2010, the Group had pledged property, plant and equipment with a carrying value of HK\$9.1 million (2009: HK\$9.4 million), a property under development of HK\$104.9 million (2009: HK\$95.3 million), bank deposits of HK\$59.3 million (2009: HK\$58.9 million) to secure banking facilities granted to the Group. The banking facility relating to pledge of an investment property with carrying value of HK\$646.4 million as at 31 March 2009 has been released. No investment property was pledged at the end of the reporting period.

National Asset Limited, the Company's wholly owned subsidiary, had subordinated an inter-company debt due from one of its subsidiaries for HK\$35.6 million (2009: HK\$26.8 million) to secure certain general banking facility granted to the particular subsidiary.

During the year, the subordination of an inter-company debt due to Royston Investment Limited, the Company's wholly owned subsidiary, from its subsidiary for HK\$31.8 million as at 31 March 2009 to secure certain general banking facility granted was released.

Contingent Liabilities

At at 31 March 2010, the Group's contingent liabilities relating to a corporate guarantee given, to the extent of the Group's proportionate share, in respect of banking facility (or secured indebtedness, if appropriate) granted to an investee company accounted for HK\$153.5 million (2009: HK\$161.6 million).

Saved as aforesaid disclosure, the Group did not have other contingent liabilities as at 31 March 2010.

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 year.

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for certain deviations from the code provisions A.2.1 (division of responsibilities between the chairman and chief executive officer be clearly established and set out in writing), A.3 (minimum of three independent non-executive directors ("INED")) as per rule 3.10(1) of the Listing Rules), A.4.1 (non-executive directors be appointed for

a specific term), B.1.1 (majority members of remuneration committee should be INEDs) and E.1.2 (chairman of the board to attend annual general meeting). Since the issue of Company's interim report for the six months ended 30 September 2009, there has been no other deviation from the CG Code.

The considered reasons for deviations and details of the Company's compliance with the CG Code are set out in the corporate governance report contained in the annual report 2009/2010 of the Company to be published shortly.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The final results of the Group for the year ended 31 March 2010 have been reviewed by the audit committee of the Company. In addition, the figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2010 as set out in the preliminary results announcement have been agreed by the Group's independent auditor to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2010.

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

Hong Kong, 23 June 2010

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 CHEUNG Tseung Ming

Mr CHUNG Sam Tin Abraham

Mr TANG Moon Wah

Non-executive Directors

The Honourable Ronald Joseph ARCULLI

Mr CHA Mou Daid Johnson

Mr CHEUNG Wing Lam Linus

Ms WONG CHA May Lung Madeline

Independent Non-executive Directors

Dr CHENG Kar Shun Henry

Dr The Honourable CHEUNG Kin Tung Marvin

Ms HO Pak Ching Loretta

Dr QIN Xiao

* *Registered under Part XI of the Companies Ordinance, Chapter 32 of the laws of Hong Kong*