



## **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 2008**

#### **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 2008.

The Group’s turnover for the year ended 31 March 2008 was HK\$3,429.7 million, representing an increase of 30.1% compared to HK\$2,636.7 million (restated) reported in the preceding year. Profit from operations for the year was HK\$1,577.6 million, representing an increase of 28.2% compared to HK\$1,230.9 million of last year. Profit attributable to shareholders amounted to HK\$924.8 million which was 22.4% lower than that of HK\$1,192.3 million (including a non-recurrent gain on disposal of subsidiaries of HK\$580.8 million) as reported in the preceding year. Earnings per share was at HK\$0.68 for the year, compared to HK\$0.88 reported in the preceding year.

#### **DIVIDEND**

The Board has recommended the declaration of a final dividend of HK9 cents (2007: HK10 cents (final) and HK10 cents (special)) per share for the year ended 31 March 2008 to shareholders whose names appear on the registers of members of the Company on Tuesday, 5 August 2008, subject to shareholders’ approval at the forthcoming annual general meeting (“AGM”) of the Company. The final dividend, if approved, will be paid on Wednesday, 27 August 2008. The proposed final dividend together with the interim dividend of HK6 cents (2007: HK4 cents) per share makes a total dividend of HK15 cents (2007: HK24 cents) per share for the year. It is anticipated that the conversion price of the convertible bonds will be adjusted in accordance with the terms and conditions of the convertible bonds upon declaration of the final dividend at the AGM.

#### **CLOSURE OF REGISTER OF MEMBERS**

The main and branch registers of members of the Company will be closed from Friday, 1 August 2008 to Tuesday, 5 August 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend recommended for approval at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 31 July 2008.

## AUDITED CONSOLIDATED INCOME STATEMENT

	<i>NOTES</i>	<b>For the year ended 31 March</b>	
		<b>2008</b>	2007
		<b><i>HK\$'M</i></b>	<i>HK\$'M</i>
Turnover	3	<b>3,429.7</b>	2,636.7
Cost of sales		<b>(2,010.2)</b>	(1,412.9)
Gross profit		<b>1,419.5</b>	1,223.8
Other operating income		<b>80.5</b>	122.5
Administrative expenses		<b>(513.5)</b>	(391.7)
Change in fair value of investment properties		<b>586.8</b>	130.8
Change in fair value of financial assets at fair value through profit or loss		<b>4.3</b>	145.5
Profit from operations		<b>1,577.6</b>	1,230.9
Finance costs	4	<b>(193.2)</b>	(199.7)
Gain on disposal of subsidiaries		—	580.8
Share of results of associates		<b>300.2</b>	85.4
Share of result of jointly controlled entity		<b>(34.0)</b>	12.0
Impairment loss recognised in respect of goodwill		<b>(0.9)</b>	(13.9)
Profit before taxation	5	<b>1,649.7</b>	1,695.5
Taxation	6	<b>(383.3)</b>	(196.3)
Profit for the year		<b>1,266.4</b>	1,499.2
Attributable to:			
Equity holders of the Company		<b>924.8</b>	1,192.3
Minority interests		<b>341.6</b>	306.9
		<b>1,266.4</b>	1,499.2
Dividends paid	7	<b>351.0</b>	175.5
Dividend proposed	7	<b>121.5</b>	270.0
Earnings per share	8		
— basic ( <i>HK cent</i> )		<b>68</b>	88
— diluted ( <i>HK cent</i> )		<b>65</b>	82

## AUDITED CONSOLIDATED BALANCE SHEET

	At 31 March	
	2008	2007
	<i>HK\$'M</i>	<i>HK\$'M</i>
Non-current assets		
Investment properties	5,873.7	5,032.6
Property, plant and equipment	2,413.2	2,248.5
Prepaid lease payments	197.1	198.7
Goodwill	9.2	8.0
Interests in associates	347.2	309.6
Interest in jointly controlled entity	2,349.5	1,043.0
Held-to-maturity investments	23.3	15.6
Available-for-sale financial assets	174.0	17.0
Other assets	127.4	180.3
Deferred tax assets	3.2	4.3
	<b>11,517.8</b>	9,057.6
Current assets		
Inventories	152.2	133.6
Properties held for sale	79.8	731.9
Trade receivables	674.0	227.8
Sale proceeds held by stakeholders	1.7	36.6
Deposits, prepayments and other receivables	201.4	412.4
Properties held for/under development	1,496.9	1,256.6
Amounts due from associates	949.9	1,133.2
Amount due from jointly controlled entity	13.6	—
Taxation recoverable	4.3	3.2
Financial assets at fair value through profit or loss	1,759.7	1,634.3
Pledged bank deposits	79.6	75.6
Bank balances and cash	1,481.2	904.3
	<b>6,894.3</b>	6,549.5

		<b>At 31 March</b>	
	<i>NOTE</i>	<b>2008</b>	2007
		<b>HK\$'M</b>	<b>HK\$'M</b>
<b>Current liabilities</b>			
Trade payables, provision and accrued charges		<b>890.6</b>	844.1
Deposits received and other payables		<b>694.7</b>	289.0
Amounts due to associates		<b>14.5</b>	15.1
Taxation payable		<b>101.3</b>	141.8
Derivative financial instruments		<b>7.4</b>	13.6
Bank loans due within one year		<b>596.3</b>	352.9
Convertible bonds – liability component		<b>488.0</b>	–
Other liabilities due within one year		<b>23.7</b>	4.1
		<b>2,816.5</b>	1,660.6
Net current assets		<b>4,077.8</b>	4,888.9
Total assets less current liabilities		<b>15,595.6</b>	13,946.5
<b>Non-current liabilities</b>			
Bank loans due after one year		<b>1,761.3</b>	920.5
Convertible bonds – liability component		<b>1,097.4</b>	1,483.8
Other liabilities due after one year		<b>937.0</b>	1,208.3
Deferred tax liabilities		<b>574.3</b>	358.3
		<b>4,370.0</b>	3,970.9
		<b>11,225.6</b>	9,975.6
<b>Capital and reserves</b>			
Share capital	9	<b>337.5</b>	337.5
Reserves		<b>9,817.4</b>	8,914.3
Equity attributable to equity holders of the Company		<b>10,154.9</b>	9,251.8
Minority interests		<b>1,070.7</b>	723.8
		<b>11,225.6</b>	9,975.6

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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.

In the current year, the presentation of the turnover and cost of sales of securities investment adopted in the consolidated income statement has been changed so as to reflect the nature of the sales of securities investment in a more appropriate manner. In the prior year, the sale proceeds and the related cost of sales were shown separately in the consolidated income statement. In the current year, the net gain from sales of securities investment has been included in the turnover in the consolidated income statement. Accordingly, certain comparative figures were restated.

### 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARD (“HKFRS”)

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards (“HKAS”s) and interpretations (“INT”s) (hereinafter collectively referred to as “new HKFRS”s) issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions

\* IFRIC represents the International Financial Reporting Interpretations Committee.

While some of these HKFRSs are not applicable to the Group, the adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied those new, revised and amended standards or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the amount of sale proceeds attributable to the Group derived from property development and investment activities, net amounts received and receivable in respect of sales of goods and services rendered to outside customers, securities investment income and rental income from properties letting during the year. An analysis of the Group's turnover is as follows:

	<b>2008</b> <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Sales of properties	<b>1,767.7</b>	1,276.7
Sales of goods	<b>217.8</b>	132.1
Services rendered	<b>1,071.8</b>	872.2
Rental income	<b>369.5</b>	337.1
Investment income	<b>2.9</b>	18.6
	<hr/> <b>3,429.7</b> <hr/> <hr/>	<hr/> 2,636.7 <hr/> <hr/>

## Business segments

The Group's turnover and contribution to profit from operations analysed by principal activity and sales revenue analysed by geographical location are as follows:

For management purposes, the Group is currently organised into property development, property investment, services provided, hotels, securities investment, healthcare and manufacturing segments. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these operational divisions for the year ended 31 March 2008 is presented below:

	Property development <i>HK\$'M</i>	Property investment <i>HK\$'M</i>	Services provided <i>HK\$'M</i>	Hotels <i>HK\$'M</i>	Securities investment <i>HK\$'M</i>	Healthcare <i>HK\$'M</i>	Manufacturing <i>HK\$'M</i>	Eliminations <i>HK\$'M</i>	Consolidated <i>HK\$'M</i>
<b>For the year ended 31 March 2008</b>									
<b>TURNOVER</b>									
External sales	1,767.7	369.5	374.4	380.7	2.9	316.7	217.8	—	3,429.7
Inter-segment sales*	—	72.4	27.2	1.5	—	—	—	(101.1)	—
Total	1,767.7	441.9	401.6	382.2	2.9	316.7	217.8	(101.1)	3,429.7
<b>RESULTS</b>									
Segment results**	768.6	825.0	(22.0)	48.9	(0.4)	(21.4)	(12.2)		1,586.5
Interest income									39.3
Unallocated corporate expenses									(48.2)
Profit from operations									1,577.6
Finance costs									(193.2)
Share of results of associates	300.2	—	—	—	—	—	—	—	300.2
Share of result of jointly controlled entity	(34.0)	—	—	—	—	—	—	—	(34.0)
Impairment loss recognised in respect of goodwill	—	—	—	—	—	—	(0.9)		(0.9)
Profit before taxation									1,649.7
Taxation									(383.3)
Profit for the year									1,266.4

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

\*\* Segment results have incorporated the non-cash expenses as set out in Other Information of business segments.

	Property development <i>HK\$'M</i>	Property investment <i>HK\$'M</i>	Services provided <i>HK\$'M</i>	Hotels <i>HK\$'M</i>	Securities investment <i>HK\$'M</i>	Healthcare <i>HK\$'M</i>	Manufacturing <i>HK\$'M</i>	Consolidated <i>HK\$'M</i>
<b>At 31 March 2008</b>								
<b>ASSETS</b>								
Segment assets	3,014.2	6,478.0	647.5	1,732.5	2,238.7	186.5	340.4	14,637.8
Interests in and amounts due from associates	1,288.6	3.8	—	—	—	4.7	—	1,297.1
Interest in and amount due from jointly controlled entity	2,363.1	—	—	—	—	—	—	2,363.1
Total allocated assets	6,665.9	6,481.8	647.5	1,732.5	2,238.7	191.2	340.4	18,298.0
Taxation recoverable								4.3
Deferred tax assets								3.2
Unallocated corporate assets								106.6
Consolidated total assets								18,412.1
<b>LIABILITIES</b>								
Segment liabilities	1,201.2	234.3	958.4	52.8	19.9	43.6	31.9	2,542.1
Tax payable								101.3
Deferred tax liabilities								574.3
Unallocated corporate liabilities								3,968.8
Consolidated total liabilities								7,186.5
<b>OTHER INFORMATION</b>								
Allowance for doubtful debts	0.6	—	—	—	—	5.3	0.4	6.3
Capital additions	122.7	223.6	30.0	68.8	—	42.5	4.7	492.3
Depreciation	7.3	12.8	51.1	45.1	—	20.9	11.0	148.2
Release of prepaid lease payments	0.8	3.0	0.5	0.3	—	—	0.5	5.1
Change in fair value of investment properties	—	586.8	—	—	—	—	—	586.8
Impairment loss recognised in respect of property, plant and equipment	—	—	35.0	—	—	0.7	—	35.7



	Property development <i>HK\$'M</i>	Property investment <i>HK\$'M</i>	Services provided <i>HK\$'M</i>	Hotels <i>HK\$'M</i>	Securities investment <i>HK\$'M</i>	Healthcare <i>HK\$'M</i>	Manufacturing <i>HK\$'M</i>	Eliminations <i>HK\$'M</i>	Consolidated <i>HK\$'M</i>
For the year ended 31 March 2007									
<b>TURNOVER</b>									
External sales	1,276.7	337.1	349.7	305.0	18.6	217.5	132.1	—	2,636.7
Inter-segment sales*	—	58.0	17.6	1.3	—	—	—	(76.9)	—
Total	1,276.7	395.1	367.3	306.3	18.6	217.5	132.1	(76.9)	2,636.7
<b>RESULTS</b>									
Segment results**	649.6	371.5	20.2	68.2	143.4	(2.0)	(5.2)		1,245.7
Interest income									43.1
Unallocated corporate expenses									(57.9)
Profit from operations									1,230.9
Finance costs									(199.7)
Gain on disposal of subsidiaries									580.8
Share of results of associates	87.9	—	—	—	—	(0.9)	(1.6)		85.4
Share of result of jointly controlled entity	12.0	—	—	—	—	—	—		12.0
Impairment loss recognised in respect of goodwill	—	—	—	—	—	(11.6)	(2.3)		(13.9)
Profit before taxation									1,695.5
Taxation									(196.3)
Profit for the year									1,499.2

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

\*\* Segment results have incorporated the non-cash expenses as set out in Other Information of business segments.

	Property development HK\$'M	Property investment HK\$'M	Services provided HK\$'M	Hotels HK\$'M	Securities investment HK\$'M	Healthcare HK\$'M	Manufacturing HK\$'M	Consolidated HK\$'M
At 31 March 2007								
<b>ASSETS</b>								
Segment assets	2,370.2	5,551.2	763.0	1,501.2	2,150.4	161.3	320.7	12,818.0
Interests in and amounts due from associates	1,437.6	0.6	—	—	—	4.6	—	1,442.8
Interest in jointly controlled entity	1,043.0	—	—	—	—	—	—	1,043.0
<b>Total allocated assets</b>	<b>4,850.8</b>	<b>5,551.8</b>	<b>763.0</b>	<b>1,501.2</b>	<b>2,150.4</b>	<b>165.9</b>	<b>320.7</b>	<b>15,303.8</b>
Taxation recoverable								3.2
Deferred tax assets								4.3
Unallocated corporate assets								295.8
<b>Consolidated total assets</b>								<b>15,607.1</b>
<b>LIABILITIES</b>								
Segment liabilities	1,030.6	235.2	895.1	49.2	90.6	31.0	24.0	2,355.7
Tax payable								141.8
Deferred tax liabilities								358.3
Unallocated corporate liabilities								2,775.7
<b>Consolidated total liabilities</b>								<b>5,631.5</b>
<b>OTHER INFORMATION</b>								
Allowance for doubtful debts	—	—	1.2	—	—	2.0	—	3.2
Capital additions	121.2	191.0	22.3	57.3	—	11.1	4.1	407.0
Depreciation	6.5	11.7	49.2	37.7	—	21.7	10.8	137.6
Release of prepaid lease payments	0.8	3.0	0.5	0.3	—	—	0.5	5.1
Change in fair value of investment properties	—	130.8	—	—	—	—	—	130.8
Impairment loss recognised in respect of property, plant and equipment	—	—	—	—	—	3.0	—	3.0

## Geographical segments

For each of the years ended 31 March 2008 and 2007, the Group's operations or its underlying operating assets are located in Hong Kong, South East Asia, North America, the People's Republic of China other than Hong Kong ("PRC") and Australia.

The property development, property investment, services provided, healthcare and manufacturing activities are carried out principally in Hong Kong, South East Asia and the PRC. Hotel operation is carried out in South East Asia. The segment assets of securities investment segment are principally located in North America.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods/services:

	Revenue by geographical location	
	2008 <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Hong Kong	2,672.0	2,045.2
South East Asia	490.9	397.8
North America	58.7	72.1
PRC	70.4	47.0
Australia	137.7	74.6
	<b>3,429.7</b>	<b>2,636.7</b>

The following table is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, investment properties and prepaid lease payments, analysed by the geographical location in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, investment properties and prepaid lease payments	
	2008 <i>HK\$'M</i>	2007 <i>HK\$'M</i>	2008 <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Hong Kong	8,851.0	7,614.5	358.2	335.3
South East Asia	2,922.4	2,239.7	124.8	66.1
North America	1,796.1	1,906.4	0.3	–
PRC	993.9	992.6	7.2	4.4
Australia	74.4	64.8	1.8	1.2
	<b>14,637.8</b>	<b>12,818.0</b>	<b>492.3</b>	<b>407.0</b>

#### 4. FINANCE COSTS

	2008 <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Interest on		
Bank loans wholly repayable within five years	84.9	100.0
Other borrowings wholly repayable within five years	18.8	20.0
Convertible bonds – liability component wholly repayable within five years	<u>101.6</u>	<u>95.1</u>
Total borrowing costs	205.3	215.1
Less: Amounts included in the cost of qualifying assets	<u>(22.2)</u>	<u>(20.0)</u>
	183.1	195.1
Bank loans arrangement fees and bank charges	<u>10.1</u>	<u>4.6</u>
	<u><u>193.2</u></u>	<u><u>199.7</u></u>

#### 5. PROFIT BEFORE TAXATION

	2008 <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	5.4	4.4
Release of prepaid lease payments	5.1	5.1
Less: Amounts capitalised and included in properties under development	<u>(2.9)</u>	<u>(2.9)</u>
	2.2	2.2
Cost of inventories recognised as an expense	1,031.2	963.2
Change in fair value of derivative financial instruments	8.6	8.3
Depreciations of property, plant and equipment	148.2	137.6
Impairment loss recognised in respect of property, plant and equipment	35.7	3.0
Operating lease rentals in respect of land and buildings	39.2	26.1
Loss on disposal of property, plant and equipment	7.8	2.2
Reversal of impairment loss recognised in respect of certain development projects	–	(54.5)
Net gain from disposal of financial assets at fair value through profit or loss	(2.9)	(18.5)
Net exchange loss	32.7	20.5
Allowance for doubtful debts	6.3	3.2
Staff costs (including directors' remuneration)	443.8	339.7
Net rental income under operating leases on		
Investment properties	(361.6)	(330.3)
Other properties	(7.9)	(6.8)
Less: Outgoings	<u>18.1</u>	<u>17.7</u>
	<u><u>(351.4)</u></u>	<u><u>(319.4)</u></u>

## 6. TAXATION

	<b>2008</b> <i>HK\$'M</i>	2007 <i>HK\$'M</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% (2007: 17.5%) on the estimated assessable profit for the year	<b>158.7</b>	119.4
Overseas tax calculated at rates prevailing in respective jurisdictions	<u>21.3</u>	<u>13.6</u>
	<b>180.0</b>	133.0
Deferred taxation for current year	<u>203.3</u>	<u>63.3</u>
	<u><b>383.3</b></u>	<u>196.3</u>

## 7. DIVIDENDS

	<b>2008</b> <i>HK\$'M</i>	2007 <i>HK\$'M</i>
Final dividend paid for 2007 of HK10 cents (2007: Final dividend paid for 2006 of HK9 cents) per share	<b>135.0</b>	121.5
Special dividend paid for 2007 of HK10 cents (2007: No special dividend paid for 2006) per share	<b>135.0</b>	—
Interim dividend paid for 2008 of HK6 cents (2007: Interim dividend paid for 2007 of HK4 cents) per share	<u>81.0</u>	<u>54.0</u>
	<u><b>351.0</b></u>	<u>175.5</u>
Proposed final dividend of HK9 cents (2007: HK10 cents (final) and HK10 cents (special)) per share	<u><b>121.5</b></u>	<u>270.0</u>

At the board meeting held on 26 June 2008, the Directors resolved to recommend a final dividend of HK9 cents per share for the year ended 31 March 2008 for approval at the forthcoming annual general meeting of the Company. The proposed dividend is not recognised as liabilities in the consolidated financial statements for the year ended 31 March 2008.

## 8. EARNINGS PER SHARE

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

	<b>2008</b> <i>HK\$'M</i>	2007 <i>HK\$'M</i>
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share	<b>924.8</b>	1,192.3
Effect of dilutive potential ordinary shares: Interest on convertible bonds	<b>101.6</b>	95.1
Earnings for the purpose of calculating diluted earnings per share	<b>1,026.4</b>	1,287.4

	<b>2008</b>	2007
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	<b>1,350,274,367</b>	1,350,274,367
Effect of dilutive potential ordinary shares relating to convertible bonds	<b>225,314,665</b>	220,949,756
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,575,589,032</b>	1,571,224,123

## 9. SHARE CAPITAL

	<b>2008 and 2007</b> <i>Number of shares</i>	<b>2008 and 2007</b> <i>HK\$'M</i>
Ordinary shares of HK\$0.25 each		
Authorised:	<b>2,000,000,000</b>	<b>500.0</b>
Issued and fully paid: At 31 March 2007 and 31 March 2008	<b>1,350,274,367</b>	<b>337.5</b>

## 10. POST BALANCE SHEET EVENT

On 26 April 2008, convertible bonds with a face value of HK\$434.0 million were redeemed by the Company for a consideration of HK\$505.6 million in accordance with the put options exercised by the bond holders pursuant to the terms and conditions of the convertible bonds.

## **BUSINESS REVIEW**

### **Property development**

#### *Discovery Bay*

On the 30th anniversary of Discovery Bay, this flagship residential project continued to undergo strategic development and repositioning, bringing the Group handsome return.

The relaunch of Chianti, Phase 13 of Discovery Bay, in August 2007 was a remarkable success. With the Group's strong branding in quality living, units were snapped up by both home buyers and investors alike. As of 31 March 2008, 519 units were sold at an average of HK\$6,410 per square foot GFA, representing approximately 98% of the total number of Chianti units. Two of the specialty units, namely Spa Residence and Cristalli Duplex, also attained record-high selling prices of HK\$14,113 and HK\$10,294 per square foot GFA respectively.

The architectural design of Chianti not only brings modern living to a new level, its show flats also clinched well-respected international design awards. Three show flats of Chianti, including the Spa Residence, Cristalli Duplex and Garden Suite, were awarded the "iF Design Award China" by Germany's iF International Forum Design in August 2007.

To further enhance the stylish, leisure and cultural characteristics of Discovery Bay, the Group in November 2007 brought in The Bounty, a 42-metre European tall ship replica. In memory of the Group's late Chairman Dr Cha Chi Ming, The Bounty was given a Chinese name, Chi Ming(濟民), which implies generosity and benevolence and is in line with the meaning of the word 'bounty' in English.

The Bounty signifies Europe's sailing glory in the 18<sup>th</sup> Century and the spirit of exploration and adventure at the time, which also matches up Dr Cha Chi Ming's pioneer spirit when he started to develop Discovery Bay more than 30 years ago. The Bounty has become a new icon of the Hong Kong waters and will add value to the development under the "Coastal Leisure & Entertainment Development Concept" in Discovery Bay. In her first mission to serve the community, The Bounty raised a total of HK\$101,840 for the Children's Cancer Foundation when she was open for charity viewing in December 2007.

Featuring an up-market lifestyle shopping centre and a luxury conference and resort hotel, the development in Yi Pak was progressing well. As of March 2008, about 50% of the superstructure work of the 340-room luxury resort hotel with comprehensive conference and banqueting facilities was completed. The hotel and the shopping centre, targeted for soft opening by the end of 2009, are poised to become new attractions for both leisure and business travellers. The new community centre, completed in 2007, will be handed over to the Government to provide enhanced community services to residents of Discovery Bay and the nearby areas.

Planning of the Phase 14 residential development, with a size of over 300,000 square feet GFA, is underway. It is expected that the first sub-phase will be launched in 2009.

The new school premises of ESF's Discovery College are to open in August 2008. The school, which will offer primary and secondary curriculum, will further enhance the education opportunities in Discovery Bay by providing the much needed secondary school places in community. It will surely help attract more families with children to settle in Discovery Bay.

The Group has a 50% interest in Discovery Bay.

### ***Coastal Skyline, Tung Chung***

With its well-positioning and exceptional quality, La Rossa, the Phase 3 development of Coastal Skyline, was re-launched in June 2007 attracting enthusiastic market response from both local and overseas buyers. All 783 units were sold out, with the last one being taken up in January 2008, at an average selling price of HK\$3,989 per square foot GFA.

The show flats of this quality high-rise development also secured an "Honorable Mention of Asia Pacific Interior Design Awards 2007" by the Interior Design Association in Hong Kong in November 2007, and the "Best Residential Interior Award" by Perspective magazine in December 2007. In May 2008, show flats of La Rossa were also named the "Most Outstanding Showflats" of the "Elite Homes Awards 2008".

Characterised by its contemporary design and low-density environment, Le Bleu, the Phase 2 garden house development of Coastal Skyline, immediately grabbed market attention when it was re-launched in October 2007. The project achieved a benchmark selling price of HK\$17,482 per square foot GFA and the last deluxe garden house was sold in March 2008.

Sales launch of Le Bleu Deux, Phase 2 of Le Bleu and the last phase of Coastal Skyline, is scheduled for the third quarter of 2008. Capturing the positive property market sentiment, this exceptional 6-block low-density mid-rise development will bring an additional 524 new homes to Tung Chung. With the limited supply in the district and the project's unique positioning as a waterfront mid-rise development enjoying impeccable sea view, we are confident that Le Bleu Deux will be well-received by the market.

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

### ***Dazhongli Project in Jingan, Shanghai***

The development project in Dazhongli ("Dazhongli project") continued to progress smoothly during the year. Located in the heart of the Jingan District, one of the busiest and central locations in Shanghai, the Dazhongli project enjoys excellent accessibility to the whole city. With a total floor area of approximately 330,000 square metres, it will be a world class comprehensive development project comprising large-scale offices, hotels and retail facilities.

Resettlement works continued. By the end of March 2008, more than 90% of the total units in Phase 1 had signed up agreements and/or moved out from the site. For Phase 2, resettlement permit has been obtained and preparatory works are generally completed. It is expected that Phase 2 resettlement works will commence in June 2008. The whole project is scheduled for completion in 2012.



The strategic partnership with Swire Properties Limited, reached by the disposal of the Group's 50% interest in the project in 2006, has enhanced the property and investment value of this flagship development. Sharing same vision in the project, the Group is working closely with its partner to develop and manage the project to success. With the scale of the development, the excellent location and the combination of facilities, the Dazhongli project will become a prominent landmark in Shanghai.

### ***Chelsea, Shanghai***

Chelsea, the Group's wholly-owned deluxe serviced apartments in Shanghai, continued to perform well with high rental level and occupancy rate attributable to the thriving economy. Renovation was under planning to maintain and improve its competitiveness. During the year, the average occupancy rate was around 75%. Renowned for its superior services and leading facilities, Chelsea continued to stand out in the high-end serviced apartments market in Shanghai and generate stable return for the Group.

### ***The Exchange, Tianjin***

The Group owns 15% interest of The Exchange, an investment property in Tianjin. During the year, the rental income was encouraging with the occupancy rate of Phase 1 (retail mall and north office tower) over 90%. Since its opening in June 2007, Phase 2 (hotel and south office tower) has achieved an occupancy rate of 50% in this short period. The total GFA of the project is 152,000 square metres.

### ***Beaufort on Nassim, Singapore***

In Singapore, the Group's Beaufort on Nassim, a luxury low-rise development located in the Nassim enclave, was sold out, with the last of the 30 units taken up in October 2007. Construction progress is in accordance with overall schedule and temporary occupancy permit is expected to be received in the second half of 2008. On the strength of the successful sale of the Beaufort on Nassim, the Group will continue to look into similar luxury developments in Singapore in view of its strong economic fundamentals, quality of living together with a stable legal and political framework, which attract an increasing number of multinationals relocating to Singapore.

### ***Sukhothai Residences, Thailand***

The formation of a democratically elected government in Thailand provided for improved confidence in the Thai economy. The luxury segment remained strong in the fourth quarter of 2007 and early 2008.

With our excellent track record and the brand equity of The Sukhothai hotel, the high-end freehold development of The Sukhothai Residences in Bangkok is quick to draw international attention. An ultra-luxury 41-storey condominium tower comprising 9 penthouses and 187 typical units, The Sukhothai Residences has become a landmark project in the Bangkok Central Business District. Construction commenced in late 2007 and is due for completion in 2010-2011.

Sale of The Sukhothai Residences was launched with a private VIP pre-sale in November 2007. By the end of March 2008, 130 units, including 4 penthouses, have been sold, representing 66% of the 196 units available, and generating sales revenue of about HK\$1,460.0 million. Sukhothai Sky Villa, the largest penthouse featuring an 18-metre swimming pool within a spacious sky garden set a record selling price in Thailand of THB408.7 million (over HK\$100 million) or THB343,798 per square metre (equivalent to HK\$7,828 per square foot). The average selling price for a typical unit was about THB225,000 per square metre (equivalent to HK\$5,123 per square foot), which was also remarkable in the Thai market.

### **Property investment**

Over 20 thematic restaurants renowned as D Deck situate along the promenade at DB Plaza offers customers with international cuisines, a breathtaking sea view as well as a Mediterranean ambience. The growth in the number of customers during the year proves that this oceanfront dining hub has become increasingly popular among gourmets looking for a brand-new dining experience. The Group will continue to market it as one of the most popular and yet unique dining destinations in Hong Kong. New publicity campaigns will be rolled out to attract a wider clientele from both local and overseas markets.

In the meantime, new shops are opened at DB Plaza, diversifying the tenant mix and providing more variety of products and services to Discovery Bay. During the year, DB Plaza achieved an average occupancy rate of 94%, bringing good rental income to the Group.

Attributable to the buoyant retail and leasing market, the Group's long-term commercial and industrial property investment portfolio continued to record strong performance. During the year, the Group's wholly-owned West Gate Tower in Cheung Sha Wan and the 50%-owned Discovery Park Shopping Centre in Tsuen Wan achieved good average occupancy rates of 97% and 94% respectively. The wholly-owned CDW Building in Tsuen Wan recorded an average occupancy rate of 94%, providing the Group with stable recurrent revenue.

The Group has always been looking for investment opportunity in the secondary property market so as to add value to its investment portfolio. It will continue to strengthen and diversify its investment portfolio to maximise profits through strategic acquisitions and disposals.

### **Services provided**

Persistent high fuel prices, rising maintenance, operating and staff costs brought pressure to the transportation division during the year. Nevertheless, patronage of both bus and ferry services rose moderately in line with the population growth in Discovery Bay. The Group will continue to find ways to overcome the operational difficulties, including the introduction of stringent cost control and other efficiency enhancement measures.

Discovery Bay's club operations showed a moderate rise in turnover. Among the various clubs which have been providing customer-focused and quality-driven services, Discovery Bay Marina Club in October 2007 landed the "Five Gold Anchors", the top honour in the Gold Anchor Award Scheme organised by The Yacht Harbour Association. To cope with the growing demand for berths, Discovery Bay Marina Club increased the total number of berths from 188 to 220 during the year. All new berths have come into operation since May 2008.

## **Hospitality**

The hospitality operations in Southeast Asia continued to perform well during the year. With their leading positions in the market and benefiting from the booming tourist industry in the region, the Group's internationally acclaimed hotels and serviced residences achieved outstanding results in terms of occupancy and room rates.

The Sukhothai hotel in Bangkok, renowned worldwide for its strong tradition of unrivalled service quality, continued to win regional and international recognition. It was ranked eighth in the "Top 100 Hotels in the World" and voted the "Best Hotel in Thailand" by the Institutional Investor magazine in its annual readers' poll in November 2007. It was voted by the readers of Conde Nast Traveler US magazine as one of the "Top Five Hotels in Thailand" and ranked 20<sup>th</sup> in the "Top 75 Hotels in Asia" in its "Readers Choice Awards" in November 2007. It was also ranked fourth in the "Top Five Hotels in Thailand" under the "Gold List - The World's Best Place to Stay" by Conde Nast Traveler US magazine in January 2008 and second in the "Top Four Hotels in Bangkok" of the "Business Travel Poll Awards" by Finance Asia HK magazine in November 2007.

Although their performances in the second and third quarters of 2007 have been moderately affected by the political uncertainties in Thailand, The Sukhothai hotel and Siri Sathorn serviced residences managed to recover quickly afterwards. Despite keen competition in the high-end hospitality market in the city, The Sukhothai hotel and Siri Sathorn serviced residences attained average occupancy rates of 69% and 75% respectively.

In Singapore, the economy continues to thrive with an expected growth rate of 4% to 6% in 2008. The Sentosa Resort & Spa, the Group's luxury spa resort in Singapore, will benefit from the strong economy and the casino boom as two large casino resorts in Marina Bay and Sentosa Island are due to open by 2009 and 2010 respectively.

During the year, The Sentosa Resort & Spa delivered a strong performance in advancing its occupancy rate from 68% last year to 80%. Well-known for its first-class resort and conference facilities, The Sentosa Resort & Spa received numerous accolades. In November 2007, it landed the prestigious title of "Singapore's Leading Spa Resort" for the third consecutive year, awarded by the World Travel Awards. It also won the "British Business Awards 2007" in the hospitality, tourism & retail category and best employee category awarded by the British Chamber of Commerce in Singapore in October 2007.

Spa Botanica, Singapore's first garden destination spa, swept the "Singapore Tourism Awards" in both the best tourism host category and the best spa experience category in March 2008. The Awards were given by the Singapore Tourism Board. Spa Botanica was also ranked sixth in the "Top Ten Urban Day Spas (overseas category)" by the readers of the Conde Nast Traveller UK magazine in March 2008, and recognised as one of the "150 World Class Spas" of the "Annual Connoisseur Collection of The World's Finest Spas 2007" by SpaAsia magazine in March 2007. Nestled next to Spa Botanica, The Garden restaurant was opened in March 2008 to present a dining experience termed "Conscious Dining", using produce specially sourced from organic or bio-dynamic farms.

The Group will strive to further enhance the world-class service of its hotels and serviced residences.

## **Securities investment**

The extraordinarily hostile investment environment, especially in the quarter ended 31 March 2008, has caused the Group's investment in securities to record a net contribution of around HK\$4.9 million for the whole year after taking into consideration of interest income generated in the investment portfolio that was re-allocated to Interest Income of the Group.

The Group acquired 20,245,500 shares in Sino-Ocean Land Holdings Limited in September 2007 at a consideration of HK\$157.5 million. As at 31 March 2008, an unrealised loss of HK\$3.1 million relating to the acquisition was recognised in the investment revaluation reserve. The investment has been treated as financial asset available-for-sale.

## **Healthcare**

During the year, the Group's healthcare operation expanded further over the Southeast Asia region. GenRx Holdings Limited ("GenRx"), the Group's wholly-owned subsidiary, is currently operating 52 medical and dental facilities through its subsidiaries in six cities namely Hong Kong, Beijing, Shanghai, Shenzhen, Macau and Manila. The healthcare operation recorded a turnover of HK\$316.7 million, 46% higher than that of last year.

In August 2007, AmMed Cancer Center opened its third centre in Hong Kong to provide consultation, chemotherapy and laboratory services. In the same month, AmMed also launched a cancer resource centre in Shanghai, the first cancer patient-support and cancer prevention centre in the city. In addition, the Shanghai Ruijin-AmMed Cancer Centre, a joint venture between Ruijin Hospital and AmMed International Corporation Ltd. (a subsidiary of GenRx), commenced operation in November 2007. The centre provides comprehensive cancer diagnostic and treatment services including an in-patient facility to the Mainland community.

Healthway Medical, an outpatient multi-specialty medical network in Hong Kong, Shanghai and Manila, continues to provide advanced clinical and laboratory facilities as well as professional nursing support to general practitioners and specialists. Two additional clinics were opened in Hong Kong during the year. The Health & Care Dental group, the largest dental network in Hong Kong, successfully built its second brand "Novodontics" to provide premium services in the implant dentistry business with modern facilities and technology.

With the opening of new clinics in Hong Kong and the Mainland, the prospect of the Group's healthcare business is promising. The Group will continue to broaden its patient base by expanding its healthcare network through collaboration with leading medical institutions and top-tier healthcare professionals in the region.

## **Manufacturing**

The high fuel prices, coupled with increasing labour costs on the Mainland, presented great challenges to the Group's sanitaryware business. Despite the tough operating environment, Imperial Bathroom Products Limited ("Imperial") continued to perform satisfactorily. With the consolidation of Bathroom & Kitchen Supplies Pty. Ltd., turnover for the year increased 65% to HK\$217.8 million. It will continue to grow its business in all its core markets, including Australia and the UK. Imperial will expand its products this year to include manufactured and outsourced tapware, bathtubs and shower enclosures.

## **Construction**

Hanison Construction Holdings Limited (“Hanison”), the Group’s 49%-owned associated company engaging primarily in construction business, delivered a solid performance. The consolidated turnover during the year was HK\$1,445.9 million, up 23% compared to last year. The higher turnover was mainly attributable to the increase in revenue from the construction business, interior and renovation business and building materials business.

Hanison will continue to actively participate in the construction tenders of both public and private sectors and to acquire properties with good development potential. It will also continue to engage in investment property leasing and property development. Supported by strong economic fundamentals and buoyant business activities, Hanison is expected to maintain a sustainable growth and continue to contribute a stable stream of revenue to the Group.

## **HUMAN RESOURCES AND ADMINISTRATION**

The Group firmly believes that staff is its most valuable asset. That’s why the Group has always been focusing on the recruitment, retention and development of the right people.

As of 31 March 2008, the total number of employees of the Group in Hong Kong and overseas was 3,365. Significant resources have been allocated to encourage, sponsor, and provide staff training and development activities. These included training on management skills, customer services, languages, health talk and senior executives’ sharing forums etc.

The Group also launched a Management Trainee Programme in 2007 with an aim of nurturing young talents to ensure its sustainable growth. It is a structured 18-month programme for fresh university graduates. The programme covers classroom training, job attachments and participation in corporate projects.

## **CORPORATE SOCIAL RESPONSIBILITY**

Contributing to the betterment of the community is a long-term commitment and core value of the Group. To live up to our commitment as a responsible corporate citizen, the Group continued to pursue initiatives to extend care and love to people in need through participation in charitable events, volunteer activities and social services.

HKR Care & Share, the Group’s corporate volunteer team established in 2005, participated in the flag-selling day of the Comfort Care Concern Group in September 2007 to help raise funds for the terminally-ill and the bereaved. In December 2007, The Bounty, the 42-metre European tall ship replica, was open for public viewing to raise funds for the Children’s Cancer Foundation. A total of HK\$101,840 was raised.

In recognition of our continued efforts to serve the community, The Hong Kong Council of Social Service in December 2007 awarded the Group the “Caring Company” logo for the third consecutive year.

Following the 8 magnitude earthquake that hit Sichuan on 12 May 2008, the Group swiftly donated HK\$2.0 million to the Liaison Office of the Central People’s Government in the Hong Kong SAR to contribute to the emergency assistance and rehabilitation support of victims. In addition, the

Group launched a matching programme to encourage staff to support the relief efforts of the Hong Kong Red Cross. For every dollar donated by staff, the Group donates an additional 1.5 dollars. The matching programme raised over HK\$1.35 million for the Hong Kong Red Cross. HKR Care & Share also made use of the annual Discovery Bay Dragon Boat Races & Carnival 2008 to organise charity auction, sales and donation activities in support of the relief and reconstruction works in Sichuan.

## **INFORMATION TECHNOLOGY**

The Group attaches great importance to the constant upgrade and improvement of information technology infrastructure in order to provide customers with quality services and to enhance operational efficiency.

Discovery Bay has entered the era of contactless smart card technology since 2007. Following the launch of smart card in Chianti for security control and facility management, in January 2008, a new ferry ticketing system utilising similar technology successfully replaced the old magnetic ticketing system, allowing fast and secured access and bringing convenience to commuters. There will be continuous development to expand the use of smart card technology into an all-in-one card system for other community facilities.

## **OUTLOOK**

The market is concerned about the repercussions of the subprime mortgage crisis in the US and subsequent market turmoil on the stability of the global economy and the international financial system. Yet, the economic fundamentals of Hong Kong remain strong and the local property market is still buoyant. In addition, there are other favorable socio-economic developments.

In February 2008, the Hong Kong-Zhuhai-Macao Bridge Advance Work Co-ordination Group reached a consensus on the bridge's financing and the way forward. The construction of the bridge will turn Lantau into a transportation hub. With good reserves of land bank on Lantau, the Group will be among the first to be able to benefit from this cross-boundary infrastructural development. Le Bleu Deux, Phase 2 of Le Bleu at Coastal Skyline, is planned for launch in the third quarter of 2008.

In March 2008, the Government launched a consultation on healthcare reform and supplementary financing options, with public-private partnership being one of the recommendations. Increasing engagement of and growing demand for quality private medical services is expected in the long run. The Group's healthcare operation, with its expanding network and increasing sophistication, is well positioned to meet the demand and rise to the challenge.

The Group will also take advantage of the rapid economic growth on the Mainland as well as the favorable political economic situation in Southeast Asia to continue developing its businesses. In the meantime, discussion and negotiations of new development projects are ongoing. And we continue to look for new land bank in high growth areas to expand our portfolio.

We are embarking on a new journey to strengthen and expand our business territory on the Mainland and in Southeast Asia. With the leadership of the Board of the Company and the team work of all staff, we are confident that the Group will continue to thrive.

## **FINANCIAL REVIEW**

### **Shareholders' funds**

At 31 March 2008, the shareholders' funds of the Group rose by HK\$903.1 million to HK\$10,154.9 million (2007: HK\$9,251.8 million). The increase was mainly attributable to the robust properties sales of Chianti in Discovery Bay and profit contribution from other operating units. The overall gross profit margin for the Group was steady at 41.4% (2007: 46.4% (restated)).

### **Major cash flows to/from investing activities**

During the financial year, the Group continued to capitalise one of its major development projects located in Jingan, Shanghai, in which the Group holds 50% equity interest, for HK\$1,180.4 million.

The Group has also acquired certain residential properties located in Discovery Bay, Tung Chung and other areas of Hong Kong for investment purpose at a total consideration of HK\$158.8 million.

In March 2008, the Group acquired a residential investment property located in Sapporo, Japan for a total consideration of approximately HK\$50.0 million.

During the financial year, Tung Chung Station Development Company Limited ("TCSDCL"), in which the Group has 31% interest, has repaid HK\$434.0 million shareholders' loan to the Group.

### **Major cash flows from operating activities**

The sale of residential properties located in Discovery Bay, Hong Kong and Nassim Road, Singapore contributed approximately HK\$1,544.0 million and HK\$147.7 million cash respectively to the Group during the financial year. In addition, investment properties of the Group generated approximately HK\$253.3 million operating cash during the financial year.

### **Financial liquidity**

The Group has total cash and securities investment of HK\$3,572.4 million (2007: HK\$2,724.8 million). Meanwhile total bank borrowings increased by HK\$1,084.2 million to HK\$2,357.6 million (2007: HK\$1,273.4 million) for the purpose of financing the acquisitions of new investment properties and the existing development projects of the Group during the financial year.

### **Gearing**

The Group's gearing ratio stood at a low level of 22.9% (2007: 18.4%) as calculated by the Group's consolidated net borrowings to the shareholders' funds.

### **Banking facilities**

At 31 March 2008, the Group had adequate internal cash and banking facilities, both secured and unsecured, to finance its development projects and operations. At 31 March 2008, the unutilised credit facilities amounted to HK\$4,263.3 million (2007: HK\$3,438.8 million).

The Group has refinanced part of its credit facilities at lower interest margin and on more favourable terms. Amongst the refinancing activities, the Group arranged in September 2007 a 5-year syndicated working capital loan facility of HK\$2,500 million.

The maturity profile of bank borrowings was 25% (2007: 28%) falling within one year, 3% (2007: 14%) falling between one to two years, and 72% (2007: 58%) falling between two to five years at 31 March 2008.

### **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, the Group has limited exposure to foreign currencies. For hedging of foreign currency exposure in certain overseas operation, currency swap arrangements were made. 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**

At 31 March 2008, the Group has pledged an investment property and property, plant and equipment with a total carrying value of HK\$738.9 million (2007: HK\$469.4 million), a property under development of HK\$512.1 million (2007: nil) and bank deposits of HK\$79.6 million (2007: HK\$75.6 million) to secure banking facilities granted to the Group. No equipment (2007: HK\$0.1 million) was pledged for the aforesaid purpose at 31 March 2008.

At 31 March 2007, the Group's entire interest of 31% in TCSDCL was pledged. The loans to TCSDCL (before provision) amounting to approximately HK\$2,379.3 million were subordinated to banks, to secure the banking facilities granted to TCSDCL. Upon cancellation of the remaining unutilised banking facilities effective from 10 October 2007, as agreed by the banks, all charges in relation to the banking facilities (except the guarantee, to the extent of the Group's proportionate share in respect of the banking facilities, which is retained by the banks for seven months thereafter) including subordination of shareholders' loans and pledge of equity interest in TCSDCL were fully released and discharged on 30 November 2007.

HKR Properties Limited, HKR Asia-Pacific Pte Ltd and National Asset Limited, the Company's wholly owned subsidiaries, subordinated the inter-company debts due from one of their subsidiaries respectively in amount of HK\$29.0 million (2007: HK\$27.8 million), HK\$401.0 million (2007: nil) and HK\$35.6 million (2007: nil) to secure certain general banking facilities granted to the particular subsidiary.

### **Contingent liabilities**

The Group's contingent liabilities in respect of corporate guarantees and undertaking given, to the extent of the Group's proportionate share, in respect of banking and other facilities (or secured indebtedness, if appropriate) granted, increased slightly by HK\$4.9 million to HK\$160.4 million (2007: HK\$155.5 million) due to exchange translation.

Saved as aforesaid disclosure, the Group did not have other contingent liabilities at 31 March 2008.



## **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. However, the Company redeemed part of its convertible bonds in the principal sum of HK\$434.0 million on 26 April 2008. The Company's convertible bonds are listed on The Stock Exchange of Hong Kong Limited.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors of the Company, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "CG Code") throughout the year ended 31 March 2008, except for certain deviations from the code provisions A.2.1, A.4.1, D.1.1 and D.1.2 as previously reported in the last interim report 2007/2008 published in December 2007. Since the last published interim report, there have been no changes in relation thereto.

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 2007/2008 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 2008 have been reviewed by the audit committee established in compliance with rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant provisions of the CG Code. The audit committee comprises three independent non-executive directors namely Dr CHENG Kar Shun Henry, Dr The Honourable CHEUNG Kin Tung Marvin and Mr CHEUNG Wing Lam Linus and a non-executive director namely The Honourable Ronald Joseph ARCULLI.

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

Hong Kong, 26 June 2008

*As at the date of this announcement, the Board of the Company 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*

*Ms HO Pak Ching Loretta*

*Ms WONG CHA May Lung Madeline*

***Independent Non-executive Directors***

*Dr CHENG Kar Shun Henry*

*Dr The Honourable CHEUNG Kin Tung Marvin*

*Mr CHEUNG Wing Lam Linus*

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