



## **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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND RE-DESIGNATION OF A DIRECTOR AND INCIDENTAL MATTERS**

The board of directors (the “Board” or the “Directors”) of HKR International Limited (the “Company”) is pleased to announce the results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 (the “Period”).

#### **INTERIM RESULTS**

The Group’s unaudited consolidated profit attributable to shareholders of the Company for the Period was HK\$277.9 million, compared with HK\$524.3 million for the corresponding period last year. Earnings per share was HK20.58 cents, compared with HK38.83 cents for the corresponding period last year.

#### **INTERIM DIVIDEND**

The Directors do not recommend the payment of interim dividend to shareholders for the Period. An interim dividend of HK6 cents per share was paid to shareholders for the corresponding period last year.

#### **BUSINESS REVIEW**

##### **Property Development**

##### ***Discovery Bay, Hong Kong***

Further to the successful sale relaunch in late 2007 and early 2008 whereby more than 98% of the units of Chianti have been sold, Chianti won the Top Ten Property Marketing Award, the Top Ten Property Layouts Award and the Best Environmental Planning Award in HKIS Property Marketing Award 2008 organised by The Hong Kong Institute of Surveyors in November 2008. During the Period, a specialty duplex unit of Chianti and a few units of Siena were sold at HK\$9,364 per sq ft GFA and at an average selling price of over HK\$7,000 per sq ft GFA respectively. The remaining ten unsold units of Chianti comprising mostly the specialty deluxe ones would be sold in the second half of the financial year.

The foundation works of the next phase of Discovery Bay development project, phase 14, comprising 3 mid-rise blocks has been completed, and the construction contract was under review in view of the current downturn of property market.

The Group has 50% interest in Discovery Bay.

***Tung Chung, Hong Kong***

The sales launch of Le Bleu Deux, the only waterfront low-density mid-rise residential development in Tung Chung received enthusiastic market response, 472 units representing 90% of the total 524 units, were sold in the Period at an average selling price of HK\$5,874 per sq ft GFA.

Two show flats of this quality mid-rise residential development also secured the “Champion” of IAIC – Asia Pacific Interior Design Biennial Awards 2008 and the “Homer Award” by CIID – 2008 Chinese Interior Design Competition.

The Group has 31% interest in the Tung Chung project.

***Beaufort on Nassim, Singapore***

The project was completed in September 2008 and 27 out of 30 units have completed the sale to generate a profit of S\$55.0 million (approximately HK\$297.0 million) in the Period.

***Sukhothai Residences, Thailand***

In Bangkok, 141 out of 196 units of The Sukhothai Residences have been sold for Thai Baht 6,457.0 million (approximately HK\$1,485.0 million). The construction work of The Sukhothai Residences was progressing on schedule, and would be completed in early 2011.

**Property Investment*****Dazhongli, Jingan, Shanghai***

The resettlement works of the redevelopment project in Dazhongli, Shanghai (“Dazhongli project”) continued. As of 30 September 2008, 97% of the units in phase 1 and 18% of the units in phase 2 had signed up the resettlement agreements and/or moved out from the site. The master layout plan of the Dazhongli project has been approved in October 2008 and the schematic design was in progress. It was anticipated that the resettlement works of the phase 1 would be completed by the end of the year while the phase 2 site clearance would be targeted to complete in the third quarter of 2009.

The Group has 50% interest in the Dazhongli project.

***The Chelsea, Changning, Shanghai***

The Chelsea, the Group’s wholly-owned deluxe en bloc serviced apartments in Shanghai, was planning for renovation to uplift its competitiveness in the market. It was envisaged that the Chelsea would be able to maintain its leading position in the top-end serviced apartments market in Shanghai after the renovation.

***The Exchange, Tianjin***

The Exchange in Tianjin comprises phase 1 of a retail mall and the north office tower and phase 2 of the south office tower and a hotel. At 30 September 2008, the occupancy rates of the retail mall, two office towers and the hotel were 99%, 77% and 72% respectively.

The Group has 15% interest in The Exchange.

***Industrial and/or commercial properties, Hong Kong***

The Group’s 100% owned West Gate Tower in Cheung Sha Wan, CDW Building in Tsuen Wan and Joyce Building in Wong Chuk Hang and the 50% owned Discovery Park Shopping Centre in Tsuen Wan, attained high occupancy rates of 92%, 98%, 100% and 98% respectively for the Period. These investment properties provided steady and stable revenue to the Group.

The Group's 50% owned newly renovated DB Plaza, Discovery Bay, with the famous dining destination "D Deck", achieved an average occupancy rate of 94%. With the ongoing promotions to market the destination, over 20 thematic restaurants in "D Deck" have achieved steady growth in patronage not just from the residents in Discovery Bay, but also from outside visitors.

### ***Residential properties, Hong Kong and Japan***

At 30 September 2008, the Group had some residential units located in Discovery Bay, Tung Chung and other areas of Hong Kong and a 39-unit en bloc residential building in Sapporo, Japan held as investment properties. Such investment properties earned reasonable market rental during the Period.

During the Period, the Group has disposed of the commercial premises at 2<sup>nd</sup> Floor, Peninsula Centre in Tsim Sha Tsui East to an independent third party at the gross consideration of HK\$228.0 million and several residential units previously held as investment properties, in Discovery Bay and Hong Kong Island for HK\$49.4 million and generated a profit of HK\$34.1 million in aggregate.

### **Services Provided**

The Discovery Bay's club operations showed some improvement in turnover during the Period, and they would continue to provide customer-focused and quality-driven services.

Patronages of both bus and ferry services, as well as tunnel throughput, remained steady. However, as the fuel cost has arisen rapidly during the Period, the transportation division has been facing with a severe operating deficit which could be remedied by a ferry service revamp. A proposal which comprises moderate fare adjustment, change in ferry schedule and the introduction of night coach service has been submitted to the Transport Department for approval. It was hopeful that a new mode of combination of land and sea transport would continually be provided to the commuters with quality services and financially viable to both the commuters and the operators.

The Group's property management services companies in Discovery Bay and elsewhere in Hong Kong continued to perform well during the Period.

The Group has 50% interest in all the service providers in Discovery Bay.

### **Hospitality**

Despite the weak global economic situation, The Sentosa Resort & Spa has attained an occupancy rate of 68.3% at an average room rate of S\$331.0 for the Period. In Bangkok, due to the unstable political situation, the performance of The Sukhothai hotel and Siri Sathorn serviced apartments have been moderately affected.

The construction of the conference and resort hotel in Discovery Bay was still underway and due to overall decline in the hotel market sentiment in Hong Kong and Macau, the Company would reassess the viability of the project.

## **Securities Investment**

Securities investments of the Group have been diversified and managed by the external professional fund managers and internal personnel by disciplined and conservative approaches. For the last six months, performance of the investment portfolios was affected by the meltdown of global financial markets and posted a marked-to-market net loss of HK\$91.1 million. The Group will need to be prepared for possible write down in securities investments in the second half of the financial year in view of the market performance in October and November 2008 and should the securities markets stay on in such shrinking behaviour.

As a cornerstone investor, the Group held 20,245,500 shares of Sino-Ocean Land Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The investment has been classified as available-for-sale financial assets. At 30 September 2008, an impairment loss amounted to HK\$110.2 million was transferred from the reserves and recognised in the consolidated income statement as there was a significant decline in market price.

## **Healthcare**

The Group’s healthcare operation continued to strengthen its business in the Southeast Asia region with its turnover increased by 18% during the Period. GenRx Holdings Limited (“GenRx”), the Group’s wholly owned subsidiary, served over one million patients through its 55 medical and dental facilities in Hong Kong, Macau, Beijing, Shanghai, Shenzhen and Philippines in a network of comprehensive healthcare facilities consisting of cancer centre, dental clinics, diabetic/cardiovascular centres, multi-specialty outpatient centres affiliated with ambulatory hospitals.

AmMed Cancer Centre operating 2 clinics in Hong Kong continued to perform strongly through its premium service including medical oncology consultation, PET/CT diagnostic, chemotherapy and radiotherapy treatment. The Ruijin-AmMed centre in Shanghai has been growing steadily since its official opening in November 2007.

Healthway Medical, the outpatient multi-specialty medical network of GenRx, has 17 clinics in Hong Kong, Shanghai and Manila. This multi-specialty clinical operation, continued to grow through expansion to other cities like Guangzhou, China.

The dental networks of Arrail Group in China and Health & Care Dental Group in Hong Kong and Macau continued to provide quality professional dental services with state-of-the-art facilities.

Save for Ruijin-AmMed, Arrail Group, Health & Care Dental Group and diabetic/cardiovascular centres, all the other healthcare operations are 100% owned by the Group.

## **Manufacturing**

Imperial bathroom products unit, the sanitaryware division of the Group, was severely affected by the high fuel price and the increasing labor cost and material cost. Despite tough competition in Australian and England markets, the Group was able to maintain and increase the turnover. To improve and rectify the operational deficit, the management would re-position the Imperial brand by redefining the market segments, develop the designs and set the pricing of the premium line, with aim to improve the income and the margin thereof.

## **Construction**

Hanison Construction Holdings Limited (“Hanison”), the Group’s 49% owned associated company engaging primarily in construction business, experienced a net loss during the Period mainly affected by the decrease in gross profit margin and loss on change in fair value of investment properties. The net loss of Hanison for the Period was HK\$24.7 million, which the Group shared 49% amounting to HK\$12.1 million.

## **OUTLOOK**

With the immense impacts by the global financial tsunami, there would be a downturn in businesses related to retail, property and financial markets, in Hong Kong, the People’s Republic of China (“PRC”) and Asia Pacific where our premises and assets are basically located. The recent PRC Government’s announcement of an array of policies to stimulate the real property segment including tax exemptions, loosening of lending restriction, reduction of interest rates and mortgage deposit requirements and with the RMB4 trillion financial support to the PRC market, it is visioned that the real estate market and domestic economy would benefit from the scheme. Such new policies may not have a direct and speedy impact on our operations but would help establish and maintain growth in the real estate market in the PRC. If the PRC’s real property market and economy stabilise and recover earlier, Hong Kong would benefit. The Group would, as usual, make progress with our asset enhancement projects, continue to operate the established businesses prudently, provide quality service to strengthen its competitiveness in view of the uncertain outlook of the global economy.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

On 26 April 2008, the Company partially redeemed the zero coupon convertible bonds due in 2010 (the “Bonds”) in the principal amount of HK\$434.0 million pursuant to the terms and conditions of the Bonds.

After the end of the Period, the Company repurchased and cancelled part of the Bonds in the principal amount of HK\$184.0 million. As at the report date, the aggregate principal amount of the Bonds outstanding is HK\$792.0 million which will be due on 26 April 2010 and are subject to any possible early redemption by the Company pursuant to the terms and conditions of the Bonds.

The Bonds are listed on the Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code of 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 “Listing Rules”) throughout the Period, 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.4.1 (non-executive directors be appointed for a specific term), D.1.1 (give clear directions as to powers of management), D.1.2 (functions reserve to board and those delegated to management), E.1.1 (for each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of the meeting) and E.1.2. (chairman to attend annual general meeting). Details of the deviations and considered reasons relating to the code provisions A.2.1, A.4.1, D.1.1 and D.1.2 have been duly set out in the Corporate Governance Report of the annual report 2007/2008 published in June 2008.

The code provision E.1.1 provides that a separate resolution should be proposed by the chairman in a general meeting including the nomination of persons as directors. At the annual general meeting of the Company held on 5 August 2008 (the “AGM”), the chairman has proposed and the shareholders have passed with no objection vote a resolution to vote the re-elections of the four retiring directors in a single resolution to save the processing time involved. The re-election of all the four retiring directors were then approved and confirmed in a single resolution as proposed by the chairman of the AGM.

The code provision E.1.2 provides that the chairman of the board of directors should attend the annual general meeting and arrange for the chairman or member of the audit and remuneration committees to be available to answer questions at the annual general meeting. At the AGM, Mr CHA Mou Sing Payson, the Chairman of the Board of the Company and Dr CHENG Kar Shun Henry, the chairman of the audit committee and remuneration committee of the Company were unable to attend. However, Mr CHA Mou Zing Victor, the Deputy Chairman of the Board and Managing Director of the Company, took the chair of that meeting and two members of both the audit committee and remuneration committee were present thereat to be available to answer any question.

## CONDENSED CONSOLIDATED INCOME STATEMENT

|                                                                                  | NOTES | For the six months ended<br>30 September |                                      |
|----------------------------------------------------------------------------------|-------|------------------------------------------|--------------------------------------|
|                                                                                  |       | <u>2008</u><br>HK\$'M<br>(unaudited)     | <u>2007</u><br>HK\$'M<br>(unaudited) |
| Turnover                                                                         | 3     | <b>1,862.2</b>                           | 2,061.5                              |
| Cost of sales                                                                    |       | <b>(1,186.7)</b>                         | (1,068.4)                            |
| Gross profit                                                                     |       | <b>675.5</b>                             | 993.1                                |
| Other operating income                                                           |       | <b>33.6</b>                              | 30.5                                 |
| Gain on disposal of investment properties                                        |       | <b>34.1</b>                              | -                                    |
| Administrative expenses                                                          |       | <b>(207.4)</b>                           | (216.5)                              |
| Impairment loss on available-for-sale financial assets                           |       | <b>(110.2)</b>                           | -                                    |
| Change in fair value of investment properties                                    |       | <b>(86.7)</b>                            | 89.5                                 |
| Change in fair value of financial assets at fair value<br>through profit or loss |       | <b>(91.1)</b>                            | 73.3                                 |
| Profit from operations                                                           |       | <b>247.8</b>                             | 969.9                                |
| Finance costs                                                                    | 4     | <b>(91.6)</b>                            | (87.1)                               |
| Share of results of associates                                                   |       | <b>207.1</b>                             | 48.1                                 |
| Share of result of jointly controlled entity                                     |       | <b>(18.4)</b>                            | 29.3                                 |
| Profit before taxation                                                           | 5     | <b>344.9</b>                             | 960.2                                |
| Taxation                                                                         | 6     | <b>(41.5)</b>                            | (148.2)                              |
| Profit for the period                                                            |       | <b>303.4</b>                             | 812.0                                |
| Attributable to:                                                                 |       |                                          |                                      |
| Equity holders of the Company                                                    |       | <b>277.9</b>                             | 524.3                                |
| Minority interests                                                               |       | <b>25.5</b>                              | 287.7                                |
|                                                                                  |       | <b>303.4</b>                             | 812.0                                |
| Dividends paid                                                                   | 7     | <b>121.5</b>                             | 270.0                                |
| Dividend proposed                                                                | 7     | <b>-</b>                                 | 81.0                                 |
| Earnings per share                                                               | 8     |                                          |                                      |
| — basic (HK cents)                                                               |       | <b>20.58</b>                             | 38.83                                |
| — diluted (HK cents)                                                             |       | <b>N/A</b>                               | 36.50                                |

## CONDENSED CONSOLIDATED BALANCE SHEET

|                                                       | <u>At 30.9.2008</u> | <u>At 31.3.2008</u> |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | HK\$'M              | HK\$'M              |
|                                                       | (unaudited)         | (audited)           |
| Non-current assets                                    |                     |                     |
| Investment properties                                 | 5,549.7             | 5,873.7             |
| Property, plant and equipment                         | 2,528.5             | 2,413.2             |
| Prepaid lease payments                                | 194.4               | 197.1               |
| Goodwill                                              | 11.8                | 9.2                 |
| Interests in associates                               | 329.8               | 347.2               |
| Interest in jointly controlled entity                 | 4,076.4             | 2,349.5             |
| Held-to-maturity investments                          | 45.0                | 23.3                |
| Available-for-sale financial assets                   | 64.7                | 174.0               |
| Other assets                                          | 112.2               | 127.4               |
| Deferred tax assets                                   | 3.6                 | 3.2                 |
|                                                       | <u>12,916.1</u>     | <u>11,517.8</u>     |
| Current assets                                        |                     |                     |
| Inventories                                           | 154.5               | 152.2               |
| Properties held for sale                              | 110.9               | 79.8                |
| Trade receivables                                     | 996.4               | 674.0               |
| Sale proceeds held by stakeholders                    | —                   | 1.7                 |
| Deposits, prepayments and other receivables           | 278.7               | 201.4               |
| Properties held for/under development                 | 1,066.6             | 1,496.9             |
| Amounts due from associates                           | 919.0               | 949.9               |
| Amount due from jointly controlled entity             | 10.6                | 13.6                |
| Taxation recoverable                                  | —                   | 4.3                 |
| Held-to-maturity investments                          | 12.7                | —                   |
| Financial assets at fair value through profit or loss | 1,295.6             | 1,759.7             |
| Pledged bank deposits                                 | 81.3                | 79.6                |
| Bank balances and cash                                | 1,832.2             | 1,481.2             |
|                                                       | <u>6,758.5</u>      | <u>6,894.3</u>      |
| Current liabilities                                   |                     |                     |
| Trade payables, provision and accrued charges         | 885.8               | 890.6               |
| Deposits received and other payables                  | 523.5               | 694.7               |
| Amounts due to associates                             | 0.3                 | 14.5                |
| Taxation payable                                      | 146.8               | 101.3               |
| Derivative financial instruments                      | 1.4                 | 7.4                 |
| Bank loans due within one year                        | 487.7               | 596.3               |
| Convertible bonds – liability component               | —                   | 488.0               |
| Other liabilities due within one year                 | 18.8                | 23.7                |
|                                                       | <u>2,064.3</u>      | <u>2,816.5</u>      |
| Net current assets                                    | <u>4,694.2</u>      | <u>4,077.8</u>      |
| Total assets less current liabilities                 | <u>17,610.3</u>     | <u>15,595.6</u>     |



|                                                      | <b><u>At 30.9.2008</u></b> | <b><u>At 31.3.2008</u></b> |
|------------------------------------------------------|----------------------------|----------------------------|
|                                                      | <b>HK\$'M</b>              | <b>HK\$'M</b>              |
|                                                      | <b>(unaudited)</b>         | <b>(audited)</b>           |
| Non-current liabilities                              |                            |                            |
| Bank loans due after one year                        | <b>3,626.3</b>             | 1,761.3                    |
| Convertible bonds – liability component              | <b>1,134.4</b>             | 1,097.4                    |
| Other liabilities due after one year                 | <b>942.3</b>               | 937.0                      |
| Deferred tax liabilities                             | <b>531.2</b>               | 574.3                      |
|                                                      | <b>6,234.2</b>             | 4,370.0                    |
|                                                      | <b>11,376.1</b>            | 11,225.6                   |
| Capital and reserves                                 |                            |                            |
| Share capital                                        | <b>337.5</b>               | 337.5                      |
| Reserves                                             | <b>9,943.0</b>             | 9,817.4                    |
| Equity attributable to equity holders of the Company | <b>10,280.5</b>            | 10,154.9                   |
| Minority interests                                   | <b>1,095.6</b>             | 1,070.7                    |
|                                                      | <b>11,376.1</b>            | 11,225.6                   |

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008, except as described below.

In the current interim period, the Group applied the following new amendments and interpretations issued by the HKICPA.

|                                   |                                                                                                       |
|-----------------------------------|-------------------------------------------------------------------------------------------------------|
| HKAS 39 & HKFRS 7<br>(Amendments) | Reclassification of financial assets                                                                  |
| HK(IFRIC) - INT 12                | Service concession arrangements                                                                       |
| HK(IFRIC) - INT 14                | HKAS 19 - The limit on a defined benefit asset,<br>minimum funding requirements and their interaction |

The adoption of these new amendments and interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

### 3. SEGMENT INFORMATION

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 operating divisions is presented below:

#### Business segments

|                                                 | Property<br>development<br>HK\$'M | Property<br>investment<br>HK\$'M | Services<br>provided<br>HK\$'M | Hotels<br>HK\$'M | Securities<br>investment<br>HK\$'M | Healthcare<br>HK\$'M | Manufacturing<br>HK\$'M | Eliminations<br>HK\$'M | Consolidated<br>HK\$'M |
|-------------------------------------------------|-----------------------------------|----------------------------------|--------------------------------|------------------|------------------------------------|----------------------|-------------------------|------------------------|------------------------|
| <b>Six months ended<br/>30 September 2008</b>   |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| <b>TURNOVER</b>                                 |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| External sales                                  | 996.8                             | 191.4                            | 199.6                          | 178.3            | -                                  | 181.4                | 114.7                   | -                      | 1,862.2                |
| Inter-segment sales*                            | -                                 | 7.0                              | 23.6                           | 0.7              | -                                  | -                    | -                       | (31.3)                 | -                      |
| Total                                           | 996.8                             | 198.4                            | 223.2                          | 179.0            | -                                  | 181.4                | 114.7                   | (31.3)                 | 1,862.2                |
| <b>RESULTS</b>                                  |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| Segment results                                 | 400.4                             | 76.1                             | 7.6                            | 26.9             | (216.3)                            | (8.4)                | (22.6)                  |                        | 263.7                  |
| Interest income                                 |                                   |                                  |                                |                  |                                    |                      |                         |                        | 12.2                   |
| Unallocated corporate expenses                  |                                   |                                  |                                |                  |                                    |                      |                         |                        | (28.1)                 |
| Profit from operations                          |                                   |                                  |                                |                  |                                    |                      |                         |                        | 247.8                  |
| Finance costs                                   |                                   |                                  |                                |                  |                                    |                      |                         |                        | (91.6)                 |
| Share of results of<br>associates               | 207.1                             | -                                | -                              | -                | -                                  | -                    | -                       |                        | 207.1                  |
| Share of result of jointly<br>controlled entity | (18.4)                            | -                                | -                              | -                | -                                  | -                    | -                       |                        | (18.4)                 |
| Profit before taxation                          |                                   |                                  |                                |                  |                                    |                      |                         |                        | 344.9                  |
| Taxation                                        |                                   |                                  |                                |                  |                                    |                      |                         |                        | (41.5)                 |
| Profit for the period                           |                                   |                                  |                                |                  |                                    |                      |                         |                        | 303.4                  |

\* 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.

|                                                 | Property<br>development<br>HK\$'M | Property<br>investment<br>HK\$'M | Services<br>provided<br>HK\$'M | Hotels<br>HK\$'M | Securities<br>investment<br>HK\$'M | Healthcare<br>HK\$'M | Manufacturing<br>HK\$'M | Eliminations<br>HK\$'M | Consolidated<br>HK\$'M |
|-------------------------------------------------|-----------------------------------|----------------------------------|--------------------------------|------------------|------------------------------------|----------------------|-------------------------|------------------------|------------------------|
| <b>Six months ended<br/>30 September 2007</b>   |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| <b>TURNOVER</b>                                 |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| External sales                                  | 1,266.5                           | 179.7                            | 182.2                          | 167.7            | 7.8                                | 153.2                | 104.4                   | -                      | 2,061.5                |
| Inter-segment sales*                            | -                                 | 6.4                              | 4.9                            | 0.7              | -                                  | -                    | -                       | (12.0)                 | -                      |
| Total                                           | 1,266.5                           | 186.1                            | 187.1                          | 168.4            | 7.8                                | 153.2                | 104.4                   | (12.0)                 | 2,061.5                |
| <b>RESULTS</b>                                  |                                   |                                  |                                |                  |                                    |                      |                         |                        |                        |
| Segment results                                 | 669.9                             | 206.6                            | 18.4                           | 14.8             | 69.4                               | 4.5                  | (5.7)                   |                        | 977.9                  |
| Interest income                                 |                                   |                                  |                                |                  |                                    |                      |                         |                        | 15.7                   |
| Unallocated corporate expenses                  |                                   |                                  |                                |                  |                                    |                      |                         |                        | (23.7)                 |
| Profit from operations                          |                                   |                                  |                                |                  |                                    |                      |                         |                        | 969.9                  |
| Finance costs                                   |                                   |                                  |                                |                  |                                    |                      |                         |                        | (87.1)                 |
| Share of results of<br>associates               | 48.1                              | -                                | -                              | -                | -                                  | -                    | -                       |                        | 48.1                   |
| Share of result of jointly<br>controlled entity | 29.3                              | -                                | -                              | -                | -                                  | -                    | -                       |                        | 29.3                   |
| Profit before taxation                          |                                   |                                  |                                |                  |                                    |                      |                         |                        | 960.2                  |
| Taxation                                        |                                   |                                  |                                |                  |                                    |                      |                         |                        | (148.2)                |
| Profit for the period                           |                                   |                                  |                                |                  |                                    |                      |                         |                        | 812.0                  |

\* 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.

#### 4. FINANCE COSTS

|                                                                            | For the six months ended<br>30 September |             |
|----------------------------------------------------------------------------|------------------------------------------|-------------|
|                                                                            | <u>2008</u>                              | <u>2007</u> |
|                                                                            | HK\$'M                                   | HK\$'M      |
| Interest on                                                                |                                          |             |
| Bank loans wholly repayable within five years                              | 47.7                                     | 31.8        |
| Other borrowings wholly repayable within five years                        | 3.3                                      | 10.0        |
| Convertible bonds – liability component wholly repayable within five years | 39.3                                     | 50.0        |
| Total borrowing costs                                                      | 90.3                                     | 91.8        |
| Less: Amounts capitalised and included in the cost of qualifying assets    | (3.3)                                    | (10.0)      |
|                                                                            | 87.0                                     | 81.8        |
| Bank loan arrangement fees                                                 | 4.6                                      | 5.3         |
|                                                                            | 91.6                                     | 87.1        |

#### 5. PROFIT BEFORE TAXATION

|                                                                        | For the six months ended<br>30 September |             |
|------------------------------------------------------------------------|------------------------------------------|-------------|
|                                                                        | <u>2008</u>                              | <u>2007</u> |
|                                                                        | HK\$'M                                   | HK\$'M      |
| Profit before taxation has been arrived at after charging (crediting): |                                          |             |
| Release of prepaid lease payments                                      | 2.6                                      | 2.5         |
| Less: Amounts capitalised and included in properties under development | (1.5)                                    | (1.5)       |
|                                                                        | 1.1                                      | 1.0         |
| Depreciation                                                           |                                          |             |
| Owned assets                                                           | 74.8                                     | 68.6        |
| Assets under finance leases                                            | 0.6                                      | 3.3         |
| Bank and other interest income                                         | (12.2)                                   | (15.7)      |
| Change in fair value of derivative financial instruments               | (5.1)                                    | 1.8         |
| Gain on disposal of property, plant and equipment                      | (0.2)                                    | (0.3)       |
| Interest income from provision of financial services                   | (1.5)                                    | (4.2)       |
| Net exchange loss                                                      | 10.3                                     | 6.6         |

## 6. TAXATION

**For the six months ended  
30 September**  
**2008                      2007**  
**HK\$'M                      HK\$'M**

The charge comprises:

|                                      |                      |              |
|--------------------------------------|----------------------|--------------|
| Hong Kong Profits Tax                | <b>21.9</b>          | 124.0        |
| Overseas taxation                    | <b><u>67.7</u></b>   | <u>5.4</u>   |
|                                      | <b><u>89.6</u></b>   | <u>129.4</u> |
| Deferred tax                         |                      |              |
| Current year                         | <b>(30.8)</b>        | 18.8         |
| Attributable to a change in tax rate | <b><u>(17.3)</u></b> | <u>-</u>     |
|                                      | <b><u>(48.1)</u></b> | <u>18.8</u>  |
|                                      | <b><u>41.5</u></b>   | <u>148.2</u> |

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. Pursuant to the provisions of the Revenue Bill 2008 enacted on 26 June 2008, the corporate profits tax rate was reduced by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in calculating the current and deferred tax charge for the six months ended 30 September 2008.

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

Pursuant to the Law of PRC on Enterprise Income Tax, the tax rate was changed from 33% to 25% from 1 January 2008. Accordingly, the deferred tax balance had been calculated using the applicable rate of 25% to reflect the change in tax rate.

## 7. DIVIDENDS

**For the six months ended  
30 September**  
**2008                      2007**  
**HK\$'M                      HK\$'M**

|                                                                                                                |                     |              |
|----------------------------------------------------------------------------------------------------------------|---------------------|--------------|
| Final dividend paid for 2008 of HK9 cents<br>(final dividend paid for 2007 of HK10 cents) per share            | <b>121.5</b>        | 135.0        |
| No special dividend paid for 2008<br>(special dividend paid for 2007 of HK10 cents per share)                  | <b><u>-</u></b>     | <u>135.0</u> |
|                                                                                                                | <b><u>121.5</u></b> | <u>270.0</u> |
| No interim dividend was declared for the period<br>(six months ended 30 September 2007 of HK6 cents per share) | <b><u>-</u></b>     | <u>81.0</u>  |

## 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>For the six months ended<br/>30 September</b> |                     |
|--------------------------------------------------------------------------------|--------------------------------------------------|---------------------|
|                                                                                | <b><u>2008</u></b>                               | <b><u>2007</u></b>  |
|                                                                                | <b>HK\$'M</b>                                    | <b>HK\$'M</b>       |
| <b>Earnings</b>                                                                |                                                  |                     |
| Earnings for the purpose of calculating basic earnings per share               | <u><u>277.9</u></u>                              | 524.3               |
| Effect of dilutive potential ordinary shares:<br>Interest on convertible bonds |                                                  | <u>50.0</u>         |
| Earnings for the purpose of calculating diluted earnings per share             |                                                  | <u><u>574.3</u></u> |

|                                                                                                      | <b>For the six months ended<br/>30 September</b> |                             |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------|
|                                                                                                      | <b><u>2008</u></b>                               | <b><u>2007</u></b>          |
|                                                                                                      |                                                  |                             |
| <b>Number of shares</b>                                                                              |                                                  |                             |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share   | <u><u>1,350,274,367</u></u>                      | 1,350,274,367               |
| Effect of dilutive potential ordinary shares relating to convertible bonds                           |                                                  | <u>223,192,120</u>          |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share |                                                  | <u><u>1,573,466,487</u></u> |

No diluted earnings per share is presented in respect of the convertible bonds in 2008 as the conversion of convertible bonds would result in an increase in earnings per share.

## 9. POST BALANCE SHEET EVENTS

- (a) Subsequent to balance sheet date, the Bonds with a principal amount of HK\$184.0 million were repurchased and cancelled by the Company for a consideration of HK\$190.4 million pursuant to the terms and conditions of the Bonds which resulted a gain of approximately HK\$27.7 million.
- (b) Amid the meltdown of the global financial market, the Group expects to record further losses in its investments in securities after the interim period ended 30 September 2008.

For the month of October 2008, estimates provided by the professional fund managers indicate a further decline by approximately 10% in the market value of the financial assets at fair value through profit or loss held by the Group.

## **REVIEW OF INTERIM RESULTS**

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

## **RE-DESIGNATION OF A DIRECTOR**

The Board of the Company further announces that Mr CHEUNG Wing Lam Linus ("Mr CHEUNG") has been re-designated as non-executive director of the Company with effect from 4 December 2008.

Immediately following the re-designation of Mr CHEUNG from independent non-executive director ("INED") to non-executive director of the Company, the Company has only two independent non-executive directors ("INEDs") namely, Dr CHENG Kar Shun Henry and Dr CHEUNG Kin Tung Marvin. The composition of both the audit committee and the remuneration committee of the Company is rendered below the requirement of the majority of the members of each committee should be INEDs as per rule 3.12, Appendix 14 to the Listing Rules and the respective terms of reference of the two committees.

In order to comply with the requirement under rule 3.10 of the Listing Rules which prescribes that every board of directors of a listed company must include at least three INEDs and remedy the deficiency of INEDs' majority in each of the audit committee and the remuneration committee, the Company will look for a replacement to fill up the vacancies occurred upon Mr CHEUNG's re-designation as soon as practicable.

The brief biographical details of Mr CHEUNG, the re-designated director, in compliance with rule 13.51(2) of the Listing Rules are set out as follows.

Mr CHEUNG, aged 60, was appointed as INED of the Company in January 2006 before his re-designation as non-executive director with effect from 4 December 2008.

Mr CHEUNG has just been appointed the executive chairman of the board of directors of Asia Television Limited ("ATV") with effect from 3 December 2008. He is an INED of China Unicom (Hong Kong) Limited ("CUL") and Taikang Life Insurance Co. Ltd. CUL is a company listed on the Stock Exchange. ATV is controlled by certain directors of the Company. Mr CHEUNG was the chief executive of HongKong Telecom from 1994 to 2000. After HongKong Telecom's merger with PCCW Limited in August 2000, he became its deputy chairman and served until February 2004.

Save as disclosed above, Mr CHEUNG did not hold directorship in other listed public companies in the past three years.

Save as disclosed above, Mr CHEUNG is not related to any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this announcement, he did not have any interest in the shares and rights of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr CHEUNG is a member of the Council of the University of Hong Kong ("HKU") and the chairman of the board of directors of HKU School of Professional and Continuing Education.

Mr CHEUNG received a BSocSc degree with Honours and a Diploma in Management Studies with distinction from HKU. He is an Honorary Fellow of HKU and of the Chartered Institute of Marketing, UK. He is also an Adjunct Professor of the Chinese University of Hong Kong and the President of the Chartered Institute of Marketing for Hong Kong.

There is no service contract entered into between Mr CHEUNG and the Company. Mr CHEUNG will receive director's fee as determined by the Board, pursuant to the authority given by the shareholders of the Company at general meeting from time to time, with reference to his duties and responsibilities at the Company and the prevailing market situation. By reference to the basic fee and additional fee payable to a non-executive director for serving the Board and any one of the audit committee and remuneration committee of the Company as approved in 2008 annual general meeting of the Company, Mr CHEUNG will receive a director's fee in the total amount of HK\$300,000 for serving as non-executive director and member of both the audit and remuneration committees for the year ending 31 March 2009.

Mr CHEUNG was not appointed for specific term or any proposed length of services and his directorship is subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the articles of association of the Company.

Save for the foregoing, there are no other matters concerning Mr CHEUNG that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirement of rule 13.51(2) of the Listing Rules.

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

Hong Kong, 4 December 2008

*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 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*

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