

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED

30TH SEPTEMBER 2019

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED**

(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 43, which comprises the condensed consolidated balance sheet of Nan Fung International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th September 2019 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26th November 2019

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019**

		Unaudited For the six months ended 30th September	
	Note	2019 HK\$'000	2018 HK\$'000
Revenue	6, 7	4,181,752	1,850,256
Cost of sales		(1,599,791)	(343,412)
Gross profit		2,581,961	1,506,844
Other income and gains, net	8	447,117	1,275,498
Net change in fair values of investment properties		13,236	489,441
Other operating expenses		(822,401)	(851,802)
Operating profit	9	2,219,913	2,419,981
Finance income		428,802	206,805
Finance expenses		(153,572)	(167,935)
Other finance charges and net exchange difference on financing activities		(12,678)	102,151
Finance income, net	10	262,552	141,021
Share of results of			
- Joint ventures		228,654	1,547,701
- Associates		90,745	367,053
Profit before income tax		2,801,864	4,475,756
Income tax expense	11	(94,117)	(96,171)
Profit for the period		2,707,747	4,379,585
Profit/(loss) for the period attributable to:			
- Owners of the Company		2,519,868	4,305,064
- Holders of perpetual capital securities		107,751	107,848
- Non-controlling interests		80,128	(33,327)
		2,707,747	4,379,585

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019**

	Unaudited For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Profit for the period	2,707,747	4,379,585
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of associates and joint ventures	(10,043)	(96,768)
Release of hedging reserve upon discontinuation of hedging relationship	-	(135,764)
Exchange translation differences	(1,169,512)	(2,067,179)
Other comprehensive loss for the period	(1,179,555)	(2,299,711)
Total comprehensive income for the period	1,528,192	2,079,874
Total comprehensive income/(loss) for the period attributable to:		
- Owners of the Company	1,355,030	2,043,349
- Holders of perpetual capital securities	107,751	107,848
- Non-controlling interests	65,411	(71,323)
	1,528,192	2,079,874

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2019

	Note	Unaudited As at 30th September 2019 HK\$'000	Audited As at 31st March 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,216,493	2,878,214
Investment properties	14	69,386,161	69,776,779
Right-of-use assets		900,581	-
Land use rights		-	369,220
Joint ventures	15	9,276,314	9,326,494
Associates	16	7,398,203	7,248,354
Financial assets at fair value through profit or loss		12,674,031	11,869,326
Loans receivable	17	3,928,338	4,077,700
Amounts due from investee companies		43,330	45,435
Deferred income tax assets		364,385	234,517
Other non-current assets	18	2,886,512	-
		<u>109,074,348</u>	<u>105,826,039</u>
Current assets			
Properties for sale		14,808,475	15,415,902
Trade and other receivables, deposits and prepayments	19	10,957,801	10,556,408
Financial assets at fair value through profit or loss		9,317,044	10,063,720
Prepaid tax		83,685	83,580
Cash and bank balances		17,937,236	17,670,671
		<u>53,104,241</u>	<u>53,790,281</u>
Assets classified as held-for-sale	20	339,049	348,280
		<u>53,443,290</u>	<u>54,138,561</u>
Total assets		<u><u>162,517,638</u></u>	<u><u>159,964,600</u></u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2019

	Note	Unaudited As at 30th September 2019 HK\$'000	Audited As at 31st March 2019 HK\$'000
EQUITY			
Equity attributable to the owner's of the Company			
Share capital	21	62,743,532	62,743,532
Reserves		39,116,534	38,619,237
Perpetual capital securities	21	101,860,066 3,969,373	101,362,769 3,969,456
Non-controlling interests		105,829,439 397,394	105,332,225 630,651
Total equity		106,226,833	105,962,876
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,053,384	3,066,076
Bank and other borrowings	22	32,130,392	32,819,740
Lease liabilities		98,573	-
Other long-term liabilities		5,650	11,163
		35,287,999	35,896,979
Current liabilities			
Trade and other payables, deposits and accruals	23	13,946,607	13,187,454
Contract liabilities		5,263,407	3,394,433
Financial liabilities at fair value through profit or loss		269,119	202,753
Lease liabilities		10,795	-
Bank and other borrowings	22	524,506	375,730
Tax payable		988,372	944,375
		21,002,806	18,104,745
Total liabilities		56,290,805	54,001,724
Total equity and liabilities		162,517,638	159,964,600

On behalf of the Board

.....
Cheung Vincent Sai Sing
Director

.....
Leung Kam Chung
Director

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019**

	Unaudited							
	Attributable to equity holders of the Company					Perpetual	Non-	Total
	Share	Retained	Merger	Other	Total	capital	controlling	equity
	capital	earnings	reserve	reserves		securities	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note (a))				
At 31st March 2019	62,743,532	73,006,850	(33,100,357)	(1,287,256)	101,362,769	3,969,456	630,651	105,962,876
Adjustment on adoption of IFRS 16	-	59,151	-	-	59,151	-	-	59,151
As at 1st April 2019	62,743,532	73,066,001	(33,100,357)	(1,287,256)	101,421,920	3,969,456	630,651	106,022,027
Comprehensive income								
Profit for the period	-	2,519,868	-	-	2,519,868	107,751	80,128	2,707,747
Other comprehensive loss	-	-	-	(1,164,838)	(1,164,838)	-	(14,717)	(1,179,555)
Total comprehensive income/(loss)	-	2,519,868	-	(1,164,838)	1,355,030	107,751	65,411	1,528,192
Dividend paid to owners of the Company (note 12)	-	(909,781)	-	-	(909,781)	-	-	(909,781)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(25,000)	(25,000)
Capital injection of non-controlling interests	-	-	-	-	-	-	4,273	4,273
Acquisition of non-controlling interest	-	-	-	(7,103)	(7,103)	-	(277,941)	(285,044)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(107,834)	-	(107,834)
	-	(909,781)	-	(7,103)	(916,884)	(107,834)	(298,668)	(1,323,386)
At 30th September 2019	62,743,532	74,676,088	(33,100,357)	(2,459,197)	101,860,066	3,969,373	397,394	106,226,833

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019**

	Unaudited							
	Attributable to equity holders of the Company					Perpetual capital securities	Non- controlling interests	Total equity
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000 (note (a))	Total HK\$'000			
At 31st March 2018	62,743,532	69,242,975	(37,757,621)	2,806,784	97,035,670	3,969,252	624,913	101,629,835
Adjustment on adoption of IFRS 9	-	2,402,720	-	(2,402,720)	-	-	-	-
As at 1st April 2018	62,743,532	71,645,695	(37,757,621)	404,064	97,035,670	3,969,252	624,913	101,629,835
Comprehensive income								
Profit/(loss) for the period	-	4,305,064	-	-	4,305,064	107,848	(33,327)	4,379,585
Other comprehensive loss	-	-	-	(2,261,715)	(2,261,715)	-	(37,996)	(2,299,711)
Total comprehensive income/(loss)	-	4,305,064	-	(2,261,715)	2,043,349	107,848	(71,323)	2,079,874
Dividend paid to non-controlling interest	-	-	-	-	-	-	(3,510)	(3,510)
Capital injection of non-controlling interests	-	-	-	-	-	-	6,581	6,581
Transfer of statutory reserve of an associate	-	(5,252)	-	5,252	-	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(107,956)	-	(107,956)
	-	(5,252)	-	5,252	-	(107,956)	3,071	(104,885)
At 30th September 2018	62,743,532	75,945,507	(37,757,621)	(1,852,399)	99,079,019	3,969,144	556,661	103,604,824

Note (a): Other reserves mainly comprise exchange reserve, investment revaluation reserve and hedging reserve.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

		Unaudited For the six months ended 30th September	
	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	24 (a)	5,605,079	755,288
Profits tax paid		(34,245)	(170,554)
Net cash from operating activities		5,570,834	584,734
Cash flows from investing activities			
Interest received		358,461	186,963
Purchase of property, plant and equipment		(42,483)	(28,525)
Proceeds from disposal of property, plant and equipment		480	1,365
Additions to investment properties		(548,024)	(894,393)
Additions to other non-current assets		(2,886,512)	-
Proceeds from sale of investment properties		-	386,491
Decrease in amounts due from investee companies		2,105	135
Decrease in amounts due from non-controlling interests		-	3,447
Decrease in amounts due from joint ventures		282,247	387,306
Dividends received from joint ventures		11,250	14,000
Dividends received from an associate		10,000	-
Investment in and increase in amounts due to joint ventures		816,471	744,405
Investment in and increase in amounts due from associates		(131,563)	(196,236)
Increase in amounts due to associates		84,952	254,988
Net proceeds from disposal of interests in subsidiaries	24 (b)	-	5,475,376
Increase in loans receivable		(608,780)	(47,096)
Decrease in amounts due from fellow subsidiary companies		3,450	1,334
(Increase)/decrease in amounts due from related companies		(65,828)	29,224
Decrease in amount due from intermediate holding company		144,124	109,245
Increase in amount due from ultimate holding company		(306)	(600)
Decrease in pledged bank deposits		23	23,948
(Increase)/decrease in short term bank deposits with original maturities more than three months		(201,679)	125,489
Net cash (used in)/from investing activities		(2,771,612)	6,576,866

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

		Unaudited For the six months ended 30th September	
	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from financing activities			
Interest paid		(610,278)	(522,713)
Decrease in amounts due to related companies and individuals		(56,979)	(25,900)
Increase/(decrease) in amounts due to fellow subsidiaries		42,996	(134,717)
Decrease in amount due to intermediate holding company		(20)	(1)
Decrease in amount due to ultimate holding company		(408,952)	(25,949)
Capital injection from non-controlling interests		4,273	6,581
Decrease in amounts due to non-controlling interests		(59,311)	(57,667)
Repayment of lease liabilities		(3,182)	-
Drawdown of bank and other borrowings		2,031,950	4,815,539
Repayment of bank and other borrowings		(2,138,295)	(7,970,101)
Dividend paid to non-controlling interest		(25,000)	(3,510)
Dividend paid to owners of the Company		(909,781)	-
Issuance of medium term notes		-	3,848,141
Acquisition of non-controlling interest in a subsidiary	24 (c)	(285,044)	-
Distribution paid on perpetual capital securities		(107,834)	(107,956)
Net cash used in financing activities		(2,525,457)	(178,253)
Net increase in cash and cash equivalents		273,765	6,983,347
Cash and cash equivalents at the beginning of period		13,931,949	6,776,231
Currency translation differences		(208,856)	(230,198)
Cash and cash equivalents at the end of period		13,996,858	13,529,380
Analysis of the balance of the cash and cash equivalents:			
Bank balances and cash		2,978,684	2,907,400
Short-term bank deposits		14,958,552	10,672,780
		17,937,236	13,580,180
Less: bank deposits with original maturities more than three months		(3,940,378)	(46,075)
restricted cash		-	(4,725)
Cash and cash equivalents at the end of period		13,996,858	13,529,380

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Nan Fung International Holdings Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands on 8th August 2011 and is wholly and beneficially owned by Dr. Chen Din Hwa (“Dr. Chen”). In June 2012, Dr. Chen had deceased.

The Company and its subsidiaries are collectively referred to as the “Group”. The ultimate holding company of the Company is Chen’s Group International Limited (“CGIL”). CGIL is wholly owned by Dr. Chen’s estates.

The address of the Company’s registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Company’s principal activity is investment holding. The principal activities of the Group are property investment and development, hotel operation, investment holding and trading, building management, provision of construction contracting services and provision of properties related services.

The condensed consolidated interim financial information is presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The condensed consolidated interim financial information was approved for issue by the Board of Directors on [26th November 2019].

2 Basis of preparation and summary of significant accounting policies

This condensed consolidated interim financial information for the six months ended 30th September 2019 has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board.

The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31st March 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies applied are consistent with those of the Group’s consolidated financial statements for the year ended 31st March 2019 except as stated in note 3 below.

(i) New standard and amendments to standards adopted by the Group

The Group has adopted the following new standard and amendments to standards which are mandatory for the financial year beginning 1st April 2019 and are relevant to its operation.

Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRS 16	Leases
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRIC 23	Uncertainty over Income Tax Treatments

The Group has assessed the impact of the adoption of these new standard and amendments to standards, except for the adoption of IFRS 16, there is neither significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the interim financial information. The changes in accounting policies and the impacts on the Group’s results and financial position for the adoption of IFRS 16 are summarised in note 3.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

2 Basis of preparation and summary of significant accounting policies (Continued)

- (ii) Amendments to standards which are not yet effective for this financial period and have not been early adopted by the Group

The Group has not early adopted the following amendments to standards that have been issued but are not yet effective for the period and are relevant to its operation:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

The Group will adopt the above amendments to standards and is in the process of assessing the impact on the consolidated financial statements.

3 Impacts on the adoption of IFRS 16

The Group has adopted IFRS 16 with effect from 1st April 2019 and has taken transitional provisions not to restate comparative figures for prior periods. IFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. IFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset during the lease term) and a lease liability (representing the obligation to pay rents) are recognised for all leases. The lessor accounting remains largely unchanged.

(a) Changes in accounting policies

IFRS 16 Leases

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 16 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the condensed consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

(b) Impacts on the condensed consolidated interim financial information

Effect of changes in accounting policies – IFRS 16

In accordance with the transition provisions of IFRS 16, the Group has adopted the modified retrospective application for existing leases at 1st April 2019 with certain transition reliefs, and under which comparative figures are not restated. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained earnings at the date of initial application.

The Group applied the following practical expedients on transition to IFRS 16 for those leases which were previously classified as operating leases under IAS 17.

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- applying the recognition exemption for leases of low value assets
- the exclusion of initial direct costs from the measurement of the right-of-use assets
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Upon the adoption of IFRS 16, the Group reclassified the "land use rights" under operating leases and leasehold land under finance lease in "property, plant and equipment" to right-of-use assets for presentation purpose.

IFRS 16 also amends the definition of investment property under IAS 40 to include property held by a lessee as right-of-use assets to earn rentals or for capital appreciation or both and requires the Group to account for such right-of-use assets at their fair value.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(b) Impacts on the condensed consolidated interim financial information (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made previously when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Upon the adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17.

The table below explains the difference between operating lease commitments disclosed at 31st March 2019 by applying IAS 17 and lease liabilities recognised at 1st April 2019 by applying IFRS 16:

	HK\$'000
Operating lease commitments disclosed as at 31st March 2019	75,198
Discounted using the lessee's incremental borrowing rate of at the date of initial application	67,710
Add: adjustments as a result of different treatment for extension options	101,636
Less: short-term leases recognised on a straight-line basis as expense	(13,090)
Less: low-value leases recognised on a straight-line basis as expense	(2,329)
Less: leases signed in financial year ended 31st March 2019 and commenced in financial year ended 31st March 2020	(33,532)
Lease liabilities recognised as at 1st April 2019	<u>120,395</u>
Represented by:	
Current lease liabilities	10,692
Non-current lease liabilities	109,703
	<u>120,395</u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st April 2019 was 3.6%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods beyond the dates when respective termination options are exercisable) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the lessee has occurred which affects this assessment. As at 1st April 2019, the financial effect of revising the lease terms to reflect the effect of exercising extension and termination options was an increase in both recognised lease liabilities and right-of-use assets by HK\$101,636,000.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(b) Impacts on the condensed consolidated interim financial information (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

The tables below show the adjustments of each individual financial statement line item by the application of IFRS 16. Line items that were not affected by the changes have not been included.

- (i) The impacts on the Group's condensed consolidated balance sheet as at 1st April 2019 by the adoption of IFRS 16 are as follows:

	As at 1st April 2019		
	As originally presented HK\$'000	IFRS 16 HK\$'000	As adjusted HK\$'000
Condensed consolidated balance sheet (extract)			
<u>Non-current assets</u>			
Property, plant and equipment			
- Land and building	2,517,734	(548,867)	1,968,867
Investment properties	69,776,779	156,323	69,933,102
Right-of-use assets	-	941,310	941,310
Land use rights	369,220	(369,220)	-
<u>Equity attributable to the owner's of the company</u>			
Reserves			
- Retained earnings	73,006,850	59,151	73,066,001
<u>Non-current liabilities</u>			
Lease liabilities	-	109,703	109,703
<u>Current liabilities</u>			
Lease liabilities	-	10,692	10,692

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(b) Impacts on the condensed consolidated interim financial information (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

- (ii) The impacts on the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the period ended 30th September 2019 and condensed consolidated balance sheet as at 30th September 2019 by the adoption of IFRS 16 are as follows:

	For the six months ended 30th September 2019		
	Without the adoption of IFRS 16 HK\$'000	IFRS 16 HK\$'000	As adjusted HK\$'000
Condensed consolidated income statement (extract)			
Other operating expenses			
- Rental expense under operating lease	(18,814)	7,261	(11,553)
- Depreciation of property, plant and equipment	(85,639)	9,286	(76,353)
- Amortisation of right-of-use assets	-	(20,019)	(20,019)
- Amortisation of land use rights	(6,283)	6,283	-
Net change in fair values of investment properties	15,729	(2,493)	13,236
Finance income, net			
- Finance expenses	(151,592)	(1,980)	(153,572)
Profit for the period	2,709,409	(1,662)	2,707,747
Profit/(loss) for the period attributable to:			
- Owners of the Company	2,521,530	(1,662)	2,519,868

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(b) Impacts on the condensed consolidated interim financial information (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

- (ii) The impacts on the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the period ended 30th September 2019 and condensed consolidated balance sheet as at 30th September 2019 by the adoption of IFRS 16 are as follows:
(Continued)

	As at 30th September 2019		
	Without the adoption of IFRS 16 HK\$'000	IFRS 16 HK\$'000	As adjusted HK\$'000
Condensed consolidated balance sheet (extract)			
<u>Non-current assets</u>			
Property, plant and equipment			
- Land and building	2,408,787	(539,582)	1,869,205
Investment properties	69,240,902	145,259	69,386,161
Right-of-use assets	-	900,581	900,581
Land use rights	342,706	(342,706)	-
<u>Equity attributable to the owner's of the Company</u>			
Reserves			
- Retained earnings	74,618,599	57,489	74,676,088
- Other reserve	(2,455,892)	(3,305)	(2,459,197)
<u>Non-current liabilities</u>			
Lease liabilities	-	98,573	98,573
<u>Current liabilities</u>			
Lease liabilities	-	10,795	10,795

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 16 (Continued)

(c) Impacts on the condensed consolidated interim financial information (Continued)

Effect of changes in accounting policies – IFRS 16 (Continued)

- (ii) The impacts on the Group's condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the period ended 30th September 2019 and condensed consolidated balance sheet as at 30th September 2019 by the adoption of IFRS 16 are as follows:
(Continued)

	For the six months ended 30th September 2019		
	Without the adoption of IFRS 16 HK\$'000	IFRS 16 HK\$'000	As adjusted HK\$'000
Condensed consolidated statement of cash flows (extract)			
<u>Cash flows from operating activities</u>			
- Profit before income tax	2,803,526	(1,662)	2,801,864
- Depreciation of property, plant and equipment	85,639	(9,286)	76,353
- Amortisation of right-of-use assets	-	20,019	20,019
- Amortisation of land use right	6,283	(6,283)	-
- Finance income, net	(264,532)	1,980	(262,552)
- Fair value gain on investment properties, net	(15,729)	2,493	(13,236)
- Trade and other receivables, deposits and prepayment	274,486	(2,099)	272,387
Net cash generated from operating activities	5,565,672	5,162	5,570,834
<u>Cash flows from financing activities</u>			
- Interest paid	(608,298)	(1,980)	(610,278)
- Repayment of lease liabilities	-	(3,182)	(3,182)
Net cash used in financing activities	(2,520,295)	(5,162)	(2,525,457)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to various types of financial risk which include equity price risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group's overall risk management programme seeks to minimise the potential adverse effects it may have on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st March 2019. There have been no changes in the Group's financial risk management programme and policies since last year end.

(b) Fair value estimation

Financial instruments carried at fair value

The financial instruments are measured in the condensed consolidated balance sheet at fair value in accordance with IFRS 13. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table represents the Group's financial instruments measured at fair value:

	Valuation Hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30th September 2019				
Amounts due from joint ventures at fair value through profit or loss	-	-	870,617	870,617
Loans receivable at fair value through profit or loss	-	-	2,012,427	2,012,427
Financial assets at fair value through profit or loss				
- listed	9,231,993	-	-	9,231,993
- unlisted	-	423,306	12,335,776	12,759,082
Total	9,231,993	423,306	15,218,820	24,874,119
Financial liabilities at fair value through profit or loss				
- unlisted	-	(269,119)	-	(269,119)
Total	-	(269,119)	-	(269,119)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED,
(Incorporated in the British Virgin Islands with limited liability),

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

The following table represents the Group's financial instruments measured at fair value: (Continued)

	Valuation Hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31st March 2019				
Amounts due from joint ventures at fair value through profit or loss	-	-	638,860	638,860
Loans receivable at fair value through profit or loss	-	-	2,194,047	2,194,047
Financial assets at fair value through profit or loss				
- listed	10,310,678	-	-	10,310,678
- unlisted	-	117,033	11,505,33	11,622,368
Total	10,310,678	117,033	14,338,242	24,765,953
Financial liabilities at fair value through profit or loss				
- unlisted	-	(202,753)	-	(202,753)
Total	-	(202,753)	-	(202,753)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

At 30th September 2019, financial assets at fair value through profit or loss of HK\$12,335,776,000 (31st March 2019: HK\$11,505,335,000) are measured with valuation techniques using significant unobservable inputs (level 3). It mainly included private equity funds, unquoted direct investments, hedge funds, real estate funds and others level 3 investments.

Fair values of unlisted funds are mainly determined based on the net asset value, representing the fair value of the fund reported by respective fund administrators and relevant factors if deemed necessary.

Fair values of unquoted direct investment are determined by the Group using valuation techniques. Such valuation techniques may consider original transaction price and take into account relevant developments since the acquisition of the investments and other factor pertinent to the valuation of the investments, with reference to recent third party transactions of comparable type of instruments and reliable indicative offers from potential buyers.

The determination of fair value is subject to the valuation policies and procedures formulated by the Group's Investment Department and the oversight of senior management committees. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in adjusting prices of less readily observable external parameters. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally accepted within the industry.

There is no transfer between level 1 and 2 during the period.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the six months ended 30th September 2019:

	Amounts due from joint ventures at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Loans receivable at fair value through profit or loss HK\$'000
At 1st April 2019	638,860	-	11,505,335	2,194,047
Additions	352,598	-	906,905	-
Repayment	(120,841)	-	-	(160,688)
Transfer to level 1	-	-	(168,969)	-
Disposal	-	-	(3,121)	-
Return of capital	-	-	(426,729)	-
Total unrealised gains or losses recognised in income statement	-	-	528,453	(20,932)
Exchange translation differences	-	-	(6,098)	-
At 30th September 2019	870,617	-	12,335,776	2,012,427
At 1st April 2018	-	9,927,842	16,783	2,530,109
Adoption of IFRS 9	583,501	(9,927,842)	9,927,842	-
Additions	68,380	-	776,322	-
Repayment	(36,100)	-	-	(72,500)
Return of capital	-	-	(117,413)	-
Total unrealised gains or losses recognised in income statement	-	-	325,641	-
Exchange translation differences	-	-	(7,478)	-
At 30th September 2018	615,781	-	10,921,697	2,457,609

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2019.

6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Management has determined the operating segments based on these reports and analysed from a business perspective, including subsidiaries, joint ventures and associates:

- Hong Kong properties (including construction services)
- The People's Republic of China ("PRC") and overseas properties
- Financial investment
- Corporate and treasury

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, land use rights, joint ventures, associates, financial assets at fair value through profit or loss, loans receivable, amounts due from investee companies, other non-current assets, properties for sale, trade and other receivables, deposits and prepayments and cash and bank balances. Other assets comprise mainly prepaid tax and deferred income tax assets.

Segment liabilities comprise operating liabilities. Other liabilities include amount due to immediate holding company, tax payable, bank and other borrowings and deferred income tax liabilities.

Segment results represent profit before income tax and exclude item which is not specifically attributable to individual reportable segments, such as finance income, finance expenses, other finance charges and net exchange difference on financing activities.

Capital expenditure comprises additions to non-current assets other than the financial instruments and deferred income tax assets.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment reporting (Continued)

The segment results for the six months ended 30th September 2019 are as follows:

	<u>The Company and its subsidiaries</u>				<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Revenue from other sources HK\$'000	Results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000
Hong Kong properties	2,189,593	159,871	356,725	801,756	893,009	304,497	58,206	(26,280)	3,657,404	1,079,973
PRC and overseas properties	65,554	124,577	468,377	283,339	11,345	(75,843)	105,164	130,182	775,017	337,678
Financial investment	-	-	817,055	810,957	157	-	7,409	(13,157)	824,621	797,800
Corporate, treasury and others	-	-	-	323,861	-	-	-	-	-	323,861
	<u>2,255,147</u>	<u>284,448</u>	<u>1,642,157</u>	<u>2,219,913</u>	<u>904,511</u>	<u>228,654</u>	<u>170,779</u>	<u>90,745</u>	<u>5,257,042</u>	<u>2,539,312</u>
Segment results										2,539,312
Finance income, net										262,552
Profit before income tax										2,801,864
Income tax expense										(94,117)
Profit for the period										<u>2,707,747</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment reporting (Continued)

The segment results for the six months ended 30th September 2018 are as follows:

	<u>The Company and its subsidiaries</u>				<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Revenue from other sources HK\$'000	Results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000
Hong Kong properties	234,301	163,699	331,203	1,698,100	3,196,396	1,708,279	490,514	335,528	4,416,113	3,741,907
PRC and overseas properties	74,095	131,755	516,117	624,860	4,089	(160,429)	102,035	49,200	828,091	513,631
Financial investment	-	-	399,086	127,102	157	(149)	5,684	(17,675)	404,927	109,278
Corporate, treasury and others	-	-	-	(30,081)	-	-	-	-	-	(30,081)
	<u>308,396</u>	<u>295,454</u>	<u>1,246,406</u>	<u>2,419,981</u>	<u>3,200,642</u>	<u>1,547,701</u>	<u>598,233</u>	<u>367,053</u>	<u>5,649,131</u>	<u>4,334,735</u>
Segment results										4,334,735
Finance income, net										141,021
Profit before income tax										4,475,756
Income tax expense										(96,171)
Profit for the period										<u>4,379,585</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment reporting (Continued)

The segment assets and liabilities at 30th September 2019 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	72,103,946	9,080,397	5,154,075	86,338,418	(16,194,480)
PRC and overseas properties	33,592,902	2,529,243	2,394,774	38,516,919	(1,168,374)
Financial investment	23,959,204	2,607	222,220	24,184,031	(1,125,028)
Corporate and treasury	13,030,200	-	-	13,030,200	(1,104,092)
	<u>142,686,252</u>	<u>11,612,247</u>	<u>7,771,069</u>	<u>162,069,568</u>	<u>(19,591,974)</u>
Deferred income tax assets				364,385	-
Prepaid tax				83,685	-
Bank and other borrowings				-	(32,654,898)
Amount due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(3,053,384)
Tax payable				-	(988,372)
Consolidated total assets/(liabilities)				<u>162,517,638</u>	<u>(56,290,805)</u>

The segment assets and liabilities at 31st March 2019 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	70,961,636	9,080,392	5,040,008	85,082,036	(13,188,058)
PRC and overseas properties	31,754,346	2,699,486	2,281,485	36,735,317	(1,095,930)
Financial investment	24,846,498	2,610	237,688	25,086,796	(991,902)
Corporate and treasury	12,742,354	-	-	12,742,354	(1,517,736)
	<u>140,304,834</u>	<u>11,782,488</u>	<u>7,559,181</u>	<u>159,646,503</u>	<u>(16,793,625)</u>
Deferred income tax assets				234,517	-
Prepaid tax				83,580	-
Bank and other borrowings				-	(33,195,470)
Amounts due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(3,066,076)
Tax payable				-	(944,375)
Consolidated total assets/(liabilities)				<u>159,964,600</u>	<u>(54,001,724)</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment reporting (Continued)

The Group's depreciation and amortisation, additions to non-current assets other than the financial instruments and deferred income tax assets are as follows:

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the six months ended		For the six months ended	
	30th September		30th September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	49,556	40,778	825,943	1,122,504
PRC and overseas properties	39,991	43,362	3,063,140	32,538
Financial investment	2,793	-	5,878	19
Corporate and treasury	4,032	206	33,965	1,930
	<u>96,372</u>	<u>84,346</u>	<u>3,928,926</u>	<u>1,156,991</u>

The following is an analysis of the Group's revenue by geographical areas in which the customer/operations are located, irrespective of the origin of the goods/services:

	For the six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	3,523,244	1,128,289
PRC	560,544	585,953
Overseas	97,964	136,014
	<u>4,181,752</u>	<u>1,850,256</u>

The following is an analysis of the Group's non-current assets other than the financial instruments and deferred income tax assets by areas in which the business operations/assets are located.

	As at	As at
	30th September	31st March
	2019	2019
	HK\$'000	HK\$'000
Hong Kong	58,950,967	58,072,686
PRC	26,417,764	24,859,599
Overseas	6,695,533	6,666,776
	<u>92,064,264</u>	<u>89,599,061</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 Revenue

	For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Sale of properties	2,155,948	203,160
Gross rental income	781,194	811,470
Construction revenue	5,525	4,777
Hotel revenue	233,220	247,416
Property management fee income	144,902	148,496
Dividend income from investments	768,087	308,932
Other interest income from debt and convertible securities and loans receivable classified as financial assets at fair value through profit or loss	92,876	126,005
	<u>4,181,752</u>	<u>1,850,256</u>

8 Other income and gains, net

	For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Net loss on financial assets at fair value through profit or loss (note (a))	(34,781)	(290,279)
Unrealised loss on loans receivable at fair value through profit or loss	(20,932)	-
Net gain on derivatives (note (b))	449,674	358,269
Net gain on disposal of interests in subsidiaries (note 24(b))	-	993,544
Net gain on disposal of property, plant and equipment	402	1,163
Net gain on disposal of investment properties	-	163,491
Net exchange loss	(62,535)	(11,581)
Gain on recognition of financial assets (note 15(a))	494,858	-
Net provision for impairment of financial assets (note 15(a))	(489,166)	-
Others	109,597	60,891
	<u>447,117</u>	<u>1,275,498</u>

Notes:

- (a) The amount comprised of realised gain of HK\$682,000 (for the six months ended 30th September 2018: HK\$132,555,000) and unrealised loss of HK\$35,463,000 (for the six months ended 30th September 2018: HK\$422,834,000) on financial assets at fair value through profit or loss.
- (b) The amount comprised of realised gain of HK\$193,054,000 (for the six months ended 30th September 2018: HK\$235,149,000) and unrealised gain of HK\$256,620,000 (for the six months ended 30th September 2018: HK\$123,120,000) on derivatives.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 Operating profit

Operating profit is arrived at after charging:

	For the six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Cost of properties sold	1,336,782	60,401
Cost of construction works	(4,395)	13,907
Hotel direct costs	101,821	104,039
Outgoings in respect of rental income	161,810	161,643
Depreciation of property, plant and equipment (note 13)	76,353	77,734
Amortisation of right-of-use assets	20,019	-
Amortisation of land use rights	-	6,612
Staff costs (net of amount capitalised in properties under construction of HK\$97,162,000 (30th September 2018: HK\$159,320,000))	418,027	357,972
Marketing and selling expenses	70,559	55,410
Rental expense under operating lease	11,553	6,778
	<u> </u>	<u> </u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 Finance income, net

	For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Interest income on		
- joint ventures	11,558	30,631
- associates	54,789	44,988
- investee companies	546	495
- bank deposits	217,142	69,672
- loans receivables at amortised cost	121,951	52,581
- others	22,816	8,438
	<u>428,802</u>	<u>206,805</u>
Interest expenses on		
- bank borrowings	(291,722)	(385,997)
- guaranteed notes	(272,187)	(193,298)
- others (note)	(48,444)	(27,185)
	<u>(612,353)</u>	<u>(606,480)</u>
Total finance costs incurred	(612,353)	(606,480)
Less: amount capitalised to qualifying assets	458,781	438,545
	<u>(153,572)</u>	<u>(167,935)</u>
Interest income, net	275,230	38,870
Other finance charges	(19,338)	(34,098)
Net exchange gain on financing activities	6,660	136,249
	<u>262,552</u>	<u>141,021</u>

Note:

The amount comprised of interest expenses arising from lease liabilities of HK\$1,980,000 (for the six months ended 30th September 2018: HK\$nil)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Income tax expense

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30th September 2018: 16.5%) on the estimated assessable profits for the period. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (for the six months ended 30th September 2018: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

Withholding tax is levied on profit distribution or dividend income upon declaration or remittance at the rates of taxation prevailing in the PRC and overseas countries.

The amount of income tax charged/(credited) to the condensed consolidated income statement represents:

	For the six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current period	156,484	84,186
- (over)/under provision in prior years	(94,335)	33
PRC income tax		
- provision for current period	892	2,186
- under provision in prior years	-	52
Overseas profits tax		
- provision for current period	958	7,446
Withholding tax	14,157	14,269
Deferred income tax	15,961	(12,001)
	<u>94,117</u>	<u>96,171</u>

The Group's share of tax charge of joint ventures and associates for the six months ended 30th September 2019 totalling HK\$98,713,000 (for the six months ended 30th September 2018: HK\$326,948,000) is included in the condensed consolidated income statement as share of results of joint ventures and associates.

12 Dividend

	For the six months ended 30th September	
	2019	2018
	HK\$'000	HK\$'000
Dividend of HK\$0.0145 per share (2018: HK\$nil)	<u>909,781</u>	<u>-</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 Property, plant and equipment

	2019 HK\$'000	2018 HK\$'000
Net book amount:		
At 31st March	2,878,214	3,099,611
Adoption of IFRS 16	(548,867)	-
At 1st April	2,329,347	3,099,611
Additions	42,483	28,525
Disposals and write-off	(92)	(6,363)
Charge for the period	(76,353)	(77,734)
Exchange differences	(78,892)	(137,896)
At 30th September	2,216,493	2,906,143

14 Investment properties

	2019 HK\$'000	2018 HK\$'000
At 31st March	69,776,779	75,517,598
Adoption of IFRS 16	156,323	-
At 1st April	69,933,102	75,517,598
Additions	941,141	1,128,466
Net change in fair values	13,236	489,441
Disposal of interests in subsidiaries	-	(6,510,000)
Exchange differences	(1,501,318)	(2,472,873)
At 30th September	69,386,161	68,152,632

The analysis of valuation of the above investment properties at 30th September 2019 and 31st March 2019 are as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
At external professional valuation	69,386,161	69,776,779

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 Joint ventures

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Share of net assets	8,405,697	7,922,608
Amounts due from joint ventures (note (a) and (b))	2,335,933	3,221,020
Amounts due from joint ventures at fair value through profit or loss (note (b))	870,617	638,860
	11,612,247	11,782,488
Amounts due within one year included in current assets (note (a), (b) and note 19)	(2,335,933)	(2,455,994)
	9,276,314	9,326,494
Amounts due to joint ventures (note (c) and note 23)	(4,878,611)	(4,026,223)

Notes:

- (a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$2,751 million) granted to a PRC property developer ("Borrower") for a residential and commercial property development project in Foshan. The loan bears interest at a fixed rate of 18% per annum, plus a guaranteed bonus return from future sales of the residential units.

On 15th September 2017, the Group and the Borrower entered into a settlement proposal (the "proposal"). Pursuant to the proposal, the outstanding loan and interest receivable balances shall be settled through the transfer of shopping mall and carparks owned by the Borrower supplement with cash repayment (collectively the "settlement package"). During the year ended 31st March 2018, RMB917 million (equivalent to HK\$1,144 million) was received from the Borrower.

During the year ended 31st March 2019, the Group has temporarily returned RMB200 million (equivalent to HK\$228 million) previously received onshore to the Borrower in accordance with the settlement proposal. As a result, total outstanding loan balance as at 31st March 2019 increased to RMB1,844 million (equivalent to HK\$2,161 million).

On 8th July 2019, the Group and the Borrower entered into a supplemental letter to the settlement proposal (the "Supplemental Letter"). Pursuant to the Supplemental Letter, the outstanding loan and interest receivable balance shall no longer be settled through the settlement package. The outstanding loan amount and interest receivables shall be settled by cash amounted to RMB2,998 million (including RMB717 million previously received onshore) and a gain of RMB437 million was recorded.

No repayment was made by the Borrower during the period ended 30th September 2019. Management has assessed the expected lifetime losses on the outstanding balances and an impairment provision of RMB437 million is recognised during the period ended 30th September 2019. As a result, total outstanding loan balance as at 30th September 2019 remains at RMB1,844 million (equivalent to HK\$2,030 million) (31st March 2019: RMB1,844 million (equivalent to HK\$2,161 million)).

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 Joint ventures (Continued)

Notes: (Continued)

- (b) At 30th September 2019, except for amounts due from joint ventures disclosed in note (a) above, remaining balances of HK\$305,672,000 (31st March 2019: HK\$749,050,000) is interest free and HK\$871,195,000 (31st March 2019: HK\$949,704,000) is interest bearing, of which, HK\$870,617,000 (31st March 2019: HK\$638,860,000) are classified as financial assets at fair value through profit or loss. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group.

Included in the interest bearing amounts due from joint ventures, balance of HK\$300,310,000 (31st March 2019: HK\$178,932,000) bear interest at prevailing market rates and balance of HK\$570,885,000 (31st March 2019: HK\$770,772,000) bear interest at a fixed rate at 2.2% to 2.9% (31st March 2019: 2.2% to 3.5%) per annum respectively.

All of the balances are unsecured.

- (c) The amounts due to joint ventures are unsecured, interest free and have no fixed terms of repayment.

16 Associates

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Share of net assets	4,048,203	3,993,154
Amounts due from associates (note (a))	3,722,866	3,566,027
	7,771,069	7,559,181
Amounts due within one year included in current assets (note (a) and note 19)	(372,866)	(310,827)
	7,398,203	7,248,354
Amounts due to associates (note (b) and note 23)	(1,147,318)	(1,063,239)

Notes:

- (a) At 30th September 2019, except for HK\$371,347,000 (31st March 2019: HK\$309,309,000) which is interest free, HK\$1,519,000 (31st March 2019: HK\$1,518,000) and HK\$3,350,000,000 (31st March 2019: HK\$3,255,200,000) bear interest at prevailing market rate and fixed rate at 3.3% (31st March 2019: 3.2%) per annum respectively.
- (b) The amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 Loans receivable

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	3,430,341	3,257,627
- unsecured loans (note (b))	647,778	51,024
Loans receivable at fair value through profit or loss (note (c))	2,012,427	2,194,047
	6,090,546	5,502,698
Less: current portion of loans receivable (note 19)	(2,162,208)	(1,424,998)
	3,928,338	4,077,700

Notes:

- (a) As at 30th September 2019, total secured loans receivable from third party at amortised cost amounted to HK\$3,430,341,000 (31st March 2019: HK\$3,257,627,000). Of which, HK\$1,875,000,000 (31st March 2019: HK\$1,875,000,000) bears interest at prevailing market rate and is repayable in June 2022, HK\$784,095,000 (31st March 2019: HK\$784,985,000) and HK\$63,371,000 (31st March 2019: HK\$nil) bear interest at fixed rate of 12% (31st March 2019: 12%) per annum and are repayable in April 2020 and in 5 years respectively and HK\$706,500,000 (31st March 2019: HK\$nil) bears interest at fixed rate of 10% per annum and is repayable in April 2020.
- (b) As at 30th September 2019 and 31st March 2019, the unsecured loans receivable at amortised cost bears interest at prevailing market rate and is repayable in June 2023.
- (c) As at 30th September 2019, loans receivable at fair value through profit or loss are interest free for the initial two or three years and subsequently bear interest at variable interest rate. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group. Income from the loans receivable and unrealised loss on loans receivable of HK\$19,786,000 (30th September 2018: HK\$31,867,000) and HK\$20,932,000 (30th September 2018: HK\$nil) are recognised in the condensed consolidated income statement.

18 Other non-current assets

On 6th May 2019, the Group successfully obtained a right to a commercial plot in Shanghai at a government land auction at a land premium of RMB2,421 million. As at 30th September 2019, RMB2,496 million (equivalent to HK\$2,747 million) was paid by the Group for land cost and related expenses.

On 4th September 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire the interest of a commercial project in the United States. As at 30th September 2019, US\$17.7 million (equivalent to HK\$139 million) was paid by the Group as a deposit.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 Trade and other receivables, deposits and prepayments

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Trade receivables	250,761	197,331
Other receivables and deposits	3,105,920	2,842,072
Interest receivable	168,113	97,772
Stakeholders' accounts	1,099,619	1,859,055
Prepayments	147,109	103,032
Contract cost assets	227,988	96,603
Loans receivable (note 17)	2,162,208	1,424,998
Amounts due from fellow subsidiary companies (note)	3,497	6,947
Amounts due from joint ventures (note 15)	2,335,933	2,455,994
Amounts due from associates (note 16)	372,866	310,827
Amounts due from investee companies (note)	504	504
Amounts due from non-controlling interests (note)	93,292	93,292
Amounts due from related companies (note)	88,777	22,949
Amount due from intermediate holding company (note)	893,230	1,037,354
Amount due from ultimate holding company (note)	7,984	7,678
	<u>10,957,801</u>	<u>10,556,408</u>

Note:

The balances are unsecured, interest free and have no fixed terms of repayment.

20 Assets classified as held-for-sale

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Investment properties classified as held-for-sale	<u>339,049</u>	<u>348,280</u>

On 28th December 2018, the Group entered into a sale and purchase agreement with an independent third party to disposal of its entire interests in a bare land with undetermined use in Malaysia at a consideration of Ringgit Malaysian ("RM") 181 million (equivalent to HK\$348 million). As a result, relevant investment properties of HK\$339 million (31st March 2019: HK\$348 million) are classified as held-for-sale in the condensed consolidated financial statements. As at 30th September 2019, RM24 million (equivalent to HK\$45 million) was received as deposit (31st March 2019: RM24 million (equivalent to HK\$45 million)).

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 Share capital and perpetual capital securities

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2019 and 30th September 2019	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2019 and 30th September 2019	62,743,532	62,743,532

Perpetual capital securities

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
USD500 million issued in 2017	3,969,373	3,969,456

On 29th May 2017, a wholly owned subsidiary of the Group (the “Issuer”) issued 5.5% perpetual capital securities with an aggregate principal of USD500 million for cash. The perpetual capital securities are guaranteed by Nan Fung International Holdings Limited (“NFIHL”) (the “Guarantor”) which is the immediate holding company of the Company.

These securities are perpetual, subordinated and the coupon payment can be deferred at the discretion of the Issuer and there is no limit as to the number of times of deferral of coupon payment. When the Guarantor and Issuer elect to declare dividends to their ordinary shareholders, the Issuer shall make distribution to the holders of perpetual securities at the distribution rates as defined in the subscription agreement.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Bank and other borrowings

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	12,015,757	11,975,036
- unsecured	7,849,140	8,486,289
Less: current portion of long-term bank borrowings	(464,744)	(375,730)
	<u>19,400,153</u>	<u>20,085,595</u>
Current portion of long-term bank borrowings		
- secured	464,744	375,730
Other short-term bank borrowings		
- unsecured	59,762	-
	<u>524,506</u>	<u>375,730</u>
	<u>19,924,659</u>	<u>20,461,325</u>
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	10,925,007	10,929,483
- unlisted	1,805,232	1,804,662
	<u>12,730,239</u>	<u>12,734,145</u>
Total bank and other borrowings	<u>32,654,898</u>	<u>33,195,470</u>

As at 30th September 2019 and 31st March 2019, the Group's bank and other borrowings are repayable as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Within one year	524,506	375,730
Between one and two years	4,806,562	2,582,566
Between two and three years	5,549,175	4,475,046
Between three and four years	10,470,362	8,419,170
Between four and five years	2,117,864	6,228,997
Over five years	9,186,429	11,113,961
	<u>32,654,898</u>	<u>33,195,470</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Bank and other borrowings (Continued)

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, right-of-use assets, land use rights, properties for sale and financial assets at fair value through profit or loss (note 28).

The effective interest rate based on the prevailing market rates on the bank borrowings as at 30th September 2019 is 2.89% (31st March 2019: 2.92%) per annum.

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme (“MTN”). The aggregate principal amount was increased from US\$2 billion to US\$3 billion on 24th August 2018. As at 30th September 2019, the Group has drawdown of totalling HK\$12,866 million, of which US\$1,410 million is listed on Singapore Exchange Securities Trading Limited. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Interest yield per annum	Interests in arrear
29th August 2012	HK\$800 million	29th August 2022	4.425%	Quarterly
20th September 2012	US\$300 million	20th September 2022	4.50%	Semi-annually
10th October 2012	HK\$300 million	10th October 2022	4.125%	Quarterly
8th November 2012	HK\$110 million	8th November 2022	3.95%	Quarterly
30th January 2013	HK\$100 million	30th January 2023	3.85%	Quarterly
29th May 2014	US\$200 million	29th May 2024	4.875%	Semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	Quarterly
3rd October 2017	US\$410 million	3rd October 2027	3.875%	Semi-annually
5th September 2018	US\$500 million	5th September 2028	5.00%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by NFIHL. As at 30th September 2019, the fair values of the MTN are HK\$13,417,519,000 (31st March 2019: HK\$13,059,263,000). Of which, HK\$11,552,281,000 (31st March 2019: HK\$11,229,561,000) is within level 1 of fair value hierarchy and the remaining is within level 2 of fair value hierarchy. Total remaining capacity of the MTN amounted to US\$1,359,160,000 (31st March 2019: US\$1,359,422,000).

- (c) As at 30th September 2019, the Group had HK\$30,248,978,000 (31st March 2019: HK\$31,415,423,000) undrawn banking facilities.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 Trade and other payables, deposits and accruals

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Trade and other payables and accruals	3,436,625	3,146,871
Accruals for construction work	232,493	242,713
Rental and other deposits received	565,017	518,025
Deferred income	97,787	108,164
Amounts due to joint ventures (note 15)	4,878,611	4,026,223
Amounts due to associates (note 16)	1,147,318	1,063,239
Amounts due to investee companies (note (a))	9,118	9,118
Amounts due to related companies and individuals (note (b))	537,574	594,553
Amounts due to fellow subsidiary companies (note (a))	42,996	-
Amounts due to intermediate holding company (note (a))	8,004	8,024
Amount due to ultimate holding company (note (a))	210,790	619,742
Amounts due to non-controlling interests (note (c))	2,780,274	2,850,782
	<u>13,946,607</u>	<u>13,187,454</u>

Notes:

- (a) Amounts due to investee companies, fellow subsidiary companies, immediate holding company, intermediate holding company and ultimate holding company are unsecured, interest free and has no fixed terms of repayment.
- (b) As at 30th September 2019, amounts due to related companies and individuals of HK\$4,748,000 (31st March 2019: HK\$4,725,000) bear interest at 1% (31st March 2019: 1%) per annum and remaining balances are interest free.
- (c) As at 30th September 2019, amounts due to non-controlling interests of HK\$932,703,000 (31st March 2019: HK\$932,703,000) bear interest at rate at 5.01% (31st March 2019: 5.01%). The remaining balance is interest free. The balances are unsecured and have no fixed terms of repayment.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Notes to condensed consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Profit before income tax	2,801,864	4,475,756
Depreciation of property, plant and equipment	76,353	77,734
Amortisation of land use rights	-	6,612
Amortisation of right-of-use assets	20,019	-
Net change in fair values of investment properties	(13,236)	(489,441)
Net gain on disposal of investment properties	-	(163,491)
Net gain on disposal of property, plant and equipment	(402)	(1,163)
Write-off of property, plant and equipment	14	6,161
Net gain on disposal of interests in subsidiaries	-	(993,544)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(221,157)	299,714
Unrealised loss on loans receivable at fair value through profit or loss	20,932	-
Gain on recognition of financial assets	(494,858)	-
Net provision for impairment of financial assets	489,166	-
Finance income, net	(262,552)	(141,021)
Unrealised exchange loss	131,443	-
Share of results of joint ventures	(228,654)	(1,547,701)
Share of results of associates	(90,745)	(367,053)
Net cash generated from operating profit before working capital changes	2,228,187	1,162,563
Decrease/(Increase) in:		
Properties for sale	672,533	(1,582,597)
Trade and other receivables, deposits and prepayments	272,387	(327,364)
Financial assets at fair value through profit or loss	180,956	(1,296,702)
Increase/(decrease) in:		
Trade and other payables, deposits and accruals	315,676	224,330
Contract liabilities	1,868,974	2,643,489
Financial liabilities at fair value through profit or loss	66,366	(68,431)
Net cash generated from operations	5,605,079	755,288

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Notes to condensed consolidated statement of cash flows (Continued)

(b) Net proceeds from disposal of interests in subsidiaries

Disposal of entire interests in Fast Trend Investments Limited (“Fast Trend”)

On 1st June 2018, the Group entered into a sale and purchase agreement with an independent third party for sale of 100% of the issued share capital of Fast Trend. Fast Trend held 100% interests in a subsidiary which held an investment property in Hong Kong, at a net consideration of HK\$7,393 million (“the Transaction”) and provided a loan to the intermediate holding company of the purchaser. The Transaction was completed on 30th August 2018. Details of the disposal are as follows:

	HK\$’000
Net assets disposed of:	
Investment properties	6,510,000
Trade and other receivables	21,408
Cash and bank balances	42,748
Trade and other payables	(107,464)
Tax payables	(7,131)
Deferred income tax liabilities	(59,981)
	<u>6,399,580</u>
Net gain on disposal of interests in subsidiaries:	
Total consideration	7,393,124
Net assets disposed of	(6,399,580)
	<u>993,544</u>
Net cash inflow on disposal of interests in subsidiaries:	
Net consideration received during the period	5,518,124
Cash and bank balances disposed of	(42,748)
	<u>5,475,376</u>

(c) Acquisition of non-controlling interests in a subsidiary

Grace Shine Enterprises Limited (“Grace Shine”) was a 85% owned subsidiary of the Group. It is an investment holding company which holds 100% interests of an property development project in Hong Kong. On 31st May 2019, the Group acquired the remaining 15% of issued shares of Grace Shine at a consideration of HK\$285,044,000. Grace Shine became a wholly owned subsidiary of the Group after the acquisition. As a result, the Group recognised a decrease in non-controlling interests of HK\$277,941,000. The difference between the consideration and the decrease in non-controlling interest, amounted to HK\$7,103,000, is recognised in other reserves.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 Financial guarantees/contingent liabilities

As at 31st March 2019, the Group has undertaken to a bank amounting to HK\$67,571,000 in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures. During the period ended 30th September 2019, the Group was released from the financial guarantee contract upon the completion of the contract works.

26 Capital commitments

Other than those disclosed elsewhere in the condensed consolidated interim financial information, the Group has significant capital commitments as follows:

- (i) As at 30th September 2019 and 31st March 2019, the Group had capital commitments for investment properties under development, investment properties and property, plant and equipment as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Contracted but not provided for	8,610,380	3,722,883

- (ii) As at 30th September 2019 and 31st March 2019, the Group had uncalled capital commitments to invest in the funds as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Contracted but not provided for	5,373,494	5,949,095

The commitments are subject to certain conditions described in the contracts.

27 Future operating lease receivables

At 30th September 2019 and 31st March 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the Group's investment properties and properties for sale as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Not later than one year	1,341,089	1,290,725
Later than one year and not later than five years	2,254,890	2,362,837
Later than five years	1,596,795	1,732,552
	<u>5,192,774</u>	<u>5,386,114</u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE INTERIM FINANCIAL INFORMATION

28 Pledge of assets

At 30th September 2019 and 31st March 2019, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	As at 30th September 2019 HK\$'000	As at 31st March 2019 HK\$'000
Property, plant and equipment	1,339,515	1,441,733
Investment properties	43,688,561	45,036,339
Right-of-use assets	342,706	-
Land use rights	-	369,220
Properties for sale	181,140	181,345
Financial assets at fair value through profit or loss	6,827,845	7,006,334
	<u>52,379,767</u>	<u>54,034,971</u>

29 Significant related party transactions

Other than those disclosed elsewhere in the interim financial information, significant related party transactions which were carried out in the normal course of the Group's business during the period were as follows:

	For the six months ended 30th September	
	2019 HK\$'000	2018 HK\$'000
Income:		
From associates		
- management fee income (note)	<u>5,220</u>	<u>6,503</u>
Key management compensation	<u>64,835</u>	<u>67,508</u>

Note:

Management fee income from associates was for administrative and management services provided. The terms were determined by and agreed between both parties.