

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 2018

**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 40, 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 2018 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, 28th November 2018

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 2018**

		Unaudited For the six months ended 30th September	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	6, 7	1,850,256	1,565,940
Cost of sales		(343,412)	(233,634)
Gross profit		1,506,844	1,332,306
Other income and gains, net	8	1,275,498	2,170,276
Net change in fair values of investment properties		489,441	298,330
Other operating expenses		(851,802)	(805,173)
Operating profit	9	2,419,981	2,995,739
Finance income		206,805	181,358
Finance expenses		(167,935)	(156,445)
Other finance charges and net exchange difference on financing activities		102,151	58,847
Finance income, net	10	141,021	83,760
Share of results of			
- Joint ventures		1,547,701	752,178
- Associates		367,053	97,071
Profit before income tax		4,475,756	3,928,748
Income tax expense	11	(96,171)	(388,626)
Profit for the period		4,379,585	3,540,122
Profit/(loss) for the period attributable to:			
- Owners of the Company		4,305,064	3,509,229
- Holders of perpetual capital securities		107,848	72,804
- Non-controlling interests		(33,327)	(41,911)
		4,379,585	3,540,122

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

	Unaudited For the six months ended 30th September	
	2018 HK\$'000	2017 HK\$'000
Profit for the period	4,379,585	3,540,122
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value change on available-for-sale financial assets	-	650,037
Impairment provision on available-for-sale financial assets recycled to condensed consolidated income statement	-	6,153
Release of investment revaluation reserves upon disposal of available-for-sale financial assets	-	(179,250)
Share of other comprehensive (loss)/income of associates and joint ventures	(96,768)	71,933
Release of hedging reserve upon discontinuation of hedging relationship	(135,764)	-
Fair value change on hedge instruments	-	28,361
Exchange translation differences	(2,067,179)	815,234
Other comprehensive (loss)/income for the period	(2,299,711)	1,392,468
Total comprehensive income for the period	2,079,874	4,932,590
Total comprehensive income/(loss) for the period attributable to:		
- Owners of the Company	2,043,349	4,859,853
- Holders of perpetual capital securities	107,848	72,804
- Non-controlling interests	(71,323)	(67)
	2,079,874	4,932,590

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2018

	Note	Unaudited As at 30th September 2018 HK\$'000	Audited As at 31st March 2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,906,143	3,099,611
Investment properties	13	68,152,632	75,517,598
Land use rights		365,713	409,333
Joint ventures	14	9,932,920	8,617,184
Associates	15	6,956,781	6,467,538
Financial assets at fair value through profit or loss		11,358,527	-
Available-for-sale financial assets		-	10,194,779
Loans receivable	16	4,347,573	3,212,856
Amounts due from investee companies		48,320	48,455
Deferred income tax assets		228,741	194,010
		<u>104,297,350</u>	<u>107,761,364</u>
Current assets			
Properties for sale		25,180,565	23,386,118
Trade and other receivables, deposits and prepayments	17	7,995,310	7,381,546
Financial assets at fair value through profit or loss		13,353,477	13,654,979
Prepaid tax		36,977	29,038
Cash and bank balances		13,580,180	6,976,468
		<u>60,146,509</u>	<u>51,428,149</u>
Assets classified as held-for-sale	18	-	231,372
		<u>60,146,509</u>	<u>51,659,521</u>
Total assets		<u><u>164,443,859</u></u>	<u><u>159,420,885</u></u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2018

	Note	Unaudited As at 30th September 2018 HK\$'000	Audited As at 31st March 2018 HK\$'000
EQUITY			
Equity attributable to the owner's of the Company			
Share capital	19	62,743,532	62,743,532
Reserves		36,335,487	34,292,138
Perpetual capital securities	19	99,079,019	97,035,670
		3,969,144	3,969,252
Non-controlling interests		103,048,163	101,004,922
		556,661	624,913
Total equity		103,604,824	101,629,835
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,864,318	3,163,564
Bank and other borrowings	20	34,952,832	32,683,164
Other long-term liabilities		77,630	104,086
		37,894,780	35,950,814
Current liabilities			
Trade and other payables, deposits and accruals	21	11,660,101	10,698,675
Contract liabilities		9,938,588	-
Receipts in advance on properties for sale		-	7,294,322
Financial liabilities at fair value through profit or loss		211,978	270,046
Bank and other borrowings	20	377,709	2,757,128
Tax payable		755,879	820,065
		22,944,255	21,840,236
Total liabilities		60,839,035	57,791,050
Total equity and liabilities		164,443,859	159,420,885

On behalf of the Board

Cheung Vincent Sai Sing
Director

Leung Kam Chung
Director

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018**

	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
At 1st April 2017	62,743,532	61,947,557	(37,757,621)	(86,689)	86,846,779	-	1,490,669	88,337,448
Comprehensive income								
Profit/(loss) for the period	-	3,509,229	-	-	3,509,229	72,804	(41,911)	3,540,122
Other comprehensive income	-	-	-	1,350,624	1,350,624	-	41,844	1,392,468
Total comprehensive income/(loss)	-	3,509,229	-	1,350,624	4,859,853	72,804	(67)	4,932,590
Capital injection of non-controlling interests	-	-	-	-	-	-	1,681	1,681
Acquisition of additional interest in a subsidiary (note 22(c))	-	-	-	(363,199)	(363,199)	-	(916,241)	(1,279,440)
Issuance of perpetual capital securities	-	-	-	-	-	3,896,300	-	3,896,300
Transaction costs in relation to the issuance of perpetual capital securities	-	(40,091)	-	-	(40,091)	-	-	(40,091)
	-	(40,091)	-	(363,199)	(403,290)	3,896,300	(914,560)	2,578,450
At 30th September 2017	62,743,532	65,416,695	(37,757,621)	900,736	91,303,342	3,969,104	576,042	95,848,488

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 2018

		Unaudited For the six months ended 30th September	
	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	22 (a)	755,288	3,449,364
Profits tax paid		(170,554)	(65,151)
Net cash from operating activities		584,734	3,384,213
Cash flows from investing activities			
Interest received		186,963	166,736
Purchase of property, plant and equipment		(28,525)	(9,833)
Proceeds from disposal of property, plant and equipment		1,365	348
Additions to investment properties		(894,393)	(27,589,889)
Proceeds from sale of investment properties		386,491	-
Purchase of available-for-sale financial assets		-	(763,760)
Proceeds from disposal of available-for-sale financial assets		-	299,831
Proceeds from disposal of mortgage loan receivables		-	1,499,451
Decrease in amounts due from investee companies		135	23,272
Increase in amounts due to investee companies		-	2,844
Decrease/(increase) in amounts due from non-controlling interests		3,447	(3,384)
Decrease in amounts due from joint ventures		387,306	2,140,773
Dividends received from joint ventures		14,000	3,500
Increase in amounts due to joint ventures		744,405	265,000
Investment in and increase in amounts due from associates		(196,236)	(91,047)
Increase in amounts due to associates		254,988	-
Net proceeds from disposal of interests in subsidiaries	22 (b)	5,475,376	-
Increase in loans receivable		(47,096)	(2,846,477)
Decrease/(increase) in amounts due from fellow subsidiary companies		1,334	(1,785)
Decrease/(increase) in amounts due from related companies		29,224	(24,323)
Decrease/(increase) in amount due from immediate holding company		109,245	(1,499,700)
Increase in amount due from ultimate holding company		(600)	(729)
Decrease in pledged bank deposits		23,948	5,935
Decrease in short term bank deposits with original maturities more than three months		125,489	2,864,509
Net cash from/(used in) investing activities		6,576,866	(25,558,728)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

		Unaudited For the six months ended 30th September	
	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from financing activities			
Interest paid		(522,713)	(428,361)
(Decrease)/increase in amounts due to related companies and individuals		(25,901)	22,190
(Decrease)/increase in amounts due to fellow subsidiaries		(134,717)	582
Decrease in amount due to ultimate holding company		(25,949)	-
Capital injection from non-controlling interests		6,581	1,681
(Decrease)/increase in amounts due to non-controlling interests		(57,667)	246,593
Drawdown of bank and other borrowings		4,815,539	24,683,216
Repayment of bank and other borrowings		(7,970,101)	(15,133,736)
Dividend paid to non-controlling interest		(3,510)	-
Issuance of medium term notes		3,848,141	497,915
Issuance of perpetual capital securities, net of expenses		-	3,856,209
Acquisition of additional interest in a subsidiary	22 (c)	-	(1,279,440)
Distribution paid on perpetual capital securities		(107,956)	-
Net cash (used in)/from financing activities		(178,253)	12,466,849
Net increase/(decrease) in cash and cash equivalents		6,983,347	(9,707,666)
Cash and cash equivalents at the beginning of period		6,776,231	17,465,716
Currency translation differences		(230,198)	34,665
Cash and cash equivalents of subsidiaries classified as held for sale		-	(7,100)
Cash and cash equivalents at the end of period		13,529,380	7,785,615
Analysis of the balance of the cash and cash equivalents:			
Bank balances and cash		2,907,400	2,253,933
Short-term bank deposits		10,672,780	5,942,426
		13,580,180	8,196,359
Less: bank deposits with original maturities more than three months restricted cash		(46,075)	(400,423)
		(4,725)	(10,321)
Cash and cash equivalents at the end of period		13,529,380	7,785,615

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 28th November 2018.

2 Basis of preparation and summary of significant accounting policies

This condensed consolidated interim financial information for the six months ended 30th September 2018 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 2018, 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 2018 except as stated in note 3 below.

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

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year beginning 1st April 2018 and are relevant to its operation.

Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2014 – 2016 Cycle
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency, Transactions and Advance Consideration

The Group has assessed the impact of the adoption of these new standards and amendments to standards, except for the adoption of IFRS 9 and IFRS 15, 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 9 and IFRS 15 are summarised in note 3.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

- (ii) New standards and 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 new standards and amendments to standards that have been issued but are not yet effective for the period:

		Effective for accounting periods beginning on or after
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1st January 2019
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle	1st January 2019
IFRS 16	Leases	1st January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1st January 2019
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 new or amendments to standards and is in the process of assessing the impact on the financial statements. The impact on IFRS 16 are included in Group's consolidated financial statements for the year ended 31st March 2018.

3 Impacts on the adoption of IFRS 9 and IFRS 15

The Group has adopted IFRS 9 and IFRS 15 with effect from 1st April 2018 and has taken transitional provisions not to restate comparative figures for prior periods.

(a) Changes in accounting policies

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

- (i) Classification of financial assets

The Group classifies its financial assets in the following categories: at fair value either through profit or loss or through other comprehensive income ("OCI") or those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The classification of debt financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

(ii) Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(1) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, net, together with foreign exchange gains and losses and impairment losses.
- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other income and gains, net.
- Fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the condensed consolidated income statement within other income and gains, net in the period in which it arises.

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3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

(ii) Measurement of financial assets (Continued)

(2) Equity instruments

The Group subsequently measures all equity investments at FVTPL. Dividends from such investments continue to be recognised in the condensed consolidated income statement as part of revenue when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income and gains, net in the condensed consolidated income statement as applicable.

(iii) Impairment of financial assets

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in IAS 39 to with a forward-looking ECL model. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses for amounts due from customers to be recognised from initial recognition of the trade receivables.

Impairment on other debt instruments at amortised cost are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

(iv) Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income and gains, net.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(a) Changes in accounting policies (Continued)

IFRS 15 Revenue from Contracts with Customers

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as assets and subsequently amortised when the related revenue is recognised.

The excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers is recognised as contract assets. The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

(b) Impacts on the condensed consolidated interim financial information

Effect of changes in accounting policies – IFRS 9

(i) Classification of financial assets and financial liabilities

The Group's instruments that were classified as available-for-sale financial assets under IAS 39 and certain amounts due from joint ventures were reclassified to FVTPL. Related fair value gains or losses was transferred from the investment revaluation reserve to retained earnings on 1st April 2018.

The financial assets held by the Group include instruments currently classified as FVTPL under IAS 39 which will continue to be classified on the same basis under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The Group does not have a significant impact of the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets, lease receivables, loan commitments and certain financial guarantee contracts. The Group does not have a material impact on the Group's financial position and/or financial performance as the credit losses calculated pursuant to the new requirements for the Group's operation are not expected to be significantly different from the amount recognised under their previous credit loss provision practices.

(iii) Hedging accounting

The Group applies the new hedge accounting model prospectively from 1st April 2018, as no hedging relationships existed on or were designated after 1st April 2017 (the beginning of the comparative period) that would require retrospective application of the new hedge accounting treatment. Accordingly, no adjustment was made to the opening balance of retained earnings and other reserves on 1st April 2018. All hedge accounting relationships designated under the previous IAS 39 have continued to be valid hedge accounting relationships in accordance with IFRS 9.

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3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

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

Effect of changes in accounting policies – IFRS 15

The Group has elected the modified retrospective approach for transition to the new revenue standard. However, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified, except for changes in terminology under IFRS 15. Accordingly, opening balance of retained profits at 1st April 2018 are not adjusted and the impact to the reclassification changes in the terminology used under IFRS 15 at prior period and current period are set out below:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as "receipts in advance on properties for sale".
- Contract liabilities for various advance receipt from customers in relation to the construction business were previously presented as "amounts due to customers for contract work" within "trade and other payables, deposits and accruals".

The tables below show the adjustments of each individual financial statement line item by the application of IFRS 9 and IFRS 15. 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 2018 by the adoption of IFRS 9 and IFRS 15 are as follows:

	As at 1st April 2018			
	As originally presented HK\$'000	IFRS 9 HK\$'000	IFRS 15 HK\$'000	As adjusted HK\$'000
Condensed consolidated balance sheet (extract)				
<u>Non-current assets</u>				
Joint ventures				
- Amounts due from joint ventures	4,743,362	(583,501)	-	4,159,861
- Amounts due from joint ventures at fair value through profit or loss	-	583,501	-	583,501
Available-for-sale financial assets	10,194,779	(10,194,779)	-	-
Financial assets at fair value through profit or loss	-	10,194,779	-	10,194,779
<u>Equity attributable to the owner's of the Company</u>				
Reserves				
- Other reserves	2,806,784	(2,402,720)	-	404,064
- Retained earnings	69,242,975	2,402,720	-	71,645,695
<u>Current liabilities</u>				
Trade and other payables, deposits and accruals				
- Amounts due to customers for contract work	777	-	(777)	-
Receipts in advance on properties for sale	7,294,322	-	(7,294,322)	-
Contract liabilities	-	-	7,295,099	7,295,099

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Impacts on the adoption of IFRS 9 and IFRS 15 (Continued)

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

- (ii) The impacts on the Group's condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period ended 30th September 2018 and condensed consolidated balance sheet as at 30th September 2018 by the adoption of IFRS 9 and IFRS 15 are as follows:

	For the six months ended 30th September 2018			
	Without the adoption of IFRS 9 and IFRS 15 HK\$'000	IFRS 9 HK\$'000	IFRS 15 HK\$'000	As reported HK\$'000
Condensed consolidated income statement (extract)				
Other income and gains, net	1,280,943	(5,445)	-	1,275,498
Condensed consolidated statement of comprehensive income (extract)				
Fair value change on available-for-sale financial assets	1,496	(1,496)	-	-
Release of investment revaluation reserve upon disposal of available-for- sale financial assets	(6,941)	6,941	-	-
Condensed consolidated balance sheet (extract)				
<u>Non-current assets</u>				
Joint ventures				
- Amounts due from joint ventures	4,191,605	(615,781)	-	3,575,824
- Amounts due from joint ventures at fair value through profit or loss	-	615,781	-	615,781
Available-for-sale financial assets	11,358,527	(11,358,527)	-	-
Financial assets at fair value through profit or loss	-	11,358,527	-	11,358,527
<u>Equity attributable to the owner's of the Company</u>				
Reserves				
- Other reserves	4,260,564	(2,408,165)	-	1,852,399
- Retained earnings	73,537,342	2,408,165	-	75,945,507
<u>Current liabilities</u>				
Receipts in advance on properties for sale	9,938,588	-	(9,938,588)	-
Contract liabilities	-	-	9,938,588	9,938,588

The adoption of IFRS 9 and IFRS 15 has no impact to the condensed consolidated statement of cash flows.

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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 2018. 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 Technique			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At 30th September 2018				
Amounts due from joint ventures at fair value through profit or loss	-	-	615,781	615,781
Financial assets at fair value through profit or loss				
- listed	12,579,117	-	-	12,579,117
- unlisted	-	1,211,190	10,921,697	12,132,887
Loans receivable designated at fair value through profit or loss	-	-	2,457,609	2,457,609
	<u>12,579,117</u>	<u>1,211,190</u>	<u>13,995,087</u>	<u>27,785,394</u>
Financial liabilities at fair value through profit or loss				
- listed	(56,973)	-	-	(56,973)
- unlisted	-	(155,005)	-	(155,005)
	<u>(56,973)</u>	<u>(155,005)</u>	<u>-</u>	<u>(211,978)</u>

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4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

	Valuation Technique			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2018				
Available-for-sale financial assets				
- listed	265,387	-	-	265,387
- unlisted	-	1,550	9,927,842	9,929,392
Loans receivable designated at fair value through profit or loss	-	-	2,530,109	2,530,109
Financial assets at fair value through profit or loss				
- listed	12,442,811	-	-	12,442,811
- unlisted	-	1,195,385	16,783	1,212,168
	<u>12,708,198</u>	<u>1,196,935</u>	<u>12,474,734</u>	<u>26,379,867</u>
Financial liabilities at fair value through profit or loss				
- listed	(72,717)	-	-	(72,717)
- unlisted	-	(197,329)	-	(197,329)
	<u>(72,717)</u>	<u>(197,329)</u>	<u>-</u>	<u>(270,046)</u>

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.

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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 2018, financial assets at fair value through profit or loss of HK\$10,921,697,000 (31st March 2018: available-for-sale financial assets: HK\$9,927,842,000) 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 which represent approximate 31%, 38%, 5%, 6% and 20% (31st March 2018: 31%, 39%, 6%, 7% and 17%) of those level 3 investments respectively.

Fair value 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, level 2 and 3 during the period.

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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 2018:

	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 designated at fair value through profit or loss HK\$'000
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
At 1st April 2017	-	6,527,545	15,719	1,270,011
Additions	-	941,021	-	1,476,883
Repayment	-	-	-	(29,408)
Disposal	-	(251,771)	-	(237,138)
Return of capital	-	(302,233)	-	-
Total unrealised gains or losses recognised in				
- Income statement	-	-	1,237	-
- Other comprehensive income	-	512,878	-	-
Exchange translation differences	-	62,594	3	-
At 30th September 2017	-	7,490,034	16,959	2,480,348

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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 2018.

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, land use rights, joint ventures, associates, financial assets at fair value through profit or loss, loans receivable, amounts due from investee companies, 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 ultimate 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.

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6 Segment reporting (Continued)

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

	The Company and its subsidiaries			Joint ventures		Associates		Total	
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time 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	238,285	459,067	1,666,249	3,196,396	1,708,279	490,514	335,528	4,384,262	3,710,056
PRC and overseas properties	74,095	647,872	624,860	4,089	(160,429)	102,035	49,200	828,091	513,631
Financial investment	304,948	94,138	127,102	157	(149)	5,684	(17,675)	404,927	109,278
Corporate and treasury	-	31,851	1,770	-	-	-	-	31,851	1,770
	<u>617,328</u>	<u>1,232,928</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>

The segment results for the six months ended 30th September 2017 are as follows:

	The Company and its subsidiaries			Joint ventures		Associates		Total	
	Revenue recognised at a point in time HK\$'000	Revenue recognised over time 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	196,563	403,256	419,410	1,974,985	755,612	71,682	43,422	2,646,486	1,218,444
PRC and overseas properties	63,630	496,320	244,271	3,602	(284)	92,556	52,793	656,108	296,780
Financial investment	292,497	113,674	2,311,762	184	(3,150)	-	856	406,355	2,309,468
Corporate and treasury	-	-	20,296	-	-	-	-	-	20,296
	<u>552,690</u>	<u>1,013,250</u>	<u>2,995,739</u>	<u>1,978,771</u>	<u>752,178</u>	<u>164,238</u>	<u>97,071</u>	<u>3,708,949</u>	<u>3,844,988</u>
Segment results									3,844,988
Finance income, net									83,760
Profit before income tax									3,928,748
Income tax expense									(388,626)
Profit for the period									<u>3,540,122</u>

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6 Segment reporting (Continued)

The segment assets and liabilities at 30th September 2018 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	74,618,909	9,396,676	4,650,697	88,666,282	(17,944,706)
PRC and overseas properties	31,432,125	2,753,235	2,322,196	36,507,556	(1,218,179)
Financial investment	26,637,625	5,399	242,696	26,885,720	(1,225,080)
Corporate and treasury	12,118,583	-	-	12,118,583	(1,498,155)
	<u>144,807,242</u>	<u>12,155,310</u>	<u>7,215,589</u>	<u>164,178,141</u>	<u>(21,886,120)</u>
Deferred income tax assets				228,741	-
Prepaid tax				36,977	-
Bank and other borrowings				-	(35,330,541)
Amount due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(2,864,318)
Tax payable				-	(755,879)
Consolidated total assets/(liabilities)				<u>164,443,859</u>	<u>(60,839,035)</u>

The segment assets and liabilities at 31st March 2018 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	75,882,733	7,820,853	4,032,981	87,736,567	(14,020,943)
PRC and overseas properties	34,357,947	3,411,560	2,372,501	40,142,008	(1,357,924)
Financial investment	25,901,735	5,959	278,829	26,186,523	(1,391,037)
Corporate and treasury	5,132,739	-	-	5,132,739	(1,595,048)
	<u>141,275,154</u>	<u>11,238,372</u>	<u>6,684,311</u>	<u>159,197,837</u>	<u>(18,364,952)</u>
Deferred income tax assets				194,010	-
Prepaid tax				29,038	-
Bank and other borrowings				-	(35,440,292)
Amounts due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(3,163,564)
Tax payable				-	(820,065)
Consolidated total assets/(liabilities)				<u>159,420,885</u>	<u>(57,791,050)</u>

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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	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	40,778	51,000	1,122,504	27,661,662
PRC and overseas properties	43,362	42,160	32,538	62,409
Financial investment	-	-	19	-
Corporate and treasury	206	-	1,930	-
	<u>84,346</u>	<u>93,160</u>	<u>1,156,991</u>	<u>27,724,071</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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	1,128,289	1,005,990
PRC	585,953	504,244
Overseas	136,014	55,706
	<u>1,850,256</u>	<u>1,565,940</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
	2018	2018
	HK\$'000	HK\$'000
Hong Kong	57,105,722	60,170,981
PRC	24,535,155	26,856,524
Overseas	6,673,312	7,083,759
	<u>88,314,189</u>	<u>94,111,264</u>

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7 Revenue

	For the six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
Sale of properties	203,160	168,875
Gross rental income	811,470	686,383
Construction revenue	4,777	15,901
Hotel revenue	247,416	211,499
Property management fee income	148,496	77,111
Dividend income from investments	308,932	292,497
Interest income from loan receivables, debt and convertible securities	126,005	113,674
	<u>1,850,256</u>	<u>1,565,940</u>

8 Other income and gains, net

	For the six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
Net gain on financial assets at fair value through profit or loss (note)	67,990	1,843,848
Impairment provision on available-for-sale financial assets	-	(6,153)
Net gain on disposal of available-for-sale financial assets	-	183,630
Net gain on disposal of interests in subsidiaries (note 22(b))	993,544	-
Net gain on disposal of property, plant and equipment	1,163	348
Net gain on disposal of investment properties	163,491	-
Net exchange (loss)/gain	(11,581)	40,814
Write-back of provision for doubtful debt	-	50,189
Others	60,891	57,600
	<u>1,275,498</u>	<u>2,170,276</u>

Note:

The amount comprised of realised gain of HK\$367,704,000 (for the six months ended 30th September 2017: HK\$504,014,000) and unrealised loss of HK\$299,714,000 (for the six months ended 30th September 2017: unrealised gain of HK\$1,339,834,000) on financial assets at fair value through profit or loss.

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9 Operating profit

Operating profit is arrived at after charging:

	For the six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
Cost of properties sold	60,401	67,908
Cost of construction works	13,907	(22,586)
Hotel direct costs	104,039	94,971
Outgoings in respect of rental income	161,643	87,186
Depreciation of property, plant and equipment (note 12)	77,734	86,767
Amortisation of land use rights	6,612	6,393
Staff costs (net of amount capitalised in properties under development of HK\$159,320,000 (30th September 2017: HK\$107,854,000))	357,972	352,591
Marketing and selling expenses	55,410	46,040
Rental expense under operating lease	6,778	4,139
	<u>357,972</u>	<u>352,591</u>

10 Finance income, net

	For the six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
Interest income on		
- joint ventures	30,631	43,791
- associates	44,988	32,374
- investee companies	495	441
- bank deposits	69,672	83,515
- others	61,019	21,237
	<u>206,805</u>	<u>181,358</u>
Interest expenses	(606,480)	(418,017)
Less: amount capitalised to qualifying assets	438,545	261,572
	<u>(167,935)</u>	<u>(156,445)</u>
Interest income, net	38,870	24,913
Other finance charge	(34,098)	(7,035)
Net exchange gain on financing activities	136,249	65,882
Finance income, net	<u>141,021</u>	<u>83,760</u>

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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 2017: 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 2017: 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	
	2018	2017
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current period	84,186	83,195
- under provision in prior years	33	67,190
PRC income tax		
- provision for current period	2,186	2,672
- under provision in prior years	52	-
Overseas profits tax		
- provision for current period	7,446	10,476
- over provision in prior years	-	(6)
Withholding tax	14,269	35,902
Deferred income tax	(12,001)	189,197
	<u>96,171</u>	<u>388,626</u>

The Group's share of tax charge of joint ventures and associates for the six months ended 30th September 2018 totalling HK\$326,948,000 (for the six months ended 30th September 2017: HK\$172,565,000) is included in the condensed consolidated income statement as share of results of joint ventures and associates.

12 Property, plant and equipment

	2018	2017
	HK\$'000	HK\$'000
Net book amount:		
At 1st April	3,099,611	3,123,989
Additions	28,525	9,770
Disposals and write-off	(6,363)	-
Charge for the period	(77,734)	(86,767)
Exchange differences	(137,896)	56,615
At 30th September	<u>2,906,143</u>	<u>3,103,607</u>

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13 Investment properties

	2018 HK\$'000	2017 HK\$'000
At 1st April	75,517,598	45,125,952
Additions	1,128,466	27,714,301
Net change in fair values	489,441	294,427
Disposal of interests in subsidiaries	(6,510,000)	-
Transfer to properties for sale - under development	-	(6,281,578)
Transfer to assets classified as held-for-sale	-	(213,000)
Exchange differences	(2,472,873)	989,731
At 30th September	<u>68,152,632</u>	<u>67,629,833</u>

The analysis of valuation of the above investment properties at 30th September 2018 and 31st March 2018 are as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
At external professional valuation	<u>68,152,632</u>	<u>75,517,598</u>

14 Joint ventures

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Share of net assets	7,963,705	6,495,010
Amounts due from joint ventures (note (a) and (b))	3,575,824	4,743,362
Amounts due from joint ventures at fair value through profit or loss (note (a) and (b))	615,781	-
	<u>12,155,310</u>	<u>11,238,372</u>
Amounts due within one year included in current assets (note (a), (b) and note 17)	(2,222,390)	(2,621,188)
	<u>9,932,920</u>	<u>8,617,184</u>
Amounts due to joint ventures (note (c) and note 21)	<u>(3,453,704)</u>	<u>(2,709,428)</u>

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14 Joint ventures (Continued)

Notes:

- (a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$2,834 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. No further settlement was received from the Borrower for the period ended 30th September 2018.

As at 30th September 2018, total outstanding balance amounted to RMB1,644 million (equivalent to HK\$1,928 million) (31st March 2018: RMB1,644 million (equivalent to HK\$2,052 million)) representing prepayment of shopping mall and carparks.

- (b) At 30th September 2018, except for amounts due from joint ventures disclosed in note (a) above, remaining balances of HK\$646,009,000 (31st March 2018: HK\$707,760,000) is interest free and HK\$1,617,441,000 (31st March 2018: HK\$1,983,787,000) is interest bearing, of which, HK\$615,781,000 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\$71,897,000 (31st March 2018: HK\$58,521,000) bear interest at prevailing market rates and balance of HK\$1,545,544,000 (31st March 2018: HK\$1,925,266,000) bear interest at a fixed rate ranged from 2.3% to 4.4% (31st March 2018: 2.3% to 4.4%) 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.

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15 Associates

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Share of net assets	4,023,981	3,771,938
Amounts due from associates (note (a))	3,191,608	2,912,373
	<u>7,215,589</u>	<u>6,684,311</u>
Amounts due within one year included in current assets (note (a) and note 17)	(258,808)	(216,773)
	<u>6,956,781</u>	<u>6,467,538</u>
Amounts due to associates (note (b) and note 21)	<u>(1,105,914)</u>	<u>(854,027)</u>

Notes:

- (a) At 30th September 2018, except for HK\$257,305,000 (31st March 2018: HK\$215,270,000) which is interest free, HK\$1,503,000 (31st March 2018: HK\$1,503,000) and HK\$2,932,800,000 (31st March 2018: HK\$2,695,600,000) bear interest at prevailing market rate and fixed rate of 3.2% (31st March 2018: 2.6%) per annum respectively.
- (b) The amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

16 Loans receivable

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	3,250,678	1,306,888
- unsecured loans (note (b))	50,806	-
Loans receivable designated at fair value through profit or loss (note (c))	2,457,609	2,530,109
	<u>5,759,093</u>	<u>3,836,997</u>
Less: current portion of loans receivable (note 17)	<u>(1,411,520)</u>	<u>(624,141)</u>
	<u>4,347,573</u>	<u>3,212,856</u>

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16 Loans receivable (Continued)

Notes:

- (a) As at 30th September 2018, total secured loans receivable from third party at amortised cost amounted to HK\$3,250,678,000 (31st March 2018: HK\$1,306,888,000). Of which, HK\$1,875,000,000 (31st March 2018: HK\$nil) bears interest at prevailing market rate and is repayable in June 2022 while HK\$781,635,000 (31st March 2018: HK\$710,440,000) bears interest at fixed rate of 12% (31st March 2018: 12%) per annum and is repayable in April 2019. Remaining secured loans receivable at amortised cost of HK\$594,043,000 (31st March 2018: HK\$596,448,000) is interest free and repayable on demand.
- (b) As at 30th September 2018, the unsecured loans receivable at amortised cost bears interest at prevailing market rate and is repayable in June 2023.
- (c) As at 30th September 2018, loans receivable designated 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 of HK\$31,867,000 (30th September 2017: HK\$6,064,000) is recognised in the condensed consolidated income statement.

17 Trade and other receivables, deposits and prepayments

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Trade receivables	192,066	281,687
Other receivables and deposits	1,349,980	703,735
Interest receivable	72,681	52,839
Stakeholders' accounts	632,657	1,043,021
Prepayments	681,245	521,549
Loans receivable (note 16)	1,411,520	624,141
Amounts due from fellow subsidiary companies (note)	1,794	3,128
Amounts due from joint ventures (note 14)	2,222,390	2,621,188
Amounts due from associates (note 15)	258,808	216,773
Amounts due from investee companies (note)	504	504
Amounts due from non-controlling interests (note)	116,002	119,449
Amounts due from related companies (note)	10,937	40,161
Amount due from immediate holding company (note)	1,037,354	1,146,599
Amount due from ultimate holding company (note)	7,372	6,772
	<u>7,995,310</u>	<u>7,381,546</u>

Note:

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

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18 Assets classified as held-for-sale

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Investment properties	-	223,000
Properties for sale	-	8,372
Assets classified as held-for-sale	-	231,372

On 6th November 2017, the Group entered into a sale and purchase agreement with an independent third party to disposal of its entire interests in a shopping mall and several car parks which are available for sale in Hong Kong (the "Transaction") at a consideration of HK\$401 million. As a result, relevant investment properties and properties for sale of the Hong Kong Project of HK\$223 million and HK\$8 million respectively are classified as held-for-sale in the consolidated financial statements. The Transaction was completed in August 2018 with net gain of HK\$169,629,000 recognised.

19 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 2018 and 30th September 2018	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2018 and 30th September 2018	62,743,532	62,743,532

Perpetual capital securities

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
USD500 million issued in 2017	3,969,144	3,969,252

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 the Company (the "Guarantor").

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.

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20 Bank and other borrowings

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	11,954,114	14,481,969
- unsecured	10,650,716	11,093,474
Less: current portion of long-term bank borrowings	(331,240)	(1,762,428)
	<u>22,273,590</u>	<u>23,813,015</u>
Current portion of long-term bank borrowings		
- secured	331,240	389,675
- unsecured	-	1,372,753
Other short-term bank borrowings		
- secured	-	899,582
Broker account overdraft	46,469	95,118
	<u>377,709</u>	<u>2,757,128</u>
	<u>22,651,299</u>	<u>26,570,143</u>
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	10,875,134	7,066,588
- unlisted	1,804,108	1,803,561
	<u>12,679,242</u>	<u>8,870,149</u>
Total bank and other borrowings	<u>35,330,541</u>	<u>35,440,292</u>

As at 30th September 2018 and 31st March 2018, the Group's bank and other borrowings are repayable as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Within one year	377,709	2,757,128
Between one and two years	403,203	1,082,431
Between two and three years	8,343,021	2,532,386
Between three and four years	6,268,383	9,011,402
Between four and five years	8,606,590	11,754,531
Over five years	11,331,635	8,302,414
	<u>35,330,541</u>	<u>35,440,292</u>

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20 Bank and other borrowings (Continued)

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, land use rights, properties for sale and financial assets at fair value through profit or loss (note 23).

The effective interest rate based on the prevailing market rates on the bank borrowings as at 30th September 2018 is 3.14% (31st March 2018: 2.97%) 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 2018, the Group has drawdown of totalling HK\$12,832,000,000, of which US\$1,410,000,000 is listed on SGX. 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 the Company. As at 30th September 2018, the fair values of the MTN are HK\$12,374,071,000 (31st March 2018: HK\$8,894,653,000). Of which, HK\$10,601,446,000 (31st March 2018: HK\$7,079,490,000) 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\$1,358,434,000 (31st March 2018: US\$859,368,000).

- (c) As at 30th September 2018, the Group had HK\$35,342,256,000 (31st March 2018: HK\$36,688,879,000) undrawn banking facilities.

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21 Trade and other payables, deposits and accruals

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Trade and other payables and accruals	2,264,812	2,068,461
Accruals for construction work	179,830	51,023
Rental and other deposits received	471,918	549,502
Deferred income	87,459	113,562
Amounts due to customers for contract work	-	777
Amounts due to joint ventures (note 14)	3,453,704	2,709,428
Amounts due to associates (note 15)	1,105,914	854,027
Amounts due to investee companies (note (a))	9,118	9,118
Amounts due to related companies and individuals (note (b))	623,380	649,281
Amounts due to fellow subsidiary companies (note (a))	114,072	248,789
Amount due to ultimate holding company (note (a))	513,317	539,266
Amounts due to non-controlling interests (note (c))	2,836,577	2,905,441
	<u>11,660,101</u>	<u>10,698,675</u>

Notes:

- (a) Amounts due to investee companies, fellow subsidiary companies and ultimate holding company are unsecured, interest free and has no fixed terms of repayment.
- (b) As at 30th September 2018, amounts due to related companies and individuals of HK\$4,701,000 (31st March 2018: HK\$4,678,000) bear interest at 1% (31st March 2018: 1%) per annum and remaining balances are interest free.
- (c) As at 30th September 2018, amounts due to non-controlling interests of HK\$1,621,370,000 (31st March 2018: HK\$979,066,000) bear interest at rates ranged from 2.81% to 6.04% (31st March 2018: 2.22% to 4.77%). The remaining balance is interest free. The balances are unsecured and have no fixed terms of repayment.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Note 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	
	2018	2017
	HK\$'000	HK\$'000
Profit before income tax	4,475,756	3,928,748
Depreciation of property, plant and equipment	77,734	86,767
Amortisation of land use rights	6,612	6,393
Net change in fair values of investment properties	(489,441)	(298,330)
Net gain on disposal of investment properties	(163,491)	-
Net gain on disposal of property, plant and equipment	(1,163)	(348)
Write-off of property, plant and equipment	6,161	-
Net gain on disposal of available-for-sale financial assets	-	(183,630)
Net gain on disposal of interests in subsidiaries	(993,544)	-
Unrealised loss/(gain) on financial assets at fair value through profit or loss	299,714	(1,339,834)
Impairment provision on available-for-sale financial assets	-	6,153
Write-back of provision for doubtful debt	-	(50,189)
Write-back of over-provision for construction cost	-	(169)
Finance income, net	(141,021)	(83,760)
Share of results of joint ventures	(1,547,701)	(752,178)
Share of results of associates	(367,053)	(97,071)
Net cash generated from operating profit before working capital changes	1,162,563	1,222,552
Increase in:		
Properties for sale	(1,582,597)	(869,559)
Trade and other receivables, deposits and prepayments	(327,364)	(256,154)
Amounts due from customers for contract work	-	(1,297)
Financial assets at fair value through profit or loss	(1,296,702)	(600,972)
Increase/(decrease) in:		
Trade and other payables, deposits and accruals	224,330	(159,105)
Receipts in advance on properties for sale	-	4,090,705
Contract liabilities	2,643,489	-
Financial liabilities at fair value through profit or loss	(68,431)	23,194
Net cash generated from operations	755,288	3,449,364

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22 Note 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”). 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 additional interest in a subsidiary

Top Treasure Development Limited (“Top Treasure”) was a 60% owned subsidiary of the Group. It is an investment holding company which holds 100% interests of an investment property in Shanghai. On 28th July 2017, the Group acquired remaining 40% of issued shares of Top Treasure at a consideration of HK\$1,279,440,000. Top Treasure became a wholly owned subsidiary of the Group after the acquisition. The Group recognised a decrease in non-controlling interests of HK\$916,241,000 and a decrease in equity attributable to equity holders of the Company of HK\$363,199,000.

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23 Pledge of assets

At 30th September 2018 and 31st March 2018, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Property, plant and equipment	1,435,626	1,597,557
Investment properties	43,690,728	44,607,616
Land use rights	365,713	409,333
Properties for sale	180,571	181,303
Financial assets at fair value through profit or loss	9,160,013	9,667,914
	<u>54,832,651</u>	<u>56,463,723</u>

24 Contingent liabilities

The Group has undertaken to a bank amounting to HK\$67,571,000 (31st March 2018: HK\$67,571,000) in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures.

25 Commitments

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

(a) Capital commitments

- (i) At 30th September 2018 and 31st March 2018, the Group had capital commitments for investment properties under development, investment properties, property, plant and equipment as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Contracted but not provided for	<u>901,151</u>	<u>1,189,012</u>

- (ii) As at 30th September 2018 and 31st March 2018, the Group had uncalled capital commitments to invest in the funds as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Contracted but not provided for	<u>6,747,281</u>	<u>6,746,658</u>

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

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25 Commitments (Continued)

(b) Commitments under operating leases

At 30th September 2018 and 31st March 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	As at 30th September 2018 HK\$'000	As at 31st March 2018 HK\$'000
Third parties		
- not later than one year	25,620	7,808
- later than one year and not later than five years	6,679	3,364
	<u>32,299</u>	<u>11,172</u>

26 Future operating lease receivables

At 30th September 2018 and 31st March 2018, 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 2018 HK\$'000	As at 31st March 2018 HK\$'000
Not later than one year	1,244,975	1,276,978
Later than one year and not later than five years	2,043,275	2,040,531
Later than five years	593,110	552,124
	<u>3,881,360</u>	<u>3,869,633</u>

27 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 2018 HK\$'000	2017 HK\$'000
Income:		
From associates		
- management fee income (note (a))	<u>6,503</u>	<u>909</u>
Expenses:		
To related companies which are held by a close family member of a director of the Group		
- management fees (note (b))	<u>-</u>	<u>13,180</u>
Key management compensation	<u>66,283</u>	<u>56,711</u>

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27 Significant related party transactions (Continued)

Notes:

- (a) Management fee income from associates was for administrative and management services provided. The terms were determined by and agreed between both parties.
- (b) Management fees were charged for administrative and management services provided by certain related companies to the subsidiaries of the Group. The terms were determined by and agreed between both parties.