

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED**

(Incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Nan Fung International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 92, which comprise:

- the consolidated balance sheet as at 31st March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED (CONTINUED)**

(Incorporated in the British Virgin Islands with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED (CONTINUED)**

(Incorporated in the British Virgin Islands with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25th June 2019

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2019**

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5, 6	13,532,369	3,125,040
Cost of sales		(8,756,710)	(524,855)
Gross profit		4,775,659	2,600,185
Other income and gains, net	7	955,233	3,550,811
Net change in fair values of investment properties		758,296	1,336,430
Other operating expenses		(1,843,776)	(1,784,930)
Operating profit	8	4,645,412	5,702,496
Finance income		546,838	397,712
Finance expenses		(321,309)	(326,501)
Other finance charges and net exchange difference on financing activities		(58,988)	176,548
Finance income, net	10	166,541	247,759
Share of results of			
- Joint ventures	5	1,516,629	1,803,981
- Associates	5	513,050	354,142
Profit before income tax		6,841,632	8,108,378
Income tax expense	11	(584,176)	(615,344)
Profit for the year		6,257,456	7,493,034
Profit/(loss) for the year attributable to:			
- Owners of the Company		6,023,476	7,339,264
- Holders of perpetual capital securities		215,657	177,284
- Non-controlling interests		18,323	(23,514)
		6,257,456	7,493,034

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019**

	2019 HK\$'000	2018 HK\$'000
Profit for the year	6,257,456	7,493,034
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	-	1,088,951
Impairment provision on available-for-sale financial assets recycled to consolidated income statement	-	13,197
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	(220,879)
Share of other comprehensive (loss)/income of joint ventures and associates	(169,910)	207,744
Release of exchange reserves upon disposal of interests in subsidiaries	11,490	46,747
Fair value change on hedge instruments	-	135,764
Release of hedging reserve upon discontinuation of hedging relationship	(135,764)	-
Exchange translation differences	(1,430,584)	2,068,921
Other comprehensive (loss)/income for the year	(1,724,768)	3,340,445
Total comprehensive income for the year	4,532,688	10,833,479
Total comprehensive income/(loss) attributable to:		
- Owners of the Company	4,327,099	10,598,397
- Holders of perpetual capital securities	215,657	177,284
- Non-controlling interests	(10,068)	57,798
	4,532,688	10,833,479

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,878,214	3,099,611
Investment properties	14	69,776,779	75,517,598
Land use rights	15	369,220	409,333
Joint ventures	16	9,326,494	8,617,184
Associates	17	7,248,354	6,467,538
Financial assets at fair value through profit or loss	23	11,869,326	-
Available-for-sale financial assets	18	-	10,194,779
Loans receivable	19	4,077,700	3,212,856
Amounts due from investee companies	20	45,435	48,455
Deferred income tax assets	28	234,517	194,010
		<u>105,826,039</u>	<u>107,761,364</u>
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Current assets			
Properties for sale	21	15,415,902	23,386,118
Trade and other receivables, deposits and prepayments	22	10,556,408	7,381,546
Financial assets at fair value through profit or loss	23	10,063,720	13,654,979
Prepaid tax		83,580	29,038
Cash and bank balances	24	17,670,671	6,976,468
		<u>53,790,281</u>	<u>51,428,149</u>
Assets classified as held-for-sale	25	348,280	231,372
		<u>54,138,561</u>	<u>51,659,521</u>
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Total assets		<u><u>159,964,600</u></u>	<u><u>159,420,885</u></u>

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

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST MARCH 2019

	Note	2019 HK\$'000	2018 HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	26	62,743,532	62,743,532
Reserves	27	38,619,237	34,292,138
		101,362,769	97,035,670
Perpetual capital securities	26	3,969,456	3,969,252
		105,332,225	101,004,922
Non-controlling interests		630,651	624,913
Total equity		105,962,876	101,629,835
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	3,066,076	3,163,564
Bank and other borrowings	29	32,819,740	32,683,164
Other long-term liabilities		11,163	104,086
		35,896,979	35,950,814
Current liabilities			
Trade and other payables, deposits and accruals	30	13,187,454	10,698,675
Contract liabilities	31	3,394,433	-
Receipts in advance on properties for sale	31	-	7,294,322
Financial liabilities at fair value through profit or loss	23	202,753	270,046
Bank and other borrowings	29	375,730	2,757,128
Tax payable		944,375	820,065
		18,104,745	21,840,236
Total liabilities		54,001,724	57,791,050
Total equity and liabilities		159,964,600	159,420,885

On behalf of the Board

Tang Chun Wai Nelson
Director

Leung Kam Chung
Director

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2019**

	Attributable to owners of the Company					Perpetual capital securities HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000	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)	-	-	-	-
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 for the year	-	6,023,476	-	-	6,023,476	215,657	18,323	6,257,456
Other comprehensive loss	-	-	-	(1,696,377)	(1,696,377)	-	(28,391)	(1,724,768)
Total comprehensive income/(loss)	-	6,023,476	-	(1,696,377)	4,327,099	215,657	(10,068)	4,532,688
Dividend paid to non-controlling interests	-	-	-	-	-	-	(3,510)	(3,510)
Capital injection of non- controlling interests	-	-	-	-	-	-	19,316	19,316
Transfer of statutory reserve of an associate	-	(5,057)	-	5,057	-	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(215,453)	-	(215,453)
Transfer of reserve upon liquidation of a subsidiary	-	(4,657,264)	4,657,264	-	-	-	-	-
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

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2019

	Attributable to owners of the Company					Perpetual capital securities	Non- controlling interests	Total equity
	Share capital	Retained earnings	Merger reserve	Other reserves	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 year	-	7,339,264	-	-	7,339,264	177,284	(23,514)	7,493,034
Other comprehensive income	-	-	-	3,259,133	3,259,133	-	81,312	3,340,445
Total comprehensive income	-	7,339,264	-	3,259,133	10,598,397	177,284	57,798	10,833,479
Dividend paid to non-controlling interests	-	-	-	-	-	-	(11,544)	(11,544)
Capital injection of non-controlling interests	-	-	-	-	-	-	3,630	3,630
Transfer of statutory reserve of an associate	-	(3,755)	-	3,755	-	-	-	-
Acquisition of non-controlling interests (note 32(c))	-	-	-	(369,415)	(369,415)	-	(915,640)	(1,285,055)
Issuance of perpetual capital securities	-	-	-	-	-	3,896,300	-	3,896,300
Transaction costs in relation to issuance of perpetual capital securities	-	(40,091)	-	-	(40,091)	-	-	(40,091)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(104,332)	-	(104,332)
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	32(a)	7,783,464	5,025,580
Profits tax paid		(392,537)	(125,307)
Net cash from operating activities		<u>7,390,927</u>	<u>4,900,273</u>
Cash flows from investing activities			
Interest received		501,905	393,378
Purchase of property, plant and equipment		(47,793)	(23,210)
Proceeds from disposal of property, plant and equipment		1,704	1,104
Additions to investment properties		(1,683,131)	(31,697,879)
Proceeds from sale of investment properties		410,904	-
Purchase of available-for-sale financial assets		-	(2,722,976)
Proceeds from disposal of available-for-sale financial assets		-	359,814
Proceeds from disposal of loans receivable at fair value through profit or loss		-	1,499,451
Decrease in amounts due from investee companies		3,020	23,893
Increase in amounts due to investee companies		-	2,844
Decrease/(increase) in amounts due from non-controlling interests		26,157	(2,891)
Decrease in amounts due from joint ventures		665,804	4,009,864
Dividends received from joint ventures		106,250	3,500
Increase in amounts due to joint ventures		1,316,795	1,855,624
Dividends received from associates		3,000	2,000
Investment in and increase in amounts due from associates		(564,244)	(433,053)
Increase in amounts due to associates		288,952	854,064
Net cash inflow/(outflow) from disposal of interests in subsidiaries	32(b) & (d)	5,475,759	(125,706)
Decrease/(increase) in loans receivable		51,571	(4,066,437)
Increase in amounts due from fellow subsidiary companies		(3,819)	(2,961)
Decrease in amounts due from related companies		17,212	13,360
Decrease/(increase) in amount due from an intermediate holding company		109,245	(1,146,599)
Increase in amount due from ultimate holding company		(906)	(1,191)
(Increase)/decrease in short term bank deposits with original maturities more than three months		(3,567,135)	3,093,368
Decrease/(increase) in restricted bank deposits		28,650	(12,417)
Net cash from/(used in) investing activities		<u>3,139,900</u>	<u>(28,123,056)</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from financing activities	32(e)		
Interest paid		(1,162,528)	(1,068,598)
Decrease in amounts due to related companies and individuals		(54,728)	(559,251)
(Decrease)/increase in amounts due to fellow subsidiaries		(248,789)	126,907
Increase in amount due to ultimate holding company		88,500	537,089
Capital injection from non-controlling interests		19,316	3,630
(Decrease)/increase in amounts due to non-controlling interests		(53,523)	601,938
Issuance of medium term note		3,848,141	3,653,475
Issuance of perpetual capital securities, net of expenses		-	3,856,209
Distribution paid to holders of perpetual capital securities		(215,453)	(104,332)
Drawdown of bank and other borrowings		17,904,316	27,317,185
Repayment of bank and other borrowings		(23,338,329)	(20,747,165)
Dividend paid to non-controlling interest		(3,510)	(11,544)
Acquisition of non-controlling interests	32(c)	-	(1,285,055)
Net cash (used in)/from financing activities		<u>(3,216,587)</u>	<u>12,320,488</u>
Net increase/(decrease) in cash and cash equivalents		7,314,240	(10,902,295)
Cash and cash equivalents at beginning of year		6,776,231	17,465,716
Currency translation differences		(158,522)	212,810
Cash and cash equivalents at end of year	24	<u>13,931,949</u>	<u>6,776,231</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The consolidated financial statements were approved for issue by the Board of Directors on 25th June 2019.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

The Group has adopted the following new standards, amendments to standards and interpretation 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (i) New standards, amendments to standards and interpretation adopted by the Group (Continued)

The Group has assessed the impact of the adoption of these new standards, amendments to standards and interpretation, 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 consolidated financial statements. 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 below:

Effect of changes in accounting policies – IFRS 9

Following the adoption of IFRS 9, the Group has made changes to its accounting policies in the classification, measurement and impairment of its financial assets. For details of the new accounting policies of financial assets, please refer to note 2(i).

While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in IFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative balances have not been restated. Differences in the carrying amounts resulting from the adoption of IFRS 9 are recognised as adjustments to the opening consolidated balance sheet on 1st April 2018.

- (i) Classification of financial assets and financial liabilities

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of IFRS9 and has classified its financial instruments into appropriate IFRS9 categories.

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 financial assets at fair value through profit or loss ("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 new guidance does not affect the classification and measurement of these financial assets.

The new guidance 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 to IFRS 9 and have not been changed.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (i) New standards, amendments to standards and interpretation adopted by the Group (Continued)

Effect of changes in accounting policies – IFRS 9 (Continued)

- (ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit loss (“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 fair value through other comprehensive income (“FVOCI”), contract assets, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of new impairment model does not have a material impact on the Group’s financial position as at 1st April 2018 and/or financial performance for the year as the credit losses calculated pursuant to the new requirements for the Group’s operation are not significantly different from the amount recognised under their previous credit loss provision practices.

- (iii) Hedge 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.

Effect of changes in accounting policies – IFRS 15

Following the adoption of IFRS 15, the Group has made changes to its accounting policies in revenue recognition. For details of the new accounting policies of revenue recognition, please refer to note 2(s).

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 earnings at 1st April 2018 are not adjusted and the impact to the changes in terminology used under IFRS 15 at prior year and current year 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”.
- Contract cost assets for incremental costs of obtaining a contract with a customer were previously presented as “prepayments” within “trade and other receivables, deposits and prepayments”.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

(a) The impacts on the Group's 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
Consolidated balance sheet (extract)				
<u>Non-current assets</u>				
Joint ventures				
- Amounts due from joint ventures at amortised cost	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>Current assets</u>				
Trade and other receivables, deposits and prepayments				
- Prepayments	521,549	-	(391,295)	130,254
- Contract cost assets	-	-	391,295	391,295
<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 CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (i) New standards, amendments to standards and interpretation adopted by the Group (Continued)
- (b) The impacts on the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31st March 2019 and consolidated balance sheet as at 31st March 2019 by the adoption of IFRS 9 and IFRS 15 are as follows:

	For the year ended 31st March 2019			
	Without the adoption of IFRS 9 and IFRS 15 HK\$'000	IFRS 9 HK\$'000	IFRS 15 HK\$'000	As reported HK\$'000
Consolidated income statement (extract)				
Other income and gains, net	730,632	224,601	-	955,233
Consolidated statement of comprehensive income (extract)				
Fair value change on available- for-sale financial assets	217,660	(217,660)	-	-
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	6,941	(6,941)	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (i) New standards, amendments to standards and interpretation adopted by the Group (Continued)
- (b) The impacts on the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31st March 2019 and consolidated balance sheet as at 31st March 2019 by the adoption of IFRS 9 and IFRS 15 are as follows: (Continued)

**Consolidated balance sheet
(extract)**

(extract)	As at 31st March 2019			
<u>Non-current assets</u>				
Joint ventures				
- Amounts due from joint ventures at amortised cost	3,859,880	(638,860)	-	3,221,020
- Amounts due from joint ventures at fair value through profit or loss	-	638,860	-	638,860
Available-for-sale financial assets	11,869,326	(11,869,326)	-	-
Financial assets at fair value through profit or loss	-	11,869,326	-	11,869,326
<u>Current assets</u>				
Trade and other receivables, deposits and prepayments				
- Prepayments	199,635	-	(96,603)	103,032
- Contract cost assets	-	-	96,603	96,603
<u>Equity attributable to the owner's of the Company</u>				
Reserves				
- Other reserves	1,340,065	(2,627,321)	-	(1,287,256)
- Retained earnings	70,379,529	2,627,321	-	73,006,850
<u>Current liabilities</u>				
Receipts in advance on properties for sale				
	3,394,433	-	(3,394,433)	-
Contract liabilities	-	-	3,394,433	3,394,433

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (ii) New standard, amendments to standards and interpretations which are not yet effective for this financial year and have not been early adopted by the Group

The Group has not early adopted the following new standard, amendments to standards and interpretations that have been issued but are not yet effective for the year ended 31st March 2019:

		Effective for accounting periods beginning on or after
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle	1st January 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1st January 2019
IFRS 16	Leases	1st January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1st January 2019
IAS 1 (Amendments) and IAS 8 (Amendments)	Amendments of Definition of Material	1st January 2020
IFRS 3 (Amendments)	Definition of a Business	1st 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 new standard, amendments to standards and interpretations as and when they become effective. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

IFRS 16, "Leases"

IFRS 16 will affect primarily the accounting for Group's operating leases as a lessee. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management has performed a preliminary assessment on IFRS 16 and considers there is no significant impact on the Group's consolidated financial statements.

The Group has already commenced an assessment of the impact of other new standard, amendments to standard and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

(b) Consolidation

- (i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable IFRS.

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Joint arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

(a) Joint operations

Joint operations arise where the investors that have joint control of the arrangement have rights to the assets and obligations for the liabilities of an arrangement.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in the joint operations in accordance with the applicable standards.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 38(a).

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2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iii) Joint arrangements (Continued)

(b) Joint ventures

A joint venture arise where the investors that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures are accounted for using the equity method, under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

(iv) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The financial statements of the associates used for this purpose cover a year end of not more than three months before the Company's year end and serve as the most recent available financial information. Where a significant event occurs between the associates' year end and that of the Group, adjustments are made in the consolidated financial statements for the effect of the event.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the consolidated income statement.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar ("HK dollar"), which is the Group's presentation currency and the Company's functional currency.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income/(expenses), net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in consolidated income statement as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

(d) Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold land	Not depreciated
Leasehold land	Lease term of 40 years
Building and hotel properties	The shorter of the lease term of 40 years or estimated useful lives
Furniture, fixtures and equipment	Initial charge of 30% on cost in the year of acquisition and 10% per annum thereafter on cost
Hotel furniture, fixtures and equipment	5% - 10% per annum on cost
Motor vehicles	25% per annum on cost

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (j)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and gains, net" in the consolidated income statement.

(e) Land use rights

Land use rights represents prepaid operating lease payments which are initially recognised at cost and released to profit or loss over the lease term on a straight-line basis.

(f) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred. Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value. Fair value measurement on properties under construction is only applied if the fair value is considered to be reliably measurable.

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2 Summary of significant accounting policies (Continued)

(f) Investment properties (Continued)

Investment properties are derecognised either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of an investment property, the transaction price less the carrying value immediately prior to the sale is treated as gain/loss on disposal of investment property and is recorded in consolidated income statement within 'other income and gains, net'.

(g) Properties under development and properties for sale

Properties under development are investments in land and buildings on which construction work and development have not been completed, and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

(i) The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) Financial assets

(i) Classification of financial assets

From 1st April 2018, 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 FVOCI.

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2 Summary of significant accounting policies (Continued)

(i) Financial assets (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 FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL 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.
- **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 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'.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A fair value 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 consolidated income statement within "other income and gains, net" in the period in which it arises. Interest income and dividend income are recognised in the profit or loss and presented as part of revenue in the consolidated income statement.

(2) Equity instruments

The Group subsequently measures all equity investments at FVTPL. Dividends from such investments continue to be recognised in the 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 consolidated income statement as applicable.

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2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(iii) Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

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

Impairment on other debt instruments at amortised cost and FVOCI 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.

(v) Accounting policies applied until 31st March 2018

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(1) Classification of financial assets

The Group classifies its financial assets in the following categories: at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(v) Accounting policies applied until 31st March 2018 (Continued)

(1) Classification of financial assets (Continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include debt and equity securities acquired principally for the purpose of selling in the short term and loans receivable at fair value through profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and do not include loans receivable at fair value through profit or loss. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(2) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement as part of “other income and gains, net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of revenue when the Group’s right to receive payments is established.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(v) Accounting policies applied until 31st March 2018 (Continued)

(2) Recognition and measurement (Continued)

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “other income and gains, net”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of revenue. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of revenue when the Group’s right to receive payments is established.

(3) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flow discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(v) Accounting policies applied until 31st March 2018 (Continued)

(3) Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale (Continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Trade receivable are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group assesses on a forward looking basis the ECL under 12 months expected losses method. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates several defined contribution retirement schemes and mandatory provident fund schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are expensed as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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2 Summary of significant accounting policies (Continued)

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liabilities in relation to investment properties in the PRC or Malaysia that are measured at fair value are determined assuming the properties will be recovered entirely through sale.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2 Summary of significant accounting policies (Continued)

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the beneficiary of the guarantee for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associates, joint ventures and related companies to secure loans, overdrafts and other banking facilities.

The Group regards its financial guarantees provided to its subsidiaries, associates, joint ventures and related companies as insurance contracts. The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

(s) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when it satisfies the identified performance obligation by transfer the promised good or service to the customer; and when specific criteria have been met for each of the Group's activities, as described below. Goods and services are transferred when or as the customer obtain control of them. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

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2 Summary of significant accounting policies (Continued)

(s) Revenue and income recognition (Continued)

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.

(i) Revenue from contract with customers

(1) Sale of properties

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under IFRS 15 and match with revenue recognition pattern of related contract.

(2) Construction revenue

Revenue from construction service contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(3) Hotel revenue

Hotel revenue comprises amounts earned in respect of services, facilities and goods supplied by the hotel. Revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at a point in time when services are rendered.

(4) Others

Property management fee income, commission income and management fee income are recognised when the services are rendered.

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2 Summary of significant accounting policies (Continued)

(s) Revenue and income recognition (Continued)

(ii) Revenue and income from other sources

(1) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(2) Dividend income

Dividend income is recognised when the right to receive payment is established.

(3) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method

(t) Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets under “contract cost assets” within “trade and other receivables, deposits and prepayments”, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the statement of comprehensive income to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

(u) Share capital

Ordinary shares are classified as equity.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

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2 Summary of significant accounting policies (Continued)

(w) 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 that makes strategic decisions.

(x) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(y) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2 of the consolidated financial statements.

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3 Financial risk management

The Group holds the following financial instruments:

	2019 HK\$'000	2018 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
<u>Non-current assets</u>		
- Amount due from joint ventures	765,026	2,122,174
- Amount due from associates	3,255,200	2,695,600
- Loans receivable	1,927,078	1,575,284
- Amounts due from investee companies	45,435	48,455
<u>Current assets</u>		
- Trade and other receivables, deposits and prepayments	10,313,348	6,832,304
- Cash and bank balances	17,670,671	6,976,468
<i>Financial assets at fair value through profit or loss</i>		
<u>Non-current assets</u>		
- Financial assets at fair value through profit or loss	11,869,326	-
- Amount due from joint ventures	638,860	-
- Loans receivable	2,150,622	2,502,416
<u>Current assets</u>		
- Trade and other receivables, deposits and prepayments	43,425	27,693
- Financial assets at fair value through profit or loss	10,063,720	13,654,979
Available-for-sale financial assets	-	10,194,779
Financial liabilities		
<i>Liabilities at amortised cost</i>		
<u>Non-current liabilities</u>		
- Bank and other borrowings	32,819,740	32,683,164
<u>Current liabilities</u>		
- Trade and other payables, deposits and accruals	13,079,290	10,585,113
- Bank and other borrowings	375,730	2,757,128
<i>Financial liabilities at fair value through profit or loss</i>		
<u>Non-current liabilities</u>		
- Other long-term liabilities	11,163	104,086
<u>Current liabilities</u>		
- Financial liabilities at fair value through profit or loss	202,753	270,046

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (continued)

(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.

(i) Price risk

The Group is exposed to equity price changes arising from investments classified as financial assets at fair value through profit or loss (2018: available-for-sale financial assets and financial assets at fair value through profit or loss). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management on a case by case basis.

As at 31st March 2019, if the market values of the Group's financial assets at fair value through profit or loss increase/decrease by 10%, with all other variables held constant, the Group's post-tax profit and total equity would increase/decrease by approximately HK\$796,990,000 (2018: HK\$959,614,000).

As at 31st March 2018, if the market values of the Group's available-for-sale financial assets increase/decrease by 10%, with all other variables held constant, the Group's post-tax profit would not be affected unless there are impairments but the Group's total equity would increase/decrease by approximately HK\$1,000,179,000. Should certain of the investments were considered to be impaired as at 31st March 2018, further decrease in market values of the investments would require to be charged to the consolidated income statement.

(ii) Credit risk

At each balance sheet date, the Group's maximum exposure to credit risk in the event of the counterparties failure to discharge their obligations are in relation to each class of recognised financial assets as stated in the consolidated balance sheet.

The Group's financial assets which are potentially subject to credit risk consist of financial assets at amortised costs, including cash and bank balances, trade and other receivables and deposits, loans receivable and amounts due from fellow subsidiary companies, investee companies, related companies, non-controlling interests, an intermediate holding company, ultimate holding company, joint ventures and associates. The exposures to these credit risks are closely monitored on an ongoing basis by established credit control procedures in each of its core businesses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Credit risk of cash and bank balances

With respect to credit risk arising on cash and bank balances, the Group has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating as at 31st March 2019 ranging from AA- to BBB- issued by Standard and Poor's or Moody's as follows:

	2019 HK\$'000	2018 HK\$'000
AA-	2,781,019	218,645
A- to A+	9,942,556	6,153,640
BBB- to BBB+	4,919,866	302,291
Unrated ¹	27,230	301,892
	<u>17,670,671</u>	<u>6,976,468</u>

¹ The directors monitor the exposure on unrated assets and considered that the risk of default is minimal as these balances were mainly placed in banks located in Hong Kong.

There has been no recent history of default in relation to these banks and financial institutions. The ECL is close to zero.

Credit risk of trade receivables

Trade receivables mainly include receivables from lease of properties, trading of securities, and other services. To manage this risk, the Group has policies in place to ensure that revenues of credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. In addition, the Group has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases, sales proceeds are received before the assignment of properties are executed. The Group has a large number of customers and there is no concentration of credit risk.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. In view of the sound financial position and collection history of receivables due from these counterparties and insignificant risk of default, to measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A default on trade receivable is when the counterparty fails to make contractual payments within credit period when they fall due. Trade receivables are written off, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan within the Group, and its failure to make contractual payments for a period. Impairment losses on trade receivables are presented as net impairment losses within "other income and gains, net". Subsequent recoveries of amounts previously written off are credited against the same item. Management believes that the ECL is immaterial and the credit risk inherent in the Group's outstanding trade receivables balances due from these counterparties is not significant.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Credit risk of other receivables

Other receivables at the end of each of the years are mainly comprised of deposits, interest receivable, stakeholder's account, loans receivables at amortised cost, amounts due from fellow subsidiary companies, investee companies, non-controlling interests, related companies, an intermediate holding company, ultimate holding company, joint ventures and associates.

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the end of the reporting period with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's or individual's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company; and
- significant changes in the expected performance and behavior of the company or individual, including changes in the payment status of the third party.

Management considers the credit risk of other receivables is insignificant when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, and the loss allowance recognised is therefore limited to 12 months expected losses. In view of insignificant risk of default and credit risk since initial recognition, management believes that the ECL under the 12 months expected losses method is immaterial.

As at 31st March 2018, the Group has assessed its exposure to credit risk using the incurred loss model and does not expect a significant loss for these receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Interest rate risk

The Group's main exposure to interest rate risk relates principally to the Group's bank deposits, bank borrowings, loans receivable, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests.

Interest rates of bank deposits, bank borrowing, loans receivable, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by monitoring of interest rate movements, replacing and entering into new banking facilities when favourable pricing opportunities arise and would consider using interest rate swap when appropriate.

The hedge relationships were terminated since the bank borrowings were fully repaid during the year. As at 31st March 2018, the Group has entered into various interest rate swaps with financial institutions to swap the floating interest rate of bank and other borrowings of HK\$4,742,680,000 to effectively become fixed rate. These interest rate swaps are designated as hedges and these hedges are considered to be highly effective.

As at 31st March 2019, if interest rates increase/decrease by 50 basis points with all other variables held constant, the Group's pre-tax profit, before taking into account the impact of interest capitalisation, would decrease/increase by approximately HK\$1,743,000 (2018: decrease/increase by approximately HK\$60,891,000), resulting from the change in the borrowing costs of bank borrowings and interest bearing financial liabilities, and change in interest income from the interest bearing financial assets.

(iv) Foreign exchange risk

The Group operates mainly in Hong Kong, the PRC and United Kingdoms, and is exposed to foreign exchange risk arising from various currency exposures in the financial investment portfolio, primarily with respect to the US dollar, Renminbi ("RMB"), Euro and Great British Pound ("GBP"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group's foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency, where these assets and liabilities are mainly denominated in US dollar, RMB, Euro and GBP.

In view of the fact that HK dollar is pegged to US dollar, the foreign currency exposure of operating units with functional currency as HK dollar on US dollar transactions and balances is minimal.

As at 31st March 2019, if US dollar/HK dollar had weakened/strengthened 2% against RMB and Euro with all other variables held constant, the Group's pre-tax profit would increase/decrease by HK\$2,275,000 (2018: HK\$61,409,000) and HK\$14,375,000 (2018: HK\$16,036,000) respectively as a result of foreign exchange gains/losses.

As at 31st March 2019, if US dollar/HK dollar had weakened/strengthened 2% against GBP with all other variables held constant, the Group's pre-tax profit would decrease/increase by HK\$441,000 (2018: decrease/increase by HK\$29,031,000) as a result of foreign exchange losses/gains.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

The Group's cash flow management is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements. In order to maintain sufficient liquidity, the Group monitors and maintains a level of cash and cash equivalents in addition to committed credit facilities available, which are deemed adequate by the management from time to time.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31st March 2019				
Trade and other payables and accruals	3,907,609	-	-	-
Amounts due to joint ventures, associates and investee companies	5,098,580	-	-	-
Amounts due to related companies and individuals	594,553	-	-	-
Amount due to ultimate holding company	627,766	-	-	-
Amounts due to non-controlling interests	2,850,782	-	-	-
Financial liabilities at fair value through profit or loss	202,753	-	-	-
Bank and other borrowings	1,532,688	3,687,123	21,590,541	12,988,602
Other long-term liabilities	-	11,163	-	-
	<u>14,814,731</u>	<u>3,698,286</u>	<u>21,590,541</u>	<u>12,988,602</u>
At 31st March 2018				
Trade and other payables and accruals	2,668,986	-	-	-
Amounts due to customers for contract work	777	-	-	-
Amounts due to joint ventures, associates and investee companies	3,572,573	-	-	-
Amounts due to related companies and individuals	649,281	-	-	-
Amounts due to fellow subsidiary companies	248,789	-	-	-
Amount due to ultimate holding company	539,266	-	-	-
Amounts due to non-controlling interests	2,905,441	-	-	-
Financial liabilities at fair value through profit or loss	270,046	-	-	-
Bank and other borrowings	3,772,689	2,047,723	25,600,884	9,402,767
Other long-term liabilities	-	-	104,086	-
	<u>14,627,848</u>	<u>2,047,723</u>	<u>25,704,970</u>	<u>9,402,767</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital. The Group obtains its financing from its related individuals, related companies, ultimate holding company, banks, issuance of guaranteed notes and issuance of perpetual capital securities.

The Group monitors its capital on the basis of the net debt to equity ratio. Net debt is calculated as total bank and other borrowings (including "current and non-current bank borrowings" and "guaranteed notes") less cash and bank balances. The net debt to equity ratio as at 31st March 2019 and 31st March 2018 is as follows:

	2019 HK\$'000	2018 HK\$'000
Bank borrowings	20,461,325	26,570,143
Guaranteed notes	12,734,145	8,870,149
Total debts - interest bearing bank and other borrowings	33,195,470	35,440,292
Less: Cash and bank balances	(17,670,671)	(6,976,468)
Net debt	15,524,799	28,463,824
Equity attributable to owners of the Company and holders of perpetual capital securities	105,332,225	101,004,922
Net debt to equity ratio	14.74%	28.18%

Decrease in net debt to equity ratio is mainly resulted from cash received from disposal of interests in subsidiaries, issuance of medium term notes and distribution from jointly developed properties projects.

(c) Fair value estimation

(i) Financial instruments carried at fair value

The financial instruments are measured in the 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).

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments carried at fair value (Continued)

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 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	11,505,335	11,622,368
Total	<u>10,310,678</u>	<u>117,033</u>	<u>14,338,242</u>	<u>24,765,953</u>
Financial liabilities at fair value through profit or loss				
- unlisted	-	(202,753)	-	(202,753)
Total	<u>-</u>	<u>(202,753)</u>	<u>-</u>	<u>(202,753)</u>

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) 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	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 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
Total	12,708,198	1,196,935	12,474,734	26,379,867
Financial liabilities at fair value through profit or loss				
- listed	(72,717)	-	-	(72,717)
- unlisted	-	(197,329)	-	(197,329)
Total	(72,717)	(197,329)	-	(270,046)

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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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) 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.

As at 31st March 2019, financial assets at fair value through profit or loss of HK\$ 11,505,335,000 (2018: available-for-sale financial instruments of HK\$9,927,842,000) are measured with valuation techniques using significant unobservable inputs (level 3). It included private equity funds, unquoted direct investments, hedge funds, real estate funds and others which represent approximate 28%, 39%, 4%, 5% and 24% (2018: 31%, 39%, 6%, 7% and 17%) of those level 3 investments respectively.

Fair values of the 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.

Details on sensitivity analysis of the Group's available-for-sale financial assets and financial assets at fair value through profit or loss are set out on note 3(a)(i) to the consolidated financial statements.

There is no transfer between level 1, level 2 and 3 during the year.

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the year ended 31st March 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 2018	-	9,927,842	16,783	2,530,109
Adoption of IFRS 9	583,501	(9,927,842)	9,927,842	-
Additions	189,111	-	2,467,473	-
Repayment	(133,752)	-	-	(178,334)
Disposal	-	-	(125,568)	-
Return of capital	-	-	(1,062,897)	-
Fair value adjustment	-	-	-	(157,728)
Total unrealised gains or losses recognised in income statement	-	-	291,328	-
Exchange translation differences	-	-	(9,626)	-
At 31st March 2019	638,860	-	11,505,335	2,194,047
At 1st April 2017	-	6,527,545	15,719	1,270,011
Additions	-	3,236,267	2,492	3,067,391
Repayment	-	-	-	(307,842)
Disposal	-	(257,227)	-	(1,499,451)
Return of capital	-	(638,859)	-	-
Total unrealised gains or losses recognised in				
- income statement	-	-	(1,441)	-
- other comprehensive income	-	948,879	-	-
Exchange translation differences	-	111,237	13	-
At 31st March 2018	-	9,927,842	16,783	2,530,109

(ii) Financial instruments carried at other than fair value

The fair values of loans receivable at amortised cost, trade and other receivables, deposits, cash and bank balances, short-term bank loans, trade and other payables, and the amounts due from/to associates, joint ventures, investee companies, related companies and individuals, fellow subsidiary companies, an intermediate holding company, ultimate holding company and non-controlling interests are assumed to approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 14.

(ii) Estimate of fair value of financial assets at fair value through profit or loss

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. The quoted market price used is the closing bid price as at the reporting date. The fair values of unlisted debt and equity securities and derivatives are based on brokers' quote and statements. The fair value of investments in funds that are not quoted in an active market is determined primarily by reference to the latest available net assets value for each fund as determined by the fund administrator of such fund. The fair value of other financial instruments that are not traded in an active market is estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iii) Estimate of impairment and net realisable values of properties for sale

Management reviews the recoverable amount of properties for sale at each reporting date. The recoverable amounts are the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amounts. Any changes to the estimated recoverable amounts may cause a material adjustment to the carrying amount and result in future financial year if the actual net realisable values of the properties for sale are different than expected as a result of change in market condition.

In considering the net realisable values of these properties, the Group takes into account estimated costs to completion based on past experience and committed contracts and estimated net sales or rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(iv) Estimate of impairment of financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(ii).

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4 Critical accounting estimates and judgements (Continued)

(v) Income taxes

Significant estimates are required in determining provision for income taxes of the Group. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions.

Recognition of deferred income tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(vi) Classification of properties

The Group determines whether a property qualifies as an investment property or property for sale. In making the judgement, the Group considers the intention of holding the property (land or building). Property held to earn rental or for capital appreciation is considered as investment property whereas property held for sale in the ordinary course of business is considered as property for sale. The Group considers each property separately in making its judgement.

5 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)
- PRC and overseas properties
- Financial investment
- Corporate, treasury and others

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 (2018: financial assets at fair value through profit or loss and available-for-sale financial assets), 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.

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

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5 Segment reporting (Continued)

The segment results for the year ended 31st March 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	10,524,883	331,574	584,194	3,446,594	4,154,465	2,042,349	647,641	431,115	16,242,757	5,920,058
PRC and overseas properties	158,897	265,779	980,201	1,045,563	18,129	(522,374)	195,088	100,203	1,618,094	623,392
Financial investment	-	-	686,841	189,319	314	(3,346)	5,951	(18,268)	693,106	167,705
Corporate, treasury and others	-	-	-	(36,064)	-	-	-	-	-	(36,064)
	<u>10,683,780</u>	<u>597,353</u>	<u>2,251,236</u>	<u>4,645,412</u>	<u>4,172,908</u>	<u>1,516,629</u>	<u>848,680</u>	<u>513,050</u>	<u>18,553,957</u>	<u>6,675,091</u>
Segment results										6,675,091
Finance income, net										166,541
Profit before income tax										6,841,632
Income tax expense										(584,176)
Profit for the year										<u>6,257,456</u>

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5 Segment reporting (Continued)

The segment results for the year ended 31st March 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	311,355	257,173	665,623	2,433,100	4,682,284	1,922,507	137,296	286,472	6,053,731	4,642,079
PRC and overseas properties	151,616	237,830	826,878	553,121	15,609	(115,225)	182,877	94,456	1,414,810	532,352
Financial investment	-	-	674,565	2,628,126	347	(3,301)	12,746	(26,786)	687,658	2,598,039
Corporate, treasury and others	-	-	-	88,149	-	-	-	-	-	88,149
	<u>462,971</u>	<u>495,003</u>	<u>2,167,066</u>	<u>5,702,496</u>	<u>4,698,240</u>	<u>1,803,981</u>	<u>332,919</u>	<u>354,142</u>	<u>8,156,199</u>	<u>7,860,619</u>
Segment results										7,860,619
Finance income, net										247,759
Profit before income tax										8,108,378
Income tax expense										(615,344)
Profit for the year										<u>7,493,034</u>

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5 Segment reporting (Continued)

The segment assets and liabilities as 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, treasury and others	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>(16,793,626)</u>
Deferred income tax assets				234,517	-
Prepaid tax				83,580	-
Bank and other borrowings				-	(33,195,470)
Amount 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>

The segment assets and liabilities as 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	78,412,842	7,820,853	4,032,981	90,266,676	(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, treasury and others	2,602,630	-	-	2,602,630	(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)
Amount 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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5 Segment reporting (Continued)

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

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the year ended 31st March		For the year ended 31st March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	84,558	90,603	2,146,485	28,543,827
PRC and overseas properties	83,677	86,289	220,135	4,168,672
Financial investment	295	-	833	187,730
Corporate, treasury and others	1,292	22	11,987	71
	<u>169,822</u>	<u>176,914</u>	<u>2,379,440</u>	<u>32,900,300</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 year ended 31st March 2019 HK\$'000	For the year ended 31st March 2018 HK\$'000
Hong Kong	12,127,492	1,908,716
The PRC	1,168,117	1,087,209
Overseas	236,760	129,115
	<u>13,532,369</u>	<u>3,125,040</u>

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

	As at 31st March 2019 HK\$'000	As at 31st March 2018 HK\$'000
Hong Kong	58,072,686	60,170,981
The PRC	24,859,599	26,856,524
Overseas	6,666,776	7,083,759
	<u>89,599,061</u>	<u>94,111,264</u>

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6 Revenue

	2019 HK\$'000	2018 HK\$'000
Sale of properties	10,450,547	241,055
Gross rental income	1,537,279	1,433,621
Construction revenue	11,335	59,980
Hotel revenue	536,640	490,291
Property management fee income	282,611	166,648
Dividend income from investments	513,543	461,316
Other interest income from debt and convertible securities and loans receivable classified as financial assets at fair value through profit or loss	200,414	272,129
	<u>13,532,369</u>	<u>3,125,040</u>

7 Other income and gains, net

	2019 HK\$'000	2018 HK\$'000
Net (loss)/gain on financial assets at fair value through profit or loss (note (a))	(320,945)	1,955,576
Unrealised loss on loans receivable at fair value through profit or loss (note 19)	(157,728)	-
Net gain on derivatives (note (b))	207,974	245,256
Fair value gain on transfer of properties for sale to investment properties (note 14)	-	796,544
Impairment provision on available-for-sale financial assets	-	(13,197)
Net gain on disposal of available-for-sale financial assets	-	226,488
Net gain on disposal/liquidation of subsidiaries	982,070	91,413
Net gain on disposal of property, plant and equipment	1,430	497
Net gain on disposal of investment properties (note (c))	170,418	-
(Provision for)/write back of impairment	(203,554)	70,232
Net exchange gain	33,457	50,873
Others	242,111	127,129
	<u>955,233</u>	<u>3,550,811</u>

Notes:

- (a) The amount comprised realised gain of HK\$54,840,000 (2018: realised gain of HK\$900,683,000) and unrealised loss of HK\$375,785,000 (2018: unrealised gain of HK\$1,054,893,000) on financial assets at fair value through profit or loss.
- (b) The amount comprised realised gain of HK\$283,551,000 (2018: HK\$225,483,000) and unrealised loss of HK\$75,577,000 (2018: unrealised gain of HK\$19,773,000) on derivatives.
- (c) The amount represents net disposal gain of investment properties with total consideration amounted to HK\$399,821,000 less cost of properties sold of HK\$229,403,000 (including net fair value gain of investment properties recognised in previous years of HK\$86,799,000)

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8 Operating profit

Operating profit is arrived at after charging:

	2019 HK\$'000	2018 HK\$'000
Cost of properties sold	8,476,408	101,596
Cost of construction works	27,403	27,139
Hotel direct costs	217,253	208,320
Outgoings in respect of rental income	296,367	194,479
Depreciation of property, plant and equipment (note 13)	156,849	163,838
Amortisation of land use rights (note 15)	12,973	13,076
Staff costs (note 9)	725,438	688,767
Marketing and selling expenses	141,806	104,333
Rental expense under operating lease	24,352	8,459

9 Staff costs and key management compensation

	2019 HK\$'000	2018 HK\$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	1,052,483	970,294
- retirement benefit costs - defined contribution schemes	41,308	28,487
Total staff costs incurred for the year	1,093,791	998,781
Less: amount capitalised to properties under construction	(368,353)	(310,014)
Amount directly charged to the consolidated income statement	725,438	688,767
Including:		
Key management compensation		
- wages, salaries and allowances and benefits in kind	198,840	173,763
- retirement benefit costs - defined contribution schemes	1,398	1,530
Total key management compensation incurred for the year	200,238	175,293

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10 Finance income, net

	2019 HK\$'000	2018 HK\$'000
Interest income on		
- joint ventures	37,220	83,631
- associates	96,127	67,863
- investee companies	1,078	793
- bank deposits	260,063	184,665
- loan receivables at amortised cost	135,549	35,157
- others	16,801	25,603
	<u>546,838</u>	<u>397,712</u>
Interest expenses on		
- bank borrowings	(687,256)	(646,325)
- guaranteed notes	(462,107)	(302,223)
- others	(93,736)	(111,223)
	<u>(1,243,099)</u>	<u>(1,059,771)</u>
Total finance costs incurred	(1,243,099)	(1,059,771)
Less: amount capitalised to qualifying assets	921,790	733,270
	<u>(321,309)</u>	<u>(326,501)</u>
Interest income, net	225,529	71,211
Other finance charges	(54,049)	(14,071)
Net exchange (loss)/gain on financing activities	(4,939)	190,619
	<u>166,541</u>	<u>247,759</u>

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 3.48% (2018: 2.62%) per annum.

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (2018: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year 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.

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11 Income tax expense (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current year	431,125	317,243
- (over)/under provision in prior years	(386)	66,889
PRC income tax		
- provision for current year	3,088	6,394
- under provision in prior years	52	-
Overseas profits tax		
- provision for current year	6,505	23,993
- under provision in prior years	2,166	963
Withholding tax	31,028	52,877
Deferred income tax (note 28)	110,598	146,985
	<u>584,176</u>	<u>615,344</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong, the principal place where the Group operates, as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before income tax	6,841,632	8,108,378
Less: share of results of		
- joint ventures	(1,516,629)	(1,803,981)
- associates	(513,050)	(354,142)
	<u>4,811,953</u>	<u>5,950,255</u>
Calculated at a tax rate of 16.5% (2018: 16.5%)	793,972	981,792
Effect of different tax rates in other countries	64,606	15,692
Income not subject to tax	(809,235)	(774,884)
Expenses not deductible for tax purposes	440,168	309,713
Under provision in prior years	1,832	67,852
Withholding tax	31,028	52,877
Tax losses not recognised	77,072	94,743
Others	(15,267)	(132,441)
Income tax expense	<u>584,176</u>	<u>615,344</u>

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11 Income tax expense (Continued)

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2019 totalling HK\$368,623,000 (2018: HK\$414,637,000) is included in the consolidated income statement as share of results of joint ventures and associates.

Deferred income tax assets are recognised for tax loss carried forwards and deductible temporary differences to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st March 2019, the Group has unrecognised tax losses of HK\$2,306,214,000 (2018: HK\$2,786,582,000) to carry forward against future taxable profits. Unrecognised tax losses of HK\$819,276,000 as at 31st March 2019 (2018: HK\$873,765,000) have no expiry date and the remaining losses will expire at various dates up to and including 2023 (2018: 2022).

12 Dividends

No dividend has been declared for the year ended 31st March 2018 and 31st March 2019.

13 Property, plant and equipment

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
At 1st April 2017			
Cost	2,988,833	818,211	3,807,044
Accumulated depreciation	(315,001)	(368,054)	(683,055)
Net book amount	<u>2,673,832</u>	<u>450,157</u>	<u>3,123,989</u>
Year ended 31st March 2018			
Opening net book amount	2,673,832	450,157	3,123,989
Additions	1,811	21,336	23,147
Disposals, cost adjustment and write-off	(32,790)	(1,066)	(33,856)
Charge for the year	(79,843)	(83,995)	(163,838)
Exchange difference	126,257	23,912	150,169
Closing net book amount	<u>2,689,267</u>	<u>410,344</u>	<u>3,099,611</u>
At 31st March 2018			
Cost	3,099,179	808,747	3,907,926
Accumulated depreciation	(409,912)	(398,403)	(808,315)
Net book amount	<u>2,689,267</u>	<u>410,344</u>	<u>3,099,611</u>

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13 Property, plant and equipment (Continued)

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
Year ended 31st March 2019			
Opening net book amount	2,689,267	410,344	3,099,611
Additions	-	47,793	47,793
Disposals, cost adjustment and write-off	-	(10,881)	(10,881)
Charge for the year	(85,312)	(71,537)	(156,849)
Exchange difference	(86,221)	(15,239)	(101,460)
	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>
Closing net book amount	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>
At 31st March 2019			
Cost	3,001,239	784,265	3,785,504
Accumulated depreciation	(483,505)	(423,785)	(907,290)
	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>
Net book amount	<u>2,517,734</u>	<u>360,480</u>	<u>2,878,214</u>

Note:

Land and building include a leasehold land located in Hong Kong of HK\$518,433,000 (2018: HK\$537,004,000) with lease period less than 40 years.

14 Investment properties

	2019 HK\$'000	2018 HK\$'000
Completed investment properties	41,595,499	42,640,517
Investment properties under development	28,181,280	32,877,081
	<u>69,776,779</u>	<u>75,517,598</u>
Total	<u>69,776,779</u>	<u>75,517,598</u>

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14 Investment properties (Continued)

	Hong Kong residential HK\$'000	Overseas residential HK\$'000	Hong Kong commercial HK\$'000	Overseas commercial HK\$'000	PRC commercial HK\$'000	Total HK\$'000
At 1st April 2018	4,376,750	503,629	42,489,850	6,509,512	21,637,857	75,517,598
Additions	321,041	-	1,801,427	93,820	50,047	2,266,335
Net change in fair values	139,808	(549)	64,723	239,463	314,851	758,296
Disposal	-	(9,115)	(6,510,000)	-	-	(6,519,115)
Transfer to assets classified as held-for-sale (note 25)	-	-	-	(348,280)	-	(348,280)
Exchange differences	-	(21,877)	-	(438,851)	(1,437,327)	(1,898,055)
At 31st March 2019	<u>4,837,599</u>	<u>472,088</u>	<u>37,846,000</u>	<u>6,055,664</u>	<u>20,565,428</u>	<u>69,776,779</u>
At 1st April 2017	8,716,201	437,235	13,858,110	2,737,379	19,377,027	45,125,952
Additions	582,195	-	27,948,747	3,329,813	116,836	31,977,591
Net change in fair values	299,932	14,081	905,993	36,494	76,027	1,332,527
Transfer to properties for sale - under development	(6,281,578)	-	-	-	-	(6,281,578)
Transfer from properties for sale - completed properties	263,456	-	-	-	-	263,456
Fair value gain on transfer of properties for sale to investment properties (note 7)	796,544	-	-	-	-	796,544
Transfer to assets classified as held-for-sale (note 25)	-	-	(223,000)	-	-	(223,000)
Exchange differences	-	52,313	-	405,826	2,067,967	2,526,106
At 31st March 2018	<u>4,376,750</u>	<u>503,629</u>	<u>42,489,850</u>	<u>6,509,512</u>	<u>21,637,857</u>	<u>75,517,598</u>

The Group's investment properties at their carrying amounts are analysed as follows:

	2019 HK\$'000	2018 HK\$'000
In Hong Kong, held on leases of between 10 to 50 years	40,283,599	44,666,600
over 50 years	2,400,000	2,200,000
	<u>42,683,599</u>	<u>46,866,600</u>
In the PRC and overseas		
Freehold	6,524,193	7,009,186
Leases of between 10 to 50 years	20,565,427	21,637,857
Leases over 50 years	3,560	3,955
	<u>27,093,180</u>	<u>28,650,998</u>
	<u>69,776,779</u>	<u>75,517,598</u>

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14 Investment properties (Continued)

Valuation processes of the Group

As at 31st March 2019, the Group's investment properties were valued by independent professional valuers - Knight Frank Petty Limited, Savills and DTZ Cushman & Wakefield.

Fair value of the Group's investment properties are categorised as level 3 measurement in the three-level fair value hierarchy. During the year, there is no transfer between level 1, level 2 and level 3.

The Group's finance department reviews the valuations performed by the independent valuers and report directly to senior management of the Group. Discussion of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual report dates. At each financial year end, the Finance and Project Development Departments:

- verify all major inputs to the independent valuation report;
- assess property valuation movements when compared to the prior year valuation report;
and
- hold discussions with the independent valuer.

Valuation techniques

Fair values of investment properties in Hong Kong, the PRC and overseas are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations.

The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of properties under development in Hong Kong is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting estimated development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. As at 31st March 2019, capitalisation rates of 2.0% to 4.8% (2018: 2.0% to 4.8%), 5.0% to 7.8% (2018: 5.0% to 7.8%) and 4.3% to 5.0% (2018: 4.3% to 5.7%) are used for Hong Kong, PRC and overseas respectively in the income capitalisation method.

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31st March 2019, rental value of HK\$12 to HK\$165 (2018: HK\$12 to HK\$165) per square feet per month, HK\$6 to HK\$93 (2018: HK\$7 to HK\$95) per square feet per month and HK\$52 to HK\$73 (2018: HK\$53 to HK\$76) per square feet per month are used for Hong Kong, PRC and overseas respectively.

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14 Investment properties (Continued)

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions as at 31st March 2019 for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

15 Land use rights

	2019 HK\$'000	2018 HK\$'000
Opening net book amount	409,333	382,506
Amortisation	(12,973)	(13,076)
Exchange differences	(27,140)	39,903
Closing net book amount	<u>369,220</u>	<u>409,333</u>

The Group's land use rights represent prepaid operating lease payments and their net book values. The land use rights were held on leases between 10 to 50 years in the PRC.

16 Joint ventures

	2019 HK\$'000	2018 HK\$'000
Share of net assets	7,922,608	6,495,010
Amounts due from joint ventures (note (a) & (b))	3,221,020	4,743,362
Amounts due from joint ventures at fair value through profit or loss (note b)	638,860	-
	<u>11,782,488</u>	<u>11,238,372</u>
Amounts due within one year included in current assets (note (a) & (b) and note 22)	(2,455,994)	(2,621,188)
	<u>9,326,494</u>	<u>8,617,184</u>
Amounts due to joint ventures (note (c) and note 30)	<u>(4,026,223)</u>	<u>(2,709,428)</u>

Notes:

- (a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$3,119 million) granted to a PRC property developer ("Borrower") for a residential and commercial property development project in Foshan. The loan bore 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 and RMB59 million (equivalent to HK\$70 million) doubtful debt provision was written back for the year ended 31st March 2018.

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16 Joint ventures (Continued)

Notes: (Continued)

(a) (Continued)

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) (31st March 2018: RMB1,644 million (equivalent to HK\$2,052 million)).

The Group has assessed fair value of the settlement package and expected the settlement package is sufficient to cover the outstanding loan balance.

(b) As at 31st March 2019, except for the amounts due from joint ventures disclosed in note (a) above, remaining balances of HK\$749,050,000 (2018: HK\$707,760,000) is interest free and HK\$949,704,000 (2018: HK\$1,983,787,000) is interest bearing, of which, HK\$638,860,000 (2018: HK\$nil) are classified as financial assets at fair value through profit or loss. The fair value of amounts due from joint ventures at fair value through profit or loss 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\$178,932,000 (2018: HK\$58,521,000) bear interest at prevailing market rates and balance of HK\$770,772,000 (2018: HK\$1,925,266,000) bear interest at fixed rate ranged from 2.2% to 3.5% (2018: 2.3% to 4.4%) per annum.

Amounts due from joint ventures are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	1,226,418	1,902,979
RMB	2,384,131	2,527,150
US dollar	249,331	313,233
	<u>3,859,880</u>	<u>4,743,362</u>

(c) Amounts due to joint ventures are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	4,023,600	2,697,808
RMB	2,623	4,488
US dollar	-	7,132
	<u>4,026,223</u>	<u>2,709,428</u>

Details of the principal joint ventures as at 31st March 2019 are shown in note 38 to the consolidated financial statements.

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16 Joint ventures (Continued)

The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interest in respective joint ventures. Management considers there are no material joint ventures to the Group.

	Non- current assets HK\$'000	Current assets HK\$'000	Non- current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2019	<u>2,236,956</u>	<u>8,666,978</u>	<u>(1,190,707)</u>	<u>(1,790,619)</u>	<u>4,172,908</u>	<u>1,516,629</u>
2018	<u>2,815,482</u>	<u>8,478,309</u>	<u>(1,936,064)</u>	<u>(2,862,717)</u>	<u>4,698,240</u>	<u>1,803,981</u>

17 Associates

	2019 HK\$'000	2018 HK\$'000
Share of net assets	3,993,154	3,771,938
Amounts due from associates (note (a))	<u>3,566,027</u>	<u>2,912,373</u>
	7,559,181	6,684,311
Amounts due within one year included in current assets (note 22)	<u>(310,827)</u>	<u>(216,773)</u>
	<u>7,248,354</u>	<u>6,467,538</u>
Amount due to associates (note (b) and note 30)	<u>(1,063,239)</u>	<u>(854,027)</u>

Notes:

- (a) As at 31st March 2019, except for HK\$309,309,000 (2018: HK\$215,270,000) which is interest free, HK\$1,518,000 (2018: HK\$1,503,000) and HK\$3,255,200,000 (2018: HK\$2,695,600,000) bear interest at prevailing market rate and fixed rate of 3.2% (2018: 2.6%) per annum respectively. The balances are unsecured and denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	3,563,354	2,904,442
Others	<u>2,673</u>	<u>7,931</u>
	<u>3,566,027</u>	<u>2,912,373</u>

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17 Associates (Continued)

Notes: (Continued)

- (b) Amounts due to associates are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	293,892	84,892
US dollar	769,347	769,135
	<u>1,063,239</u>	<u>854,027</u>

Details of the principal associates as at 31st March 2019 are shown in note 38 to the consolidated financial statements.

The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interest in respective associates. Management considers there are no material associates to the Group.

	Non- current assets HK\$'000	Current assets HK\$'000	Non- current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2019	<u>7,552,247</u>	<u>1,953,351</u>	<u>(4,376,828)</u>	<u>(1,135,616)</u>	<u>848,680</u>	<u>513,050</u>
2018	<u>7,035,221</u>	<u>1,683,354</u>	<u>(4,157,704)</u>	<u>(788,933)</u>	<u>332,919</u>	<u>354,142</u>

18 Available-for-sale financial assets

	2019 HK\$'000	2018 HK\$'000
Available-for-sale financial assets		
- listed overseas	-	265,387
- unlisted in Hong Kong	-	192,747
- unlisted overseas	-	9,736,645
	<u>-</u>	<u>10,194,779</u>

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18 Available-for-sale financial assets (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	-	177,060
US dollar	-	9,347,952
Singapore dollar	-	223,950
Euro	-	331,709
Others	-	114,108
	<u>-</u>	<u>10,194,779</u>

19 Loans receivable

	2019 HK\$'000	2018 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	3,257,627	1,306,888
- unsecured loans (note (b))	51,024	-
Loans receivable at fair value through profit or loss (note (c))	2,194,047	2,530,109
	<u>5,502,698</u>	<u>3,836,997</u>
Less: current portion of loans receivable (note 22)	<u>(1,424,998)</u>	<u>(624,141)</u>
	<u>4,077,700</u>	<u>3,212,856</u>

Notes:

- (a) As at 31st March 2019, total secured loans receivable from third party at amortised cost amounted to HK\$3,257,627,000 (2018: HK\$1,306,888,000). Of which, HK\$1,875,000,000 (2018: HK\$nil) bears interest at prevailing market rate and is repayable in June 2022, HK\$784,985,000 (2018: HK\$710,440,000) bears interest at fixed rate of 12% (2018: 12%) per annum and was originally repayable in April 2019 but subsequently extended six months to October 2019 and HK\$596,589,000 (2018: HK\$596,448,000) is interest free and repayable on demand. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	1,875,000	-
US dollar	1,382,627	1,306,888
	<u>3,257,627</u>	<u>1,306,888</u>

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19 Loans receivable (Continued)

Notes: (Continued)

- (b) As at 31st March 2019, the unsecured loans receivable at amortised cost bears interest at prevailing market rate and is repayable in June 2023. The balance is denominated in US dollars.
- (c) As at 31st March 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\$23,105,000 (2018: HK\$58,689,000) and HK\$157,728,000 (2018: HK\$nil) are recognised in the consolidated income statement.

20 Amounts due from/to investee companies

	2019 HK\$'000	2018 HK\$'000
Amounts due from investee companies (note (a))	45,939	48,959
Amounts due within one year included in current assets (note 22)	(504)	(504)
	<u>45,435</u>	<u>48,455</u>
Amounts due to investee companies (note (b) and note 30)	<u>9,118</u>	<u>9,118</u>

Notes:

- (a) As at 31st March 2019, the amounts due from investee companies of HK\$42,699,000 (2018: HK\$45,821,000) bear interest at prevailing market rates and have no fixed terms of repayment. The remaining balance of HK\$3,240,000 (2018: HK\$3,138,000) (net of impairment provision of HK\$234,462,000 (2018: HK\$234,565,000)) are interest free. The balances are unsecured and denominated in HK dollar.
- (b) The amounts due to investee companies are unsecured, interest free and has no fixed term of repayment. The balances are denominated in HK dollar.

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21 Properties for sale

	2019 HK\$'000	2018 HK\$'000
Completed properties	9,958,648	2,184,717
Under development	5,457,254	21,201,401
	<u>15,415,902</u>	<u>23,386,118</u>
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	13,369,399	21,115,004
- leases of over 50 years	1,855,790	2,073,747
In the PRC and overseas		
- leases of between 10 to 50 years	181,345	181,303
- leases of over 50 years	9,368	16,064
	<u>15,415,902</u>	<u>23,386,118</u>

As at 31st March 2019, properties under development of HK\$5,457,254,000 (2018: HK\$6,863,634,000) are not expected to be recovered within 12 months.

22 Trade and other receivables, deposits and prepayments

	2019 HK\$'000	2018 HK\$'000
Trade receivables (notes (a) & (b))	197,331	281,687
Other receivables and deposits (note (b))	2,842,072	703,735
Interest receivable (note (b))	97,772	52,839
Stakeholder's account	1,859,055	1,043,021
Prepayments	103,032	521,549
Contract cost assets	96,603	-
Loans receivable (note 19)	1,424,998	624,141
Amounts due from fellow subsidiary companies (note (d))	6,947	3,128
Amounts due from joint ventures (note 16)	2,455,994	2,621,188
Amounts due from associates (note 17)	310,827	216,773
Amounts due from investee companies (note 20)	504	504
Amounts due from non-controlling interests (note (e))	93,292	119,449
Amounts due from related companies (note (f))	22,949	40,161
Amount due from an intermediate holding company (note (g))	1,037,354	1,146,599
Amount due from ultimate holding company (note (h))	7,678	6,772
	<u>10,556,408</u>	<u>7,381,546</u>

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22 Trade and other receivables, deposits and prepayments (Continued)

Notes:

- (a) The Group applies the IFRS9 simplified approach to measure expected credit losses which use a lifetime expected credit loss allowance for all trade receivables.

The Group has different credit policies for different business operations depending on the requirements of the markets and business in which the subsidiaries operate. The ageing analysis of trade receivables is as follows:

	2019 HK\$'000	2018 HK\$'000
Fully performing	191,563	274,035
Past due:		
Under 3 months	1,999	4,764
Between 3 months to 6 months	2,651	1,225
Between 6 months to 1 year	1,099	993
Over 1 year	19	670
	<u>197,331</u>	<u>281,687</u>

These trade receivables relate to a number of independent customers for whom there is no recent history of default and certain of the debts are covered by rental deposits received.

As at 31st March 2019 and 31st March 2018, no trade receivables are impaired.

- (b) Other classes within trade and other receivables, deposits and prepayments do not contain material impaired assets. There is no concentration of credit risk with respect to trade receivables as the customers bases are widely dispersed in different business operations.

The trade receivables, other receivables and deposits and interest receivable are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	2,704,027	388,160
US dollar	147,454	190,343
RMB	151,154	289,572
GBP	129,329	148,754
Others	5,211	21,432
	<u>3,137,175</u>	<u>1,038,261</u>

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22 Trade and other receivables, deposits and prepayments (Continued)

Notes: (Continued)

(c) The amounts due from/to customers for contract work, net are as follows:

	2019 HK\$'000	2018 HK\$'000
Cost incurred to date plus recognised profits less recognised losses	-	95,146
Less: progress billings	-	(95,923)
	<u>-</u>	<u>(777)</u>

Analysed for reporting purpose:

	2019 HK\$'000	2018 HK\$'000
Amounts due to customers (note 30)	<u>-</u>	<u>(777)</u>

(d) Amounts due from fellow subsidiary companies are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in HK dollar.

(e) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	93,292	97,040
Singapore dollar	-	22,409
	<u>93,292</u>	<u>119,449</u>

The amounts due from non-controlling interests are fully performing and none of them are impaired.

(f) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	10,399	40,161
US dollar	12,550	-
	<u>22,949</u>	<u>40,161</u>

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22 Trade and other receivables, deposits and prepayments (Continued)

Notes: (Continued)

- (g) Amount due from an intermediate holding company is unsecured, interest free and have no fixed terms of repayment. The balance is denominated in HK dollar.
- (h) The balances are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	7,336	6,400
GBP	342	372
	<u>7,678</u>	<u>6,772</u>

23 Financial assets/(liabilities) at fair value through profit or loss

	2019 HK\$'000	2018 HK\$'000
<u>Equity and debt securities</u>		
Non-current assets:		
- listed overseas	370,856	-
- unlisted in Hong Kong	186,924	-
- unlisted overseas	11,311,546	-
Current assets:		
- listed in Hong Kong	2,625,273	3,695,869
- listed overseas	7,309,774	8,744,878
- unlisted overseas	6,865	915,550
	<u>21,811,238</u>	<u>13,356,297</u>
Current liabilities:		
- listed in Hong Kong	-	(57,028)
<u>Derivative financial instruments</u>		
Current assets:		
- swap	107,203	286,332
- option	-	5,502
- warrant	-	369
- forward	9,829	4,784
- future	4,776	1,695
	<u>121,808</u>	<u>298,682</u>

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23 Financial assets/(liabilities) at fair value through profit or loss (Continued)

	2019 HK\$'000	2018 HK\$'000
<u>Derivative financial instruments (Continued)</u>		
Current liabilities:		
- swap	(147,529)	(34,211)
- option	(52,444)	(137,648)
- forward	(2,780)	(34,915)
- future	-	(6,244)
	<u>(202,753)</u>	<u>(213,018)</u>
Representing:		
- non-current assets	11,869,326	-
- current assets	10,063,720	13,654,979
- current liabilities	(202,753)	(270,046)
	<u>21,730,293</u>	<u>13,384,933</u>
Total	<u>21,730,293</u>	<u>13,384,933</u>

The financial assets/(liabilities) at fair value through profit or loss are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	2,775,806	3,629,178
US dollar	17,501,556	8,722,323
Singapore dollar	222,500	35,279
Korean Won	(3,719)	4,286
Japanese Yen	373,571	560,191
GBP	70,666	60,009
Euro	645,679	300,625
Others	144,234	73,042
	<u>21,730,293</u>	<u>13,384,933</u>

24 Cash and bank balances

	2019 HK\$'000	2018 HK\$'000
Bank balances and cash	4,353,930	3,072,404
Short term bank deposits	13,316,741	3,904,064
	<u>17,670,671</u>	<u>6,976,468</u>
Representing:		
- unpledged	17,670,648	6,947,795
- restricted	23	28,673
	<u>17,670,671</u>	<u>6,976,468</u>

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24 Cash and bank balances (Continued)

The effective interest rate on the bank deposits is 2.51% (2018: 1.45%) per annum. These deposits have an average maturity of 133 days (2018: 41 days).

Cash and bank balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	7,368,152	2,798,923
US dollar	8,807,976	1,635,946
RMB	1,087,991	1,984,018
Others	406,552	557,581
	<u>17,670,671</u>	<u>6,976,468</u>

The conversion of RMB denominated balances into foreign currencies and the remittances of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and cash equivalents include the following for purpose of the consolidated statement of cash flows.

	2019 HK\$'000	2018 HK\$'000
Bank balances and cash	4,353,930	3,072,404
Short-term bank deposits	13,316,741	3,904,064
	<u>17,670,671</u>	<u>6,976,468</u>
Less: bank deposits with original maturities of more than three months	(3,738,699)	(171,564)
Less: restricted cash	(23)	(28,673)
	<u>13,931,949</u>	<u>6,776,231</u>

25 Assets classified as held-for-sale

	As at 31st March 2019 HK\$'000	As at 31st March 2018 HK\$'000
Investment properties (note 14)	348,280	223,000
Properties for sale	-	8,372
	<u>348,280</u>	<u>231,372</u>

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25 Assets classified as held-for-sale (Continued)

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 used in Malaysia at a consideration of Ringgit Malaysian (“RM”) 181 million (equivalent to HK\$348 million). As a result, relevant investment properties of HK\$348 million are classified as held-for-sale in the consolidated financial statements. As at 31st March 2019, RM24 million (equivalent to HK\$45 million) was received as deposit.

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\$170 million recognised.

26 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 1st April 2017, 31st March 2018 and 31st March 2019	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2017, 31st March 2018 and 31st March 2019	62,743,532	62,743,532

Perpetual capital securities

	As at 31st March 2019 HK\$’000	As at 31st March 2018 HK\$’000
USD500 million issued in 2017	3,969,456	3,969,252

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26 Share capital and perpetual capital securities (Continued)

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.

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 Company 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.

27 Reserves

	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 31st March 2018	756,482	2,402,720	69,242,975	(37,757,621)	(352,418)	34,292,138
Adjustment on adoption of IFRS 9	-	(2,402,720)	2,402,720	-	-	-
As at 1st April 2018	756,482	-	71,645,695	(37,757,621)	(352,418)	34,292,138
Profit for the year	-	-	6,023,476	-	-	6,023,476
Release of exchange reserve upon disposal of interests in subsidiaries	11,490	-	-	-	-	11,490
Release of exchange reserve upon discontinuation of hedging relationship	-	-	-	-	(135,764)	(135,764)
Exchange translation differences						
- Group	(1,402,193)	-	-	-	-	(1,402,193)
- Joint ventures and associates	(169,910)	-	-	-	-	(169,910)
Transfer of statutory reserve of an associate	-	-	(5,057)	-	5,057	-
Transfer of reserve upon liquidation of a subsidiary	-	-	(4,657,264)	4,657,264	-	-
At 31st March 2019	(804,131)	-	73,006,850	(33,100,357)	(483,125)	38,619,237

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27 Reserves (Continued)

	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Total HK\$'000
At 1st April 2017	(1,483,082)	1,518,915	61,947,557	(37,757,621)	(122,522)	24,103,247
Profit for the year	-	-	7,339,264	-	-	7,339,264
Fair value change on available- for-sale financial assets						
- Group	-	1,088,993	-	-	-	1,088,993
- a joint venture	-	2,494	-	-	-	2,494
Impairment provision on available-for-sale financial assets recycled to the consolidated income statement	-	13,197	-	-	-	13,197
Release of reserves upon disposal of available-for-sale financial assets	-	(220,879)	-	-	-	(220,879)
Fair value change on hedge instruments	-	-	-	-	135,764	135,764
Transaction costs in relation to the issuance of perpetual capital securities	-	-	(40,091)	-	-	(40,091)
Release of exchange reserve upon disposal of interests in subsidiaries	46,747	-	-	-	-	46,747
Exchange translation differences						
- Group	1,987,567	-	-	-	-	1,987,567
- Joint ventures and associates	205,250	-	-	-	-	205,250
Transfer of statutory reserve of an associate	-	-	(3,755)	-	3,755	-
Acquisition of non-controlling interests	-	-	-	-	(369,415)	(369,415)
At 31st March 2018	756,482	2,402,720	69,242,975	(37,757,621)	(352,418)	34,292,138

28 Deferred income tax

The movement on the net deferred income tax liabilities is as follows:

	2019 HK\$'000	2018 HK\$'000
At 1st April	(2,969,554)	(2,555,944)
Disposal of interests in subsidiaries	59,981	-
Acquisition of subsidiaries	-	(150)
Charged to the consolidated income statement (note 11)	(110,598)	(146,985)
Exchange difference	188,612	(266,475)
At 31st March	(2,831,559)	(2,969,554)

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28 Deferred income tax (Continued)

Deferred income tax assets and liabilities are to be recovered after more than 12 months. The gross movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Unrealised gains on investment securities HK\$'000	Accelerated tax depreciation HK\$'000	Fair value gains on properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2018	(133,195)	(127,076)	(2,884,001)	(77,042)	(3,221,314)
Disposal of subsidiaries Credited/(charged) to consolidated income statement	-	59,981	-	-	59,981
Exchange difference	108,536	(74,976)	(221,556)	22,292	(165,704)
	13	3	192,310	-	192,326
At 31st March 2019	(24,646)	(142,068)	(2,913,247)	(54,750)	(3,134,711)
At 1st April 2017	(39,737)	(84,781)	(2,473,438)	(125,894)	(2,723,850)
Acquisition of subsidiaries (Charged)/credited to consolidated income statement	-	(5,345)	-	-	(5,345)
Exchange difference	(93,086)	(36,259)	(141,573)	48,852	(222,066)
	(372)	(691)	(268,990)	-	(270,053)
At 31st March 2018	(133,195)	(127,076)	(2,884,001)	(77,042)	(3,221,314)

Deferred income tax assets

	Tax losses HK\$'000	Provisions HK\$'000	Unrealised intra-group profits HK\$'000	Total HK\$'000
At 1st April 2018	89,918	3,741	158,101	251,760
Credited/(charged) to consolidated income statement	14,953	2,054	38,099	55,106
Exchange difference	(3,714)	-	-	(3,714)
At 31st March 2019	101,157	5,795	196,200	303,152
At 1st April 2017	2,903	3,740	161,263	167,906
Acquisition of subsidiaries	5,195	-	-	5,195
Credited/(charged) to consolidated income statement	78,242	1	(3,162)	75,081
Exchange difference	3,578	-	-	3,578
At 31st March 2018	89,918	3,741	158,101	251,760

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28 Deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2019 HK\$'000	2018 HK\$'000
Deferred income tax assets	234,517	194,010
Deferred income tax liabilities	(3,066,076)	(3,163,564)
	<u> </u>	<u> </u>

29 Bank and other borrowings

	2019 HK\$'000	2018 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	11,975,036	14,481,969
- unsecured	8,486,289	11,093,474
Less: current portion of long-term bank borrowings	(375,730)	(1,762,428)
	<u>20,085,595</u>	<u>23,813,015</u>
	-----	-----
Current portion of long-term bank borrowings		
- secured	375,730	389,675
- unsecured	-	1,372,753
Other short-term bank borrowings		
- secured	-	899,582
Broker account overdraft	-	95,118
	<u>375,730</u>	<u>2,757,128</u>
	-----	-----
	<u>20,461,325</u>	<u>26,570,143</u>
	-----	-----
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	10,929,483	7,066,588
- unlisted	1,804,662	1,803,561
	<u>12,734,145</u>	<u>8,870,149</u>
	-----	-----
Total bank and other borrowings	<u>33,195,470</u>	<u>35,440,292</u>
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29 Bank and other borrowings (Continued)

As at and 31st March 2019 and 31st March 2018, the Group's bank and other borrowings are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	375,730	2,757,128
Between one and two years	2,582,566	1,082,431
Between two and three years	4,475,046	2,532,386
Between three and four years	8,419,170	9,011,402
Between four and five years	6,228,997	11,754,531
Over five years	11,113,961	8,302,414
	<u>33,195,470</u>	<u>35,440,292</u>

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, land use rights and properties for sale.

The effective interest rate based on the prevailing market rates on the bank borrowings as at 31st March 2019 is 2.92% (2018: 2.97%) per annum.

Bank borrowings are approximated their fair values and denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	12,764,180	15,975,337
RMB	4,268,141	5,362,504
US dollar	101,685	103,311
GBP	3,327,319	5,033,873
Others	-	95,118
	<u>20,461,325</u>	<u>26,570,143</u>

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29 Bank and other borrowings (Continued)

Notes: (Continued)

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme (“MTN”). The aggregate principal amount increased from US\$2 billion to US\$3 billion on 24th August 2018. As at 31st March 2019, the Group has drawdown of totalling HK\$12,879 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%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 31st March 2019, the fair values of the MTN are HK\$13,059,263,000 (2018: HK\$8,894,653,000). Of which, HK\$11,229,561,000 (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 which is estimated using other comparable prices observed in the market. Total remaining capacity of the MTN amounted to US\$1,359,422,000 (2018: US\$859,368,000).

- (c) As at 31st March 2019, the Group had HK\$31,415,423,000 (2018: HK\$36,688,879,000) undrawn banking facilities.

30 Trade and other payables, deposits and accruals

	2019 HK\$'000	2018 HK\$'000
Trade and other payables and accruals (note (a))	3,146,871	2,068,461
Accruals for construction work (note (a))	242,713	51,023
Rental and other deposits received (note (a))	518,025	549,502
Deferred income	108,164	113,562
Amounts due to customers for contract work (note 22(c))	-	777
Amounts due to joint ventures (note 16)	4,026,223	2,709,428
Amounts due to associates (note 17)	1,063,239	854,027
Amounts due to investee companies (note 20)	9,118	9,118
Amounts due to related companies and individuals (note (b))	594,553	649,281
Amounts due to fellow subsidiary companies (note (c))	-	248,789
Amount due to ultimate holding company (note (d))	627,766	539,266
Amounts due to non-controlling interests (note (e))	2,850,782	2,905,441
	<u>13,187,454</u>	<u>10,698,675</u>

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30 Trade and other payables, deposits and accruals (Continued)

Notes:

- (a) Trade and other payables, deposits and accruals are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	3,137,679	1,452,773
RMB	488,580	717,713
US dollar	167,596	300,092
Others	113,754	198,408
	<u>3,907,609</u>	<u>2,668,986</u>

- (b) As at 31st March 2019, amounts due to related companies and individuals of HK\$4,725,000 (2018: HK\$4,678,000) bear interest at 1 % per annum (2018: 1% per annum) and remaining balances are interest free. The balances are unsecured and have no fixed terms of repayment. The balances are denominated in HK dollar.

- (c) Amounts due to fellow subsidiary companies are unsecured, interest free and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	-	134,344
US dollar	-	114,445
	<u>-</u>	<u>248,789</u>

- (d) Amount due to ultimate holding company is unsecured, interest free and has no fixed terms of repayment. The balances are denominated in HK dollar.

- (e) As at 31st March 2019, amounts due to non-controlling interests of HK\$932,703,000 (31st March 2018: HK\$979,066,000) bear interest rate at 5.01% (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.

The balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK dollar	2,445,065	2,571,343
US dollar	10,440	4,904
RMB	230,955	259,058
GBP	164,322	70,136
	<u>2,850,782</u>	<u>2,905,441</u>

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31 Contract liabilities/receipts in advance on properties for sale

	2019 HK\$'000	2018 HK\$'000
Receipts in advance on properties for sales	-	7,294,322
Contract liabilities related to property sales (note a)	3,394,433	-
	<u>3,394,433</u>	<u>7,294,322</u>

Notes:

- (a) The Group received payments from customers based on billing schedules as established in contracts. Payments are usually received in advance before the transfer of properties.
- (b) The following table shows the amount of revenue recognised in the current year that was included in the contract liability balance at the beginning of the year:

	2019 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	
- Property sales	<u>9,238,684</u>

- (c) The following table shows the aggregate amount of transaction price allocated to unsatisfied performance obligations resulting from fixed price contracts with an original expected duration of revenue recognition in one year or more:

	2019 HK\$'000
Expected to be recognised within one year	1,089,395
Expected to be recognised after one year	5,807,822
	<u>6,897,217</u>

For all other contracts with an original expected duration of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed

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32 Notes to the consolidated statement of cash flows

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

	2019 HK\$'000	2018 HK\$'000
Profit before income tax	6,841,632	8,108,378
Depreciation of property, plant and equipment	156,849	163,838
Amortisation of land use rights	12,973	13,076
Fair value gain on investment properties, net	(758,296)	(1,336,430)
Fair value gain on transfer of properties for sale to investment properties	-	(796,544)
Net gain on disposal of property, plant and equipment	(1,430)	(497)
Write-off of property, plant and equipment	6,612	456
Net gain on disposal of investment properties	(170,418)	-
Net gain on disposal of available-for-sale financial assets	-	(226,488)
Net gain on disposal/liquidation of subsidiaries	(982,070)	(91,413)
Unrealised loss on loans receivable at fair value through profit or loss	157,728	-
Unrealised loss/(gain) on financial assets at fair value through profit or loss and derivatives	451,362	(1,074,666)
Impairment provision on available-for-sale financial assets	-	13,197
Provision for/(write-back of) impairment	203,554	(70,232)
Finance income, net	(166,541)	(247,759)
Share of results of joint ventures	(1,516,629)	(1,803,981)
Share of results of associates	(513,050)	(354,142)
Net cash generated from operating profit before working capital changes	3,722,276	2,296,793
Decrease/(increase) in:		
Properties for sale	8,307,754	(2,242,309)
Trade and other receivables, deposits and prepayments	(2,773,061)	171,922
Amounts due from customers for contract work	-	2,892
Financial assets at fair value through profit or loss	1,315,475	(787,348)
Increase/(decrease) in:		
Trade and other payables, deposits and accruals	1,178,979	440,600
Contract liabilities /receipts in advance on properties for sale	(3,900,666)	5,088,240
Amounts due to customer for contract work	-	777
Financial liabilities at fair value through profit or loss	(67,293)	54,013
Net cash generated from operations	7,783,464	5,025,580

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32 Notes to the consolidated statement of cash flows (Continued)

(b) Net proceeds from disposal of 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 total consideration of HK\$7,394 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	(107,458)
Tax payables	(7,131)
Deferred income tax liabilities	(59,981)
	<u>6,399,586</u>
Net gain on disposal of interests in subsidiaries:	
Total consideration	7,393,507
Net assets disposed of	(6,399,586)
	<u>993,921</u>
Net cash inflow on disposal of interests in subsidiaries:	
Net consideration received during the period	5,518,507
Cash and bank balances disposed of	(42,748)
	<u>5,475,759</u>

(c) Acquisition of non-controlling interests

(i) Acquisition of non-controlling interests in Top Treasure Development Limited (“Top Treasure”)

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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32 Notes to the consolidated statement of cash flows (Continued)

(c) Acquisition of non-controlling interests (Continued)

(ii) Acquisition of non-controlling interests in 大灣管理諮詢(深圳)有限公司 (“大灣深圳”)

大灣深圳 was a 70% owned subsidiary of the Group. It is an assets management company in Shenzhen. On 9th March 2018, the Group acquired remaining 30% of issued shares of 大灣深圳 at a consideration of RMB4,500,000 (equivalent to HK\$5,615,000). 大灣深圳 became a wholly owned subsidiary of the Group after the acquisition. The Group recognised an increase in non-controlling interests of HK\$601,000 and a decrease in equity attributable to equity holders of the Company of HK\$6,216,000.

(d) Disposal of interest in a property project in Tianjin (the “Tianjin Project”)

The Tianjin Project was held by a subsidiary of the Group. On 9th October 2017, the Group entered into a cooperative agreement with an independent third party to dispose its interests in a piece of land within the site of the Tianjin project in the form of capital injection at a consideration of RMB280 million (equivalent to HK\$329 million) such that the independent third party has the right to develop on the parcel of land. The capital injection was completed on 27th October 2017. Such arrangement allows the Group and the independent third party to operate the Tianjin Project jointly which also resulted in loss of control of subsidiary and deemed acquisition in joint venture.

Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Investment properties	1,198,144
Cash and bank balance	454,286
Other assets	11,133
Other payables, deposits and accruals	(88,547)
Bank and other borrowings	(387,202)
Amount due to non-controlling interests	(53,077)
Deferred income tax liabilities	(76,831)
	<u>1,057,906</u>
	HK\$'000
Net gain on disposal of interest in a subsidiary:	
Net consideration received during the year	328,580
Net assets disposed of	(1,057,906)
Net assets acquired	867,486
Release of exchange reserve	(46,747)
	<u>91,413</u>
Net cash outflow on disposal of interest in a subsidiary:	
Net consideration received during the year	328,580
Cash and bank balance disposed of	(454,286)
	<u>(125,706)</u>

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32 Notes to the consolidated statement of cash flows (Continued)

(e) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings HK\$'000	Amounts due to related companies and individuals HK\$'000	Amounts due to fellow subsidiary companies HK\$'000	Amount due to ultimate holding company HK\$'000	Amounts due to non controlling interests HK\$'000	Assets held to hedge bank and other borrowings HK\$'000	Total HK\$'000
At 1st April 2018	35,440,292	649,281	248,789	539,266	2,905,441	(125,574)	39,657,495
Cash flows	(1,585,872)	(54,728)	(248,789)	88,500	(53,523)	-	(1,854,412)
Non-cash changes	-	-	-	-	-	125,574	125,574
Exchange differences	(612,938)	-	-	-	(1,136)	-	(614,074)
Other non-cash movement	(46,012)	-	-	-	-	-	(46,012)
At 31st March 2019	33,195,470	594,553	-	627,766	2,850,782	-	37,268,571
At 1st April 2017	24,353,367	1,208,532	121,882	2,177	2,344,273	-	28,030,231
Cash flows	10,223,495	(559,251)	126,907	537,089	601,938	-	10,930,178
Non-cash changes	-	-	-	-	-	-	-
Exchange differences	788,968	-	-	-	7,410	-	796,378
Other non-cash movement	74,462	-	-	-	(48,180)	(125,574)	(99,292)
At 31st March 2018	35,440,292	649,281	248,789	539,266	2,905,441	(125,574)	39,657,495

33 Financial guarantees/contingent liabilities

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

34 Commitments

Other than those disclosed elsewhere in the financial statements, the Group has significant commitments as follows:

(a) Capital commitments

- (i) As at 31st March 2019 and 31st March 2018, the Group had capital commitments for investment properties under development, investment properties and property, plant and equipment as follows:

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for	3,722,883	1,189,012

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34 Commitments (Continued)

(a) Capital commitments (Continued)

- (ii) As at 31st March 2019 and 31st March 2018, the Group had uncalled capital commitments to invest in the funds as follows:

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for	5,949,095	6,746,658

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

(b) Commitments under operating leases

As at 31st March 2019 and 31st March 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2019 HK\$'000	2018 HK\$'000
Third parties		
- not later than one year	27,272	7,808
- later than one year and not later than five years	47,926	3,364
	<u>75,198</u>	<u>11,172</u>

35 Future operating lease receivables

As at 31st March 2019 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:

	2019 HK\$'000	2018 HK\$'000
Not later than one year	1,290,725	1,276,978
Later than one year and not later than five years	2,362,837	2,040,531
Later than five years	1,732,552	552,124
	<u>5,386,114</u>	<u>3,869,633</u>

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36 Pledge of assets

As at 31st March 2019 and 31st March 2018, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	1,441,733	1,597,557
Investment properties	45,036,339	44,607,616
Land use rights	369,220	409,333
Properties for sale	181,345	181,303
Financial assets at fair value through profit or loss	7,006,334	9,667,914
	<u>54,034,971</u>	<u>56,463,723</u>

37 Significant related party transactions

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

	2019 HK\$'000	2018 HK\$'000
Income:		
From associates		
- management fee income (note (a))	<u>17,062</u>	<u>18,951</u>

	2019 HK\$'000	2018 HK\$'000
Expenses:		
To related company which is held by a close family member of directors of the Company:		
- management fees (note (b))	<u>-</u>	<u>13,180</u>

Notes:

- (a) Management fee income from associates 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.

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38 Particulars of principal subsidiaries, joint ventures and associates

(a) Subsidiaries

The Group had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
257 Water Street, LLC ¹	New York	Property development	US\$9,795,000	78.56%	78.56%
Bordon Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$226,700,000	100%	100%
Bright Region Enterprise Limited	Hong Kong	Property investment and property trading	HK\$2	100%	100%
Capital Treasure Investments Limited ¹	British Virgin Islands	Property investment	US\$1,000	80%	80%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK\$2	100%	100%
Cheerwide Investment Limited ¹	Hong Kong	Property investment and property trading	HK\$1	85%	85%
Chun Yip Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$570,000,200 ordinary and HK\$1,000,000 non-voting deferred	100%	100%
City Century Development Limited ²	Hong Kong	Property development	HK\$1	100%	100%
Cloud Fort Development Company Limited	Hong Kong	Property investment and trading	HK\$20	100%	100%
Continental Discovery Sendirian Berhad	Malaysia	Property investment	RM100,000	100%	100%
Crown Time Properties Limited	Hong Kong	Property trading	HK\$2	100%	100%
Enormous Asset Limited ¹	Hong Kong	Property trading	HK\$1	75%	75%
Ever Crown Development Limited	Hong Kong	Property investment	HK\$2	100%	100%

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38 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
Ever Grand Enterprises Limited	Hong Kong	Property investment	HK\$1	100%	100%
First Harvest Development Limited ¹	Hong Kong	Property investment and trading	HK\$1	85%	85%
Forterra Trust	Singapore	Investment holding	SG\$1,078,617,757	100%	100%
Gavast Estates Limited	Hong Kong	Investment holding	HK\$2	100%	100%
Goldstead Properties Limited	Hong Kong	Property investment	HK\$1,000	100%	100%
Goodyear Investments Private Limited	Singapore	Property investment	SG\$250,000	100%	100%
Great Team Development Limited ^{1,2}	Hong Kong	Property development	HK\$1	60%	60%
Greatco Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Group Reliance Limited	Hong Kong	Financing	HK\$250,000,000	100%	100%
Hing Fung Sendirian Berhad	Malaysia	Property investment	RM3,200,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK\$10,000	100%	100%
Jubilant Century Limited	Hong Kong	Property investment	HK\$10,000	100%	100%
Jubilee Charm Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
Landsun International Limited	Hong Kong	Hotel operation, money lending and financing	HK\$2	100%	100%
Lok Choy Limited	Hong Kong	Property investment	HK\$100	100%	100%
Longbrook Development Limited	Hong Kong	Property investment	HK\$10,000	100%	100%
Main Shine Development Limited	Hong Kong	Building management	HK\$500,000	100%	100%
Marvel and Company, Limited	Hong Kong	Investment holding, property investment and property trading	HK\$500,000	100%	100%

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38 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
Nan Fung Development Limited	Hong Kong	Financing, investment holding and property investment	HK\$900,000,002 ordinary and HK\$100,000,000 non-voting deferred	100%	100%
Nan Fung Finance Limited	Hong Kong	Money lending and financing	HK\$1,000,000	100%	100%
Nan Fung (Holdings) Limited	Hong Kong	Investment holding, property investment and trading	HK\$6,000,000	100%	100%
Nan Fung International Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Nan Fung Group Holdings Limited	British Virgin Islands	Investment holding	US\$5,545,836,729	100%	100%
Nan Fung Property Consolidated Limited	Hong Kong	Investment holding	HK\$1,260,138,835 ordinary and HK\$138,834,776 non-voting deferred	100%	100%
Nan Fung Property Holdings Limited	Hong Kong	Investment holding	HK\$2,007,800	100%	100%
Nan Fung Real Estate Agency Limited	Hong Kong	Provision of real estate agency service	HK\$100,000	100%	100%
Nan Fung Textiles Limited	Hong Kong	Investment holding, property investment and trading	HK\$10,000,000	100%	100%
Nan Fung Textiles Second Mill Limited	Hong Kong	Property investment and trading	HK\$3,500,000	100%	100%
Nan Fung Treasury Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury (II) Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Wai Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
New Charm Management Limited	Hong Kong	Building management	HK\$10,000	100%	100%

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38 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
New Excellent Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
Northern Green Ventures Sendirian Berhad	Malaysia	Property investment	RM100 ordinary and RM53,095,420 redeemable preference	100%	100%
Poh Foong Sendirian Berhad	Malaysia	Property investment	RM200,000	100%	100%
Portslade Global Limited	British Virgin Islands	Investment holding	US\$1,000	100%	100%
Rich Union Development Limited	Hong Kong	Property development	HK\$1	100%	100%
Richmass Trading Limited	Hong Kong	Financing	HK\$2	100%	100%
上海華天房地產發展有限公司	PRC	Property investment	RMB1,772,890,815	100%	100%
上海景信房地產開發有限公司	PRC	Property investment	RMB108,880,055	100%	100%
The Mills Limited	Hong Kong	Event space and business planning	HK\$1	100%	100%
Timse Enterprises Limited	Hong Kong	Property development	HK\$1	100%	100%
Unishine Development Limited	Hong Kong	Property trading	HK\$2	100%	100%
Vineberg Property Management Limited	Hong Kong	Building management	HK\$100,000	100%	100%
Yip Fung Sendirian Berhad	Malaysia	Property investment	RM6,900,000	100%	100%
上海寶禾置業有限公司	PRC	Property investment	US\$117,000,000	100%	100%
上海英旭置業有限公司	PRC	Financing	RMB334,000,000	100%	100%
大灣管理諮詢(深圳)有限公司 (formerly named as 中南聯合 資產管理諮詢(深圳)有限公 司)	PRC	Asset management	RMB15,000,000	100%	100%
天津智升科技發展有限公司	PRC	Investment holding	RMB11,000,000	100%	100%

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38 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
南豐京華投資諮詢(北京)有限公司	PRC	Consultancy service	USD1,000,000	100%	100%
廣州市展匯房地產開發有限公司	PRC	Property investment	HK\$1,369,000,000	100%	100%
廣州市展豐房地產開發有限公司	PRC	Property investment	HK\$2,345,000,000	100%	100%

1 Management regards there are no material non-controlling interests to the Group.

2 The companies have entered into joint operations with an independent third party on property development projects in Hong Kong. They will share any jointly held or incurred assets, liabilities, revenue and expenses up to its interests in accordance with the development agreements.

(b) Joint ventures

The Group had indirect interests in the following principal joint ventures:

Name	Place of incorporation	Principal activities	Issued share capital/registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
Ace Glory Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Best Profit Limited	Hong Kong	Property development, investment and trading	HK\$1	25%	25%
Brave Sky Investments Limited	Hong Kong	Property development and trading	HK\$2	50%	50%
Brave Sky Mortgage Limited	Hong Kong	Money lending	HK\$2	50%	50%
Century Rise Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%

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38 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
Everbeam Investments Limited	Hong Kong	Property development and trading	HK\$1	50%	50%
Everbeam Mortgage Limited	Hong Kong	Money lending	HK\$1	50%	50%
Market Prospect Limited	Hong Kong	Property development and trading	HK\$2	50%	50%
Pacific Bond Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Teamer International Limited	Hong Kong	Property development and trading	HK\$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property development and trading	HK\$1	25%	25%
悅居(天津)有限公司	PRC	Property development	RMB730,000,000	46.22%	46.22%

(c) Associates

The Group had indirect interests in the following principal associates:

Name	Place of incorporation	Principal activities	Issued share capital/registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2019	2018
Century Land Investment Limited	Hong Kong	Property development	HK\$1	40%	40%
Empresa de Fomento Industrial E Comercial Concórdia, S.A. ¹	Macau	Property development and investment	MOP100,000,000	17%	17%
上海世界貿易商城有限公司	PRC	Property investment	US\$100,000,000	49%	49%

- ¹ Although the Group owns less than 20% of the equity interest, it is able to exercise significant influence over these companies' financial and operating policy through its representation of the board. Consequently, the Group equity accounts the associates.