

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2017

**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 86, which comprise:

- the consolidated balance sheet as at 31st March 2017;
- 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 2017, 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)**

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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 judgment 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, 21st July 2017

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2017**

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5, 6	6,229,893	14,148,758
Cost of sales		(2,633,113)	(9,777,014)
Gross profit		3,596,780	4,371,744
Other income/(expenses), net	6	2,156,686	(1,006,301)
Net change in fair values of investment properties		605,440	1,007,176
Other gains/(losses), net	7	887,191	(2,934,483)
Other operating expenses		(1,749,394)	(1,786,002)
Operating profit/(loss)	8	5,496,703	(347,866)
Finance income		349,134	522,500
Finance expenses		(430,213)	(411,299)
Other finance charges and net exchange loss on financing activities		(158,245)	(181,012)
Finance expenses, net	10	(239,324)	(69,811)
Share of results of			
- Joint ventures		2,140,264	82,275
- Associates		491,310	1,609,913
Profit before income tax		7,888,953	1,274,511
Income tax expense	11	(518,247)	(726,016)
Profit for the year		7,370,706	548,495
Profit for the year attributable to:			
- Owners of the Company		7,042,373	57,994
- Non-controlling interests		328,333	490,501
		7,370,706	548,495

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 2017**

	2017 HK\$'000	2016 HK\$'000
Profit for the year	7,370,706	548,495
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value change on available-for-sale financial assets, net of tax	(226,526)	(200,735)
Impairment provision on available-for-sale financial assets recycled to consolidated income statement	36,882	104,929
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(924,364)	(736,121)
Share of other comprehensive loss of associates and joint ventures	(110,329)	(195,992)
Release of exchange reserves upon disposal of interests in/ liquidation of subsidiaries, joint ventures and associates	174,096	(15,006)
Release of investment revaluation reserve upon disposal of interests in associates	-	(5,456)
Exchange translation differences	(1,222,781)	(829,559)
Other comprehensive loss for the year, net of tax	(2,273,022)	(1,877,940)
Total comprehensive income/(loss) for the year	5,097,684	(1,329,445)
Total comprehensive income/(loss) attributable to:		
- Owners of the Company	4,863,435	(1,715,722)
- Non-controlling interests	234,249	386,277
	5,097,684	(1,329,445)

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2017

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,123,989	3,388,346
Investment properties	14	45,125,952	43,492,872
Land use rights	15	382,506	419,810
Joint ventures	16	9,257,902	9,999,993
Associates	17	5,999,522	5,184,021
Available-for-sale financial assets	18	6,625,762	7,129,975
Loans and other receivable	19	1,249,335	411,712
Amounts due from investee companies	20	72,348	160,231
Deferred income tax assets	28	167,554	114,324
		72,004,870	70,301,284
Current assets			
Properties for sale	21	14,678,058	14,396,895
Trade and other receivables, deposits and prepayments	22	6,055,969	4,474,927
Financial assets at fair value through profit or loss and derivative financial instruments	23	11,586,875	11,596,128
Prepaid tax		80,811	70,236
Cash and bank balances	24	20,746,904	19,124,918
		53,148,617	49,663,104
Assets classified as held for sale	25	1,172,297	-
		54,320,914	49,663,104
Total assets			
		126,325,784	119,964,388

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

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST MARCH 2017

	Note	2017 HK\$'000	2016 HK\$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	26	62,743,532	62,743,532
Reserves	27	24,103,247	19,016,388
		86,846,779	81,759,920
Non-controlling interests		1,490,669	1,599,515
Total equity		88,337,448	83,359,435
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	2,723,498	2,752,684
Bank borrowings	29	18,759,517	11,217,190
Guaranteed notes	29	5,155,375	5,141,075
Other long-term liabilities		82,704	344,173
		26,721,094	19,455,122
Current liabilities			
Trade and other payables, deposits and accruals	30	7,311,332	7,818,006
Receipts in advance on properties for sale		2,206,082	164,572
Financial liabilities at fair value through profit or loss and derivative financial instruments	23	203,546	1,028,087
Bank borrowings	29	438,475	2,562,421
Guaranteed notes	29	-	4,642,781
Tax payable		527,449	933,964
		10,686,884	17,149,831
Liabilities classified as held-for-sale	25	580,358	-
		11,267,242	17,149,831
Total liabilities		37,988,336	36,604,953
Total equity and liabilities		126,325,784	119,964,388

On behalf of the Board

Cheung Pui Kuen
Director

Choi Wun Hing Donald
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 2017**

	Attributable to equity holders of the Company					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 1st April 2016	62,743,532	54,622,184	(37,757,621)	2,151,825	81,759,920	1,599,515	83,359,435
Comprehensive income							
Profit for the year	-	7,042,373	-	-	7,042,373	328,333	7,370,706
Other comprehensive loss, net of tax	-	-	-	(2,178,938)	(2,178,938)	(94,084)	(2,273,022)
Total comprehensive income/(loss)	-	7,042,373	-	(2,178,938)	4,863,435	234,249	5,097,684
Dividend paid to non-controlling interests	-	-	-	-	-	(167,090)	(167,090)
Capital injection of/settlement with non-controlling interests	-	283,000	-	-	283,000	16,068	299,068
Acquisition of additional interest in a subsidiary (note 31(e))	-	-	-	(59,576)	(59,576)	(192,073)	(251,649)
	-	283,000	-	(59,576)	223,424	(343,095)	(119,671)
At 31st March 2017	62,743,532	61,947,557	(37,757,621)	(86,689)	86,846,779	1,490,669	88,337,448
At 1st April 2015	62,743,532	54,564,182	(37,757,613)	3,925,541	83,475,642	1,524,759	85,000,401
Comprehensive income							
Profit for the year	-	57,994	-	-	57,994	490,501	548,495
Other comprehensive loss, net of tax	-	-	-	(1,773,716)	(1,773,716)	(104,224)	(1,877,940)
Total comprehensive income/(loss)	-	57,994	-	(1,773,716)	(1,715,722)	386,277	(1,329,445)
Transfer of reserve upon liquidation of subsidiary	-	8	(8)	-	-	(83,945)	(83,945)
Disposal of interests in subsidiaries	-	-	-	-	-	(17,880)	(17,880)
Dividend paid to non-controlling interests	-	-	-	-	-	(209,700)	(209,700)
Capital injection of non-controlling interests	-	-	-	-	-	4	4
	-	8	(8)	-	-	(311,521)	(311,521)
At 31st March 2016	62,743,532	54,622,184	(37,757,621)	2,151,825	81,759,920	1,599,515	83,359,435

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 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	3,699,491	4,901,158
Profits tax paid		(833,647)	(354,541)
Net cash from operating activities		2,865,844	4,546,617
Cash flows from investing activities			
Interest received		712,111	1,070,801
Purchase of property, plant and equipment		(11,132)	(62,242)
Proceeds from disposal of property, plant and equipment		410	1,199
Additions to investment properties		(1,243,369)	(778,524)
Acquisition of investment properties		(1,413,314)	-
Proceeds from sale of investment properties		39,797	98,385
Purchase of available-for-sale financial assets		(839,539)	(1,329,552)
Proceeds from disposal of available-for-sale financial assets		1,111,271	1,400,457
Decrease in amounts due from investee companies		87,862	946,937
Increase in amounts due to investee companies		4,901	1,204
Decrease in amounts due from non-controlling interests		526	1,502,176
Decrease/(increase) in amounts due from and (investment in) joint ventures		1,009,966	(172,840)
Dividends received from joint ventures		100,500	5,546
Increase in amounts due to joint ventures		616,004	254,522
Dividends received from associates		80,673	740,404
(Investment in) and (increase)/decrease in amounts due from associates		(1,144,089)	236,980
Increase/(decrease) in amounts due to associates		448,192	(577,739)
Net proceeds from disposal of interests in subsidiaries	31(c)	674,725	71,974
Proceeds from disposal of interests in joint ventures		76,331	310,648
Proceeds from disposal of interest in an associate	31(b)	-	7,038,483
(Increase)/decrease in loans and other receivable		(1,180,270)	227,262
Increase in amounts due from fellow subsidiary companies		(167)	-
Decrease/(increase) in restricted bank deposits		833,812	(759,677)
Increase in short term bank deposits with original maturities more than three months		(172,915)	(2,828,503)
Decrease in amounts due from related companies		78,505	19,279
Acquisition of interest in a subsidiary, net of cash acquired	31(d)	(413,707)	-
Acquisition of additional interest in a subsidiary	31(e)	(251,649)	-
Net cash (used in)/from investing activities		(794,565)	7,417,180

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 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from financing activities			
Interest paid		(1,101,150)	(1,255,475)
Decrease in amounts due to related companies and individuals		(271,147)	(27,687)
Decrease in amount due to ultimate holding company		(240)	(216)
Capital injection from non-controlling interests		5,370	4
Increase/(decrease) in amounts due to non-controlling interests		153,638	(834,438)
Repayment of guaranteed notes		(4,653,900)	-
Drawdown of bank and other borrowings		9,976,430	3,412,179
Repayment of bank and other borrowings		(3,753,941)	(4,194,412)
Dividend paid to non-controlling interest		(167,090)	(209,700)
Net cash from/(used in) financing activities		187,970	(3,109,745)
Net increase in cash and cash equivalents		2,259,249	8,854,052
Cash and cash equivalents at beginning of year		15,182,833	6,347,956
Currency translation differences		35,031	(19,175)
Cash and cash equivalents of subsidiaries classified as held-for-sale	25	(11,397)	-
Cash and cash equivalents at end of year	24	17,465,716	15,182,833

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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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 was changed from P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands to Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands on 22nd February 2017.

The Company’s principal activity is investment holding. The principal activities of the Group are property investment and development, investment holding and trading, building management and provision of construction contracting 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 21st July 2017.

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 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.

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) Amendments to standards and interpretation adopted by the Group

The Group has adopted the following amendments to standards and interpretation which are mandatory for the financial year beginning 1st April 2016 and are relevant to its operation.

IAS 1 (Amendments)	Presentation of Financial Statements – Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs (Amendments)	Annual improvements to IFRSs 2012 – 2014 Cycle
IFRS 11 (Amendment)	Joint Arrangement – Accounting for Acquisitions of Interests in Joint Operations
IFRS 10, IFRS 12, and IAS 28 (Amendments)	Investment entities – Applying the Consolidation Exception

The Group has assessed the impact of the adoption of these amendments to standards and consider that 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.

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

The Group has not early adopted the following new standards and amendments that have been issued but are not yet effective for the year ended 31st March 2017:

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Disclosure Initiative	1st January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses issued	1st January 2017
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2014 – 2016 Cycle	1st January 2017 and 1st January 2018
IAS 40 (Amendments)	Transfers of Investment Property	1st January 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions'	1st January 2018
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2018
IFRS 16	Leases	1st January 2019
IFRIC 22	Foreign Currency, Transactions and Advance Consideration	1st January 2018
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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)

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

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

IFRS 9 Financial instruments

IFRS 9 on classification and measurement of financial assets and financial liabilities will replace IAS 39, "Financial instruments: Recognition and measurement". IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. There is also amendment on IFRS 9 which brings into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Group is assessing the impact of IFRS 9. It is currently anticipated that the application of IFRS 9 in the future may impact the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of IFRS 9 as at the date of publication of these financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 which covers construction contracts and IAS 18 which covers contracts for goods and services for revenue recognition. It introduces the concept of recognising revenue over time if the performance obligation is satisfied over time. That is, the customer simultaneously receives and consumes the benefits provided. The Group is assessing the impact of IFRS 15. It is currently anticipated that the application of IFRS 15 in the future may impact the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of IFRS 15 as at the date of publication of these financial statements.

IFRS 16 Leases

IFRS 16 will affect primarily the accounting for Group's operating leases. 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.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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.

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.

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)

(b) Consolidation (Continued)

(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. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. 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. 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 ended 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.

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)

(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, net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss 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 sale.

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)

(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.

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 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.

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)

(f) Investment properties (Continued)

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.

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 recorded in consolidated income statement within 'other gains/(losses), 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

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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.

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)

(i) Financial assets (Continued)

(i) Classification of financial assets (Continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. An asset is classified in this category if acquired principally for the purpose of selling in the short term. 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.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

(3) 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.

(ii) 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 revenue 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.

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 gains/(losses), net”.

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)

(i) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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.

(iii) 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.

(iv) Impairment of financial assets

(1) 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.

(2) 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.

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)

(i) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

(2) 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 consolidated income statement, the impairment loss is reversed through the income statement.

(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) Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in consolidated income statement.

(l) 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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Contracts in progress

Cost comprises materials, direct labour and overheads attributable to bringing the inventories and work in progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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)

(n) 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.

(o) 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.

(p) 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.

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)

(q) 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.

(r) 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.

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.

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.

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.

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.

(s) 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.

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)

(t) 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.

(u) Revenue and income recognition

(i) Sale of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements and collectability of related receivables is reasonable assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities.

(ii) Rental income

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

(iii) Construction revenue

When the outcome of the construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and
- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date to the estimated total costs for the contract.

(iv) Hotel revenue

Hotel revenue comprises amounts earned in respect of services, facilities and goods supplied by the hotel. Hotel revenue is recognised when services are rendered or goods are delivered.

(v) Dividend income

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

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)

(u) Revenue and income recognition (Continued)

(vi) Interest income

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

(vii) Realised and unrealised gains and losses on trading securities

Realised gains and losses on financial assets at fair value through profit or loss and derivatives are recognised on conclusion of sales contracts. Unrealised gains and losses on financial assets at fair value through profit or loss and derivatives are recognised on the basis set out in note 2 (i)(ii) and note 2 (k) respectively.

(viii) Others

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

(v) Share capital

Ordinary shares are classified as equity.

(w) 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.

(x) 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.

(y) 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.

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)

(z) 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 financial statements.

3 Financial risk management

(a) Financial risk factors

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

(i) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as 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. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group's investments in publicly traded equity are mainly in the following equity indexes, The Hong Kong Stock Exchange and Dow Jones' equity index.

As at 31st March 2017, 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\$653,914,000 (2016: HK\$704,346,000). Should certain of the investments were considered to be impaired as at 31st March 2017, further decrease in market values of the investments would require to be charged to the consolidated income statement.

As at 31st March 2017, 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\$761,581,000 (2016: HK\$684,440,000).

(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 available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial assets, cash and bank balances, trade and other receivables and deposits, loans and other receivable and amounts due from fellow subsidiary companies, investee companies, related companies, non-controlling interests, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

The clearing and depository operations for the Group's security investment transactions are mainly concentrated with brokers who are members of major securities exchanges. The Group also invests in unlisted funds managed by fund managers who do not have credit rating. As at 31st March 2017, those brokers and fund managers had a long term foreign issuer credit rating ranging from A+ to BBB- as issued by the Standard and Poor's as follows:

	2017 HK\$'000	2016 HK\$'000
A- to A+	8,301,706	6,536,215
BBB+	3,139,422	4,492,338
BBB- to BBB	-	578,250
Unrated ¹	6,567,963	6,091,213
	<u>18,009,091</u>	<u>17,698,016</u>

¹ The directors monitor the exposure on unrated assets and considered that the counterparty risk for unlisted funds managed by fund managers of HK\$5,247,149,000 (2016: HK\$5,924,948,000) is minimal.

As at 31st March 2017, substantial listed investments, which are either classified as available-for-sale financial assets or financial assets at fair value through profit or loss, are placed in custody with these financial institutions. All transactions in listed securities are settled or paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Group's credit risk concentration of debt and convertible securities as at 31st March 2017 is analysed below based upon the credit rating of the issuers:

	2017 HK\$'000	2016 HK\$'000
AA to AAA	-	104,480
A- to A+	1,418,016	648,021
BBB- to BBB+	1,404,068	1,677,883
Lower than BBB-	204,624	343,280
Unrated ²	579,481	1,563,904
	<u>3,606,189</u>	<u>4,337,568</u>

² The directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 2017 ranging from AA- to BBB- issued by Standard and Poor's or Moody's as follows:

	2017 HK\$'000	2016 HK\$'000
AA-	1,245,929	3,041,808
A- to A+	18,627,720	13,224,027
BBB- to BBB+	820,598	2,526,517
Unrated ³	52,657	332,566
	<u>20,746,904</u>	<u>19,124,918</u>

- ³ 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 the People's Republic of China ("PRC").

The Group has no significant concentrations of credit risk from its trade customers. It 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, mortgage of property is required from buyer for financing the property purchase.

Trade receivables mainly include receivables from sales of properties, trading of securities, and other services. Loans receivable included in the consolidated balance sheet normally carry interest at rates with reference to prevailing market interest rate and are partly secured by collaterals.

In order to minimise the credit risk of trade and other receivables and loans receivable, the management of the Group has delegated the heads of different business lines for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. No credit limits were exceeded during the year ended 31st March 2017, and management does not expect any losses from non-performance by these counterparties.

With respect to credit risk arising from amounts due from investee companies, non-controlling interests, related companies, joint ventures and associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Group does not expect to incur a significant loss for uncollected advances to these parties.

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

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 and amounts due from joint ventures, associates and investee companies. Interest rates of bank deposits, bank borrowing, loans receivable and amounts due from joint ventures, associates and investee companies 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. As at 31st March 2017, 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 increase/decrease by approximately HK\$33,684,000 (2016: decrease/increase by approximately HK\$47,950,000), 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 and the PRC, 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"), and Euro. 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 denominated in US dollar, RMB and Euro.

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 2017, 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\$58,592,000 (2016: HK\$66,270,000) and HK\$19,267,000 (2016: HK\$19,970,000) respectively as a result of foreign exchange gains/losses.

(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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

	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 2017				
Trade and other payables and accruals	2,368,825	-	-	-
Amounts due to joint ventures, associates and investee companies	1,265,643	-	-	-
Amounts due to related companies and individuals	1,330,414	-	-	-
Amounts due to ultimate holding company	2,177	-	-	-
Amounts due to non-controlling interests	2,344,273	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	203,546	-	-	-
Bank borrowings	914,161	4,009,509	13,327,236	3,246,284
Guaranteed notes	236,643	236,643	709,930	5,431,334
Other long-term liabilities	-	-	82,704	-
	<u>8,665,682</u>	<u>4,246,152</u>	<u>14,119,870</u>	<u>8,677,618</u>
At 31st March 2016				
Trade and other payables and accruals	2,860,897	-	-	-
Amounts due to customers for contract work	90,236	-	-	-
Amounts due to joint ventures, associates and investee companies	784,593	-	-	-
Amounts due to related companies and individuals	1,601,561	-	-	-
Amounts due to ultimate holding company	2,417	-	-	-
Amounts due to non-controlling interests	2,478,302	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	1,028,087	-	-	-
Bank borrowings	3,007,698	974,636	10,307,052	949,143
Guaranteed notes	5,132,672	236,242	708,727	5,698,490
Other long-term liabilities	-	276,617	67,556	-
	<u>16,986,463</u>	<u>1,487,495</u>	<u>11,083,335</u>	<u>6,647,633</u>

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

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 and issuance of guaranteed notes.

The Group monitors its capital on the basis of the net debt to equity ratio. Net debt is calculated as total borrowings (including "current and non-current bank borrowings" and "guaranteed notes" as shown in the consolidated balance sheet) less cash and bank balances. The net debt to equity ratio as at 31st March 2017 and 31st March 2016 is as follows:

	2017 HK\$'000	2016 HK\$'000
Bank borrowings	19,197,992	13,779,611
Guaranteed notes	5,155,375	9,783,856
Total debts - interest bearing borrowings	24,353,367	23,563,467
Less: Cash and bank balances	(20,746,904)	(19,124,918)
Net debt	3,606,463	4,438,549
Equity attributable to the Company's equity holders	86,846,779	81,759,920
Net debt to equity ratio	4.15%	5.43%

Decrease in net debt to equity ratio mainly resulted from sales proceeds received from sales of properties and disposal of available-for-sale financial assets.

(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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Technique			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31st March 2017				
Available-for-sale financial assets				
Equity securities				
- listed	96,545	-	-	96,545
- unlisted	-	-	6,442,591	6,442,591
Debt and convertible securities				
- unlisted	-	1,672	84,954	86,626
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	7,240,721	-	-	7,240,721
Equity securities - designated				
- listed	708,486	-	-	708,486
- unlisted	-	-	15,719	15,719
Debt securities - held-for-trading				
- listed	3,109,879	-	-	3,109,879
- unlisted	-	409,684	-	409,684
Derivative financial instruments - held-for-trading				
- listed	19,454	-	-	19,454
- unlisted	-	82,932	-	82,932
Total	11,175,085	494,288	6,543,264	18,212,637

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Technique			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2016				
Available-for-sale financial assets				
Equity securities				
- listed	1,082,396	-	-	1,082,396
- unlisted	-	-	5,961,065	5,961,065
Debt and convertible securities				
- unlisted	-	1,733	84,781	86,514
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	5,137,281	-	-	5,137,281
Equity securities - designated				
- listed	2,045,148	-	-	2,045,148
- unlisted	-	-	16,665	16,665
Debt securities - held-for-trading				
- listed	3,792,378	-	-	3,792,378
- unlisted	-	238,226	-	238,226
Debt securities - designated				
- listed	220,450	-	-	220,450
Derivative financial instruments - held-for-trading				
- listed	29,960	-	-	29,960
- unlisted	-	116,020	-	116,020
Total	12,307,613	355,979	6,062,511	18,726,103

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Technique			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2017				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(82,784)	-	-	(82,784)
Derivatives				
- listed	(18,041)	-	-	(18,041)
- unlisted	-	(102,721)	-	(102,721)
Total	(100,825)	(102,721)	-	(203,546)
At 31st March 2016				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(354,369)	-	-	(354,369)
Derivatives				
- listed	(41,682)	-	-	(41,682)
- unlisted	-	(632,036)	-	(632,036)
Total	(396,051)	(632,036)	-	(1,028,087)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017, available-for-sale financial instruments of HK\$6,527,545,000 (2016: HK\$6,045,846,000) are measured with valuation techniques using significant unobservable inputs (level 3). It included private equity funds, unquoted direct equity investments, hedge funds, real estate funds and others which represent approximate 35%, 33%, 9%, 13% and 10% (2016: 39%, 35%, 6%, 14% and 6%) of those level 3 investments respectively. Valuations 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.

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.

Detail on sensitivity analysis of the Group 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 financial statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017:

	Available- for-sale financial assets HK\$'000	Financial assets at fair value through profit or loss and derivative financial instruments HK\$'000
At 1st April 2016	6,045,846	16,665
Additions	1,860,160	-
Disposal	(9,729)	-
Return of capital	(1,020,642)	-
Total unrealised gains or losses recognised in		
- Income statement	-	(948)
- Other comprehensive income	(347,065)	-
Exchange translation differences	(1,025)	2
At 31st March 2017	6,527,545	15,719
At 1st April 2015	5,268,292	18,431
Additions	1,619,621	-
Disposal	(492,087)	-
Return of capital	(313,433)	-
Total unrealised gains or losses recognised in		
- Income statement	-	(1,766)
- Other comprehensive income	(35,965)	-
Exchange translation differences	(582)	-
At 31st March 2016	6,045,846	16,665

(ii) Financial instruments carried at other than fair value

The fair values of loans and other receivable, 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, ultimate holding company and non-controlling interests are assumed to approximate their carrying amounts.

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

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 available-for-sale financial assets and 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 redemption price 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. The amount of impairment made for the year ended 31st March 2017 was HK\$186,895,000 (2016: HK\$754,151,000). 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(iv) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

As at 31st March 2017, if all of the declines in fair value below cost were considered as impaired, the Group would suffer an additional post-tax loss of HK\$163,923,000 (2016: HK\$112,321,000) for the year, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to the consolidated income statement.

(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.

The Group is also subject to various PRC taxes including land appreciation tax ("LAT"), as it is principally engaged in property development in the PRC. The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalised with local tax authorities.

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 investment property. In making its judgement, the Group considers whether the property (land or building) is held to earn rental or for capital appreciation rather than for use in the production or supply of goods and services or sale and the Group has the financing capability to hold the property for long-term strategic investment. The Group considers each property separately in making its judgement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(vii) Business combinations

The initial accounting on the acquisition of businesses involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of property, plant and equipment, investment properties, properties for sale are determined by reference to transaction prices of comparable properties by using financial models. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(viii) Recoverability of receivables

The Group assesses whether there is objective evidence that the receivables, including loan advanced to a joint venture as disclosed in note 16(a) are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the borrower's ability to settle its debt. The Group recognises impairment provision based on estimates of the extent and timing of future cash flows using applicable effective interest rate. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment provision required.

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 and treasury

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, joint ventures, associates, available-for-sale financial assets, loans and other receivable, amounts due from investee companies, properties for sale, trade and other receivables, deposits and prepayments, cash and bank balances, financial assets at fair value through profit or loss and derivative financial instruments. 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 borrowings, guaranteed notes and deferred income tax liabilities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment reporting (Continued)

The segment results for the year ended 31st March 2017 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue 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	3,844,813	1,817,765	7,046,666	2,190,080	3,164	204,536	10,894,643	4,212,381
PRC and overseas properties	1,252,459	(83,240)	11,854	(49,172)	575,828	251,679	1,840,141	119,267
Financial investment	1,132,621	3,763,804	811	(644)	47,220	35,095	1,180,652	3,798,255
Corporate and treasury	-	(1,626)	-	-	-	-	-	(1,626)
	<u>6,229,893</u>	<u>5,496,703</u>	<u>7,059,331</u>	<u>2,140,264</u>	<u>626,212</u>	<u>491,310</u>	<u>13,915,436</u>	<u>8,128,277</u>
Segment results								8,128,277
Finance expense, net								(239,324)
Profit before income tax								7,888,953
Income tax expense								(518,247)
Profit for the year								<u>7,370,706</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment reporting (Continued)

The segment results for the year ended 31st March 2016 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue 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	12,045,735	3,513,543	994,475	117,256	2,605	55,965	13,042,815	3,686,764
PRC and overseas properties	1,272,843	(212,509)	48,097	(34,428)	5,637,358	1,545,735	6,958,298	1,298,798
Financial investment	830,180	74,679	797	(553)	41,303	8,213	872,280	82,339
Corporate and treasury	-	(57,796)	-	-	5	-	5	(57,796)
	<u>14,148,758</u>	<u>3,317,917</u>	<u>1,043,369</u>	<u>82,275</u>	<u>5,681,271</u>	<u>1,609,913</u>	<u>20,873,398</u>	<u>5,010,105</u>
Segment results								5,010,105
Finance expense, net								(261,750)
Loss on disposal of interests in an associate (note 31(b))								(3,473,844)
Profit before income tax								1,274,511
Income tax expense								(726,016)
Profit for the year								<u>548,495</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment reporting (Continued)

The segment assets and liabilities as at 31st March 2017 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	44,020,373	9,124,097	2,916,131	56,060,601	(6,650,374)
PRC and overseas properties	28,959,155	3,066,549	3,068,988	35,094,692	(2,039,505)
Financial investment	19,386,526	8,916	155,975	19,551,417	(325,648)
Corporate and treasury	15,370,709	-	-	15,370,709	(1,366,318)
	<u>107,736,763</u>	<u>12,199,562</u>	<u>6,141,094</u>	<u>126,077,419</u>	<u>(10,381,845)</u>
Deferred income tax assets				167,554	-
Prepaid tax				80,811	-
Bank borrowings				-	(19,197,992)
Guaranteed notes				-	(5,155,375)
Amounts due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(2,723,498)
Tax payable				-	(527,449)
Consolidated total assets/(liabilities)				<u>126,325,784</u>	<u>(37,988,336)</u>

The segment assets and liabilities as at 31st March 2016 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	38,509,304	7,508,114	2,534,045	48,551,463	(4,493,853)
PRC and overseas properties	30,524,645	4,001,771	2,613,033	37,139,449	(2,446,184)
Financial investment	21,125,378	9,137	113,990	21,248,505	(1,101,285)
Corporate and treasury	12,840,411	-	-	12,840,411	(1,311,099)
	<u>102,999,738</u>	<u>11,519,022</u>	<u>5,261,068</u>	<u>119,779,828</u>	<u>(9,352,421)</u>
Deferred income tax assets				114,324	-
Prepaid tax				70,236	-
Bank borrowings				-	(13,779,611)
Guaranteed notes				-	(9,783,856)
Amounts due to ultimate holding company				-	(2,417)
Deferred income tax liabilities				-	(2,752,684)
Tax payable				-	(933,964)
Consolidated total assets/(liabilities)				<u>119,964,388</u>	<u>(36,604,953)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	101,985	74,715	2,165,394	2,339,390
PRC and overseas properties	85,470	100,081	2,676,188	540,533
Financial investment	-	122	6,304	375
Corporate and treasury	424	461	-	-
	<u>187,879</u>	<u>175,379</u>	<u>4,847,886</u>	<u>2,880,298</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 2017 HK\$'000	For the year ended 31st March 2016 HK\$'000
Hong Kong	4,977,434	12,875,915
The PRC	1,157,154	1,214,452
Overseas	95,305	58,391
	<u>6,229,893</u>	<u>14,148,758</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 2017 HK\$'000	As at 31st March 2016 HK\$'000
Hong Kong	36,099,635	30,975,054
The PRC	23,723,862	28,005,488
Overseas	4,066,374	3,504,500
	<u>63,889,871</u>	<u>62,485,042</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and other income/(expenses), net

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sale of properties	2,786,422	10,625,873
Gross rental income	1,289,005	1,120,213
Construction revenue	389,705	608,107
Hotel revenue	441,156	411,924
Property management fee income	144,824	137,000
Dividend income from investments	949,940	886,362
Interest income from debt and convertible securities	228,841	359,279
	<u>6,229,893</u>	<u>14,148,758</u>
Other income/(expenses), net		
Net gain/(loss) on financial assets at fair value through profit or loss (note (a))	1,529,913	(527,490)
Net gain/(loss) on derivatives (note (b))	479,417	(686,115)
Others	147,356	207,304
	<u>2,156,686</u>	<u>(1,006,301)</u>

Notes:

- (a) The amount comprised realised gain of HK\$385,570,000 (2016: HK\$485,655,000) and unrealised gain of HK\$1,144,343,000 (2016: unrealised loss of HK\$1,013,145,000) on financial assets at fair value through profit or loss.
- (b) The amount comprised realised gain of HK\$411,914,000 (2016: realised loss of HK\$542,787,000) and unrealised gain of HK\$67,503,000 (2016: unrealised loss of HK\$143,328,000) on derivatives.

7 Other gains/(losses), net

	2017 HK\$'000	2016 HK\$'000
Impairment provision on available-for-sale financial assets	(36,882)	(104,929)
Net gain on disposal of available-for-sale financial assets	922,517	747,730
Net (loss)/gain on disposal of interests in/liquidation of subsidiaries	(131,232)	230,250
Net gain on disposal of interests in joint ventures	57,543	133,515
Net loss on disposal of interest in an associate (note 31(b))	-	(3,473,844)
Net (loss)/gain on disposal of property, plant and equipment	(123)	1,093
Net gain on disposal of investment properties (note (a))	8,894	4,566
Provision for bad and doubtful debt (note (b))	(4,224)	(499,899)
Write-back of over-provision for construction cost	15,302	-
Net exchange gain	67,149	15,026
Others	(11,753)	12,009
	<u>887,191</u>	<u>(2,934,483)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Other gains/(losses), net (Continued)

Notes:

- (a) It is calculated as sale proceeds of HK\$39,797,000 (2016: HK\$98,385,000) less cost of properties sold of HK\$30,903,000 (2016: HK\$93,819,000) (including net change of fair value of investment properties recognised in previous years of HK\$27,205,000 (2016: HK\$48,332,000)).
- (b) Details of the provision for bad and doubtful debt of HK\$480,504,000 for the year ended 31st March 2016 is included in note 16(a).

8 Operating profit/(loss)

Operating profit/(loss) is arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
Cost of properties sold	1,839,183	8,574,205
Cost of construction works	378,221	564,675
Hotel direct costs	196,178	188,829
Outgoings in respect of rental income	206,653	372,223
Depreciation of property, plant and equipment (note 13)	174,906	161,859
Amortisation of land use rights (note 15)	12,973	13,461
Staff costs (note 9)	697,538	709,172
Marketing and selling expenses	204,447	132,714
Rental expense under operating lease	1,107	4,237

9 Staff costs and key management compensation

	2017 HK\$'000	2016 HK\$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	909,433	881,674
- retirement benefit costs - defined contribution schemes	25,591	34,300
Total staff costs incurred for the year	935,024	915,974
Less: amount capitalised to properties under construction	(237,486)	(206,802)
Amount directly charged to the consolidated income statement	697,538	709,172
Including :		
Key management compensation		
- wages, salaries and allowances and benefits in kind	179,104	194,165
- retirement benefit costs - defined contribution schemes	3,572	4,482
Total key management compensation incurred for the year	182,676	198,647

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Finance expenses, net

	2017 HK\$'000	2016 HK\$'000
Interest income on		
- joint ventures	93,141	309,840
- associates	63,815	79,879
- investee companies	1,137	7,708
- non-controlling interest	-	66,653
- bank deposits	143,719	55,424
- others	47,322	2,996
	<u>349,134</u>	<u>522,500</u>
Interest expenses on		
- bank borrowings	(485,274)	(674,141)
- guaranteed notes	(447,713)	(497,455)
- others	(98,378)	(99,331)
	<u>(1,031,365)</u>	<u>(1,270,927)</u>
Total finance costs incurred	(1,031,365)	(1,270,927)
Less: amount capitalised to qualifying assets	601,152	859,628
	<u>(430,213)</u>	<u>(411,299)</u>
Interest (expenses)/income, net	(81,079)	111,201
Other finance charges	(14,032)	(14,630)
Net exchange loss on financing activities	(144,213)	(166,382)
	<u>(239,324)</u>	<u>(69,811)</u>
Finance expenses, net	<u>(239,324)</u>	<u>(69,811)</u>

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 3.51% (2016: 4.34%) per annum.

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 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.

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax expense (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current year	240,237	541,630
- (over)/under provision in prior years	(25,792)	4,775
PRC income tax		
- provision for current year	6,058	20,737
Overseas profits tax		
- provision for current year	5,207	6,627
- (over)/under provision in prior years	(2,739)	410
PRC land appreciation tax		
- provision for current year	14	27,716
- over provision in prior years	-	(22,946)
Withholding tax	154,144	97,835
Deferred income tax (note 28)	141,118	49,232
	<u>518,247</u>	<u>726,016</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:

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	7,888,953	1,274,511
Less: share of results of		
- joint ventures	(2,140,264)	(82,275)
- associates	(491,310)	(1,609,913)
	<u>5,257,379</u>	<u>(417,677)</u>
Calculated at a tax rate of 16.5% (2016: 16.5%)	867,468	(68,917)
Effect of different tax rates in other countries	(68,827)	(15,073)
Income not subject to tax	(980,809)	(822,897)
Expenses not deductible for tax purposes	569,850	1,325,119
Over provision in prior years	(28,531)	(17,761)
PRC land appreciation tax	14	27,716
Withholding tax	154,144	97,835
Tax losses not recognised	118,001	294,739
Others	(113,063)	(94,745)
Income tax expense	<u>518,247</u>	<u>726,016</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax expense (Continued)

The tax credit for the year ended 31st March 2016 relating to fair value change on available-for-sale financial assets recognised in other comprehensive income amounted to HK\$53,551,000.

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2017 totalling HK\$441,400,000 (2016: HK\$447,655,000) 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 2017, the Group has unrecognised tax losses of HK\$3,142,940,000 (2016: HK\$3,418,445,000) to carry forward against future taxable profits. Unrecognised tax losses of HK\$1,121,201,000 as at 31st March 2017 (2016: HK\$1,388,716,000) have no expiry date and the remaining losses will expire at various dates up to and including 2021 (2016: 2020).

12 Dividends

No dividend has been declared for the year ended 31st March 2016 and 31st March 2017.

13 Property, plant and equipment

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
At 1st April 2015			
Cost	3,171,236	780,964	3,952,200
Accumulated depreciation	(156,888)	(232,151)	(389,039)
Net book amount	<u>3,014,348</u>	<u>548,813</u>	<u>3,563,161</u>
Year ended 31st March 2016			
Opening net book amount	3,014,348	548,813	3,563,161
Additions	24,994	37,248	62,242
Disposals, impairment and write off	(350)	(189)	(539)
Disposal of interests in subsidiaries	-	(2,855)	(2,855)
Charge for the year	(87,476)	(74,383)	(161,859)
Exchange difference	(59,157)	(12,647)	(71,804)
Closing net book amount	<u>2,892,359</u>	<u>495,987</u>	<u>3,388,346</u>
At 31st March 2016			
Cost	3,133,755	789,824	3,923,579
Accumulated depreciation	(241,396)	(293,837)	(535,233)
Net book amount	<u>2,892,359</u>	<u>495,987</u>	<u>3,388,346</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017			
Opening net book amount	2,892,359	495,987	3,388,346
Acquisition of interests in subsidiaries	-	2,057	2,057
Additions	-	70,297	70,297
Disposals, cost adjustment and write off	(59,165)	(551)	(59,716)
Charge for the year	(80,028)	(94,878)	(174,906)
Transfer to assets classified as held-for-sale (note 25)	-	(5,300)	(5,300)
Exchange difference	(79,334)	(17,455)	(96,789)
Closing net book amount	<u>2,673,832</u>	<u>450,157</u>	<u>3,123,989</u>
At 31st March 2017			
Cost	2,988,833	818,211	3,807,044
Accumulated depreciation	<u>(315,001)</u>	<u>(368,054)</u>	<u>(683,055)</u>
Net book amount	<u>2,673,832</u>	<u>450,157</u>	<u>3,123,989</u>

Note:

Land and building include a leasehold land located in Hong Kong of HK\$555,574,000 (2016: HK\$593,796,000) with lease period less than 40 years.

14 Investment properties

	2017 HK\$'000	2016 HK\$'000
Completed investment properties	33,558,084	31,857,784
Investment properties under development	<u>11,567,868</u>	<u>11,635,088</u>
Total	<u>45,125,952</u>	<u>43,492,872</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016	6,870,002	485,367	12,973,430	1,784,953	21,379,120	43,492,872
Acquisition of subsidiaries	686,200	-	169,000	-	-	855,200
Acquisition	-	-	110,919	1,302,395	-	1,413,314
Additions	800,514	-	342,130	-	413,168	1,555,812
Net change in fair values	359,485	(8,641)	265,431	(35,395)	24,560	605,440
Disposals	-	(1,901)	(2,800)	(26,202)	-	(30,903)
Transfer to assets classified as held-for-sale (note 25)	-	-	-	-	(1,150,407)	(1,150,407)
Exchange differences	-	(37,590)	-	(288,372)	(1,289,414)	(1,615,376)
At 31st March 2017	8,716,201	437,235	13,858,110	2,737,379	19,377,027	45,125,952
At 1st April 2015	6,308,302	456,345	11,045,030	1,790,397	21,221,411	40,821,485
Additions	722,258	-	53,223	-	442,255	1,217,736
Transfer from properties for sale	-	-	1,522,782	-	-	1,522,782
Net change in fair values	3,442	38,429	352,395	100,161	512,749	1,007,176
Disposals	(66,000)	-	-	(27,819)	-	(93,819)
Disposal of interests in a subsidiary	(98,000)	-	-	-	-	(98,000)
Exchange differences	-	(9,407)	-	(77,786)	(797,295)	(884,488)
At 31st March 2016	6,870,002	485,367	12,973,430	1,784,953	21,379,120	43,492,872

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

	2017 HK\$'000	2016 HK\$'000
In Hong Kong, held on leases of between 10 to 50 years	21,024,311	18,593,432
over 50 years	1,550,000	1,250,000
	22,574,311	19,843,432
In the PRC and overseas		
Freehold	3,171,099	2,266,368
Leases of between 10 to 50 years	19,377,026	21,379,121
Leases over 50 years	3,516	3,951
	22,551,641	23,649,440
	45,125,952	43,492,872

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investment properties (Continued)

Valuation processes of the Group

As at 31st March 2017, 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 and PRC 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 2017, capitalisation rates of 2.8% to 4.8% (2016: 3.3% to 4.8%) and 4.0% to 7.8% (2016: 4.0% to 7.5%) are used for Hong Kong and PRC 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 2017, rental value of HK\$17 to HK\$90 (2016: HK\$17 to HK\$36) per square feet per month and HK\$6 to HK\$94 (2016: HK\$7 to HK\$117) per square feet per month are used for Hong Kong commercial and PRC commercial respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Investment properties (Continued)

Significant unobservable inputs used to determine fair value (Continued)

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions as at 31st March 2017 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

	2017 HK\$'000	2016 HK\$'000
Opening net book amount	419,810	451,367
Amortisation	(12,973)	(13,461)
Exchange differences	(24,331)	(18,096)
Closing net book amount	<u>382,506</u>	<u>419,810</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 PRC.

16 Joint ventures

	2017 HK\$'000	2016 HK\$'000
Share of net assets	3,941,844	2,053,934
Amounts due from joint ventures (note (a) & (b))	8,257,718	9,465,088
	<u>12,199,562</u>	<u>11,519,022</u>
Amounts due within one year included in current assets (note (a) & (b) and note 22)	(2,941,660)	(1,519,029)
	<u>9,257,902</u>	<u>9,999,993</u>
Amounts due to joint ventures (note (c) and note 30)	<u>(850,058)</u>	<u>(234,054)</u>

Notes:

- (a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$2,820 million) granted to a PRC property developer ("Borrower") for a residential and commercial property development project in Foshan. The loan bears interest at a fixed rate of 18% per annum, plus a guaranteed bonus return from future sales of the residential units.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Joint ventures (Continued)

Notes: (Continued)

(a) (Continued)

As at 31st March 2017, the outstanding loan balance amounted to RMB2,072 million (equivalent to HK\$2,337 million) (31st March 2016: RMB2,072 million (equivalent to HK\$2,483 million)) and interest receivable amounted to RMB430 million (equivalent to HK\$485 million) (31st March 2016: RMB603 million (equivalent to HK\$722 million)) (net of bad and doubtful debt provision of RMB395 million (equivalent to HK\$445 million)) (31st March 2016: RMB395 million (equivalent to HK\$481 million)). In June 2017, RMB17 million (equivalent to HK\$19 million) was further received.

Total outstanding loan and interest receivable balances were past due on 26th June 2017. The Group has assessed the recoverability of the outstanding amounts and considered the risk of further impairment is minimal as the Group and the Borrower have come up with a settlement plan to settle the outstanding balances through the transfer of a shopping mall and car parks owned by the Borrower supplement with cash repayment from the Borrower at an aggregate amount which is expected to be not less than the carrying values of total outstanding loan and interest receivable balances.

(b) As at 31st March 2017, except for amounts due from joint ventures of HK\$735,214,000 (2016: HK\$1,624,394,000) are interest free, the remaining balances are interest bearing.

As at 31st March 2017, other than the amounts due from joint ventures disclosed in note (a) above, HK\$3,163,020,000 (2016: HK\$3,738,780,000) and HK\$1,537,151,000 (2016: HK\$895,694,000) bear interest at prevailing market rates and fixed rate ranged from 2.2% to 3.5% (2016: 3.5% to 5.4%) per annum respectively.

As at 31st March 2017, HK\$2,941,020,000 (2016: HK\$3,232,780,000) is subordinated to the banks for the bank borrowings due by the joint ventures. Except for the loan to the PRC property developer, the remaining balances are unsecured.

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	5,125,229	5,841,242
Renminbi	2,822,333	3,314,379
US dollar	310,156	309,467
	<u>8,257,718</u>	<u>9,465,088</u>

(c) The amounts due to joint ventures are unsecured, interest free and have no fixed terms of repayment. All balances are denominated in HK dollar.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Joint ventures (Continued)

Details of the principal joint ventures as at 31st March 2017 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 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
2017	<u>1,504,760</u>	<u>9,922,495</u>	<u>(4,757,955)</u>	<u>(2,727,456)</u>	<u>7,059,331</u>	<u>2,140,264</u>
2016	<u>1,928,920</u>	<u>12,048,137</u>	<u>(9,021,266)</u>	<u>(2,901,857)</u>	<u>1,043,369</u>	<u>82,275</u>

17 Associates

	2017 HK\$'000	2016 HK\$'000
Share of net assets	3,514,722	1,456,921
Amounts due from associates (note (a))	<u>2,626,372</u>	<u>3,804,147</u>
	6,141,094	5,261,068
Amounts due within one year included in current assets (note 22)	<u>(141,572)</u>	<u>(77,047)</u>
	<u>5,999,522</u>	<u>5,184,021</u>
Amount due to associates (note (b) and note 30)	<u>(409,311)</u>	<u>(549,166)</u>

Notes:

- (a) As at 31st March 2017, except for HK\$140,084,000 (2016: HK\$1,362,985,000) which is interest free, HK\$1,488,000 (2016: HK\$1,633,000) and HK\$2,484,800,000 (2016: HK\$2,439,529,000) bear interest at prevailing market rate and fixed rate of 2.6% (2016: 2.6%) per annum respectively. The balances are unsecured and denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	2,625,299	2,446,249
US dollar	<u>1,073</u>	<u>1,357,898</u>
	<u>2,626,372</u>	<u>3,804,147</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2017 HK\$'000	2016 HK\$'000
HK dollar	380,571	520,689
US dollar	28,740	28,477
	<u>409,311</u>	<u>549,166</u>

Details of the principal associates as at 31st March 2017 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
2017	<u>6,224,826</u>	<u>1,734,352</u>	<u>(3,728,711)</u>	<u>(715,745)</u>	<u>626,212</u>	<u>491,310</u>
2016	<u>5,810,950</u>	<u>2,187,572</u>	<u>(4,284,662)</u>	<u>(2,256,939)</u>	<u>5,681,271</u>	<u>1,609,913</u>

18 Available-for-sale financial assets

	2017 HK\$'000	2016 HK\$'000
Equity securities		
- listed in Hong Kong	80,589	103,071
- listed overseas	15,956	979,325
- unlisted in Hong Kong	172,113	127,235
- unlisted overseas	6,270,478	5,833,830
Debt and convertible securities		
- unlisted in Hong Kong	8,917	8,978
- unlisted overseas	77,709	77,536
	<u>6,625,762</u>	<u>7,129,975</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Available-for-sale financial assets (Continued)

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	246,086	223,785
US dollar	6,136,184	6,268,713
Singapore dollar	4,960	222,433
Euro	162,439	216,876
Others	76,093	198,168
	<u>6,625,762</u>	<u>7,129,975</u>

19 Loans and other receivable

	2017 HK\$'000	2016 HK\$'000
Loans receivable	1,270,011	89,741
Less: current portion of loans receivable (note 22)	(20,676)	(8,514)
	<u>1,249,335</u>	<u>81,227</u>
Other receivable	-	330,485
	<u>1,249,335</u>	<u>411,712</u>
<u>Loans receivable</u>		
Secured loans		
- third parties (note (a))	1,259,807	76,211
Unsecured loans		
- third parties (note (a))	31,186	33,301
	<u>1,290,993</u>	<u>109,512</u>
Loans receivable (Gross)	1,290,993	109,512
Less: provision for impairment (notes (b))	(20,982)	(19,771)
	<u>1,270,011</u>	<u>89,741</u>
Amounts due within one year included in current assets (note 22)	(20,676)	(8,514)
	<u>1,249,335</u>	<u>81,227</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Loans and other receivable (Continued)

Notes:

- (a) As at 31st March 2017, the interest rates on secured loans to third parties of HK\$1,256,590,000 (2016: HK\$74,056,000) and unsecured loans of HK\$13,421,000 (2016: HK\$15,685,000) (net of impairment provision of HK\$20,982,000 (2016: HK\$19,771,000)) are primarily at fixed rate of 2.8% for the initial one to four years and subsequently based on prime rate ("P") and vary from P minus 1% to P plus 5% per annum (2016: P minus 1% to P plus 5% per annum). The balances are denominated in HK dollar.
- (b) As at 31st March 2017, loans receivable of HK\$20,982,000 (2016: HK\$19,771,000) are impaired and fully provided for and HK\$181,000 (2016: HK\$55,000) were past due but not impaired. The remaining balances are fully performing.

Loans receivables that are past due but not impaired are as follows:

	2017		2016	
	Secured loans HK\$'000	Unsecured loans HK\$'000	Secured loans HK\$'000	Unsecured loans HK\$'000
Within 3 months	<u>124</u>	<u>57</u>	<u>5</u>	<u>50</u>

20 Amounts due from/to investee companies

	2017 HK\$'000	2016 HK\$'000
Amounts due from investee companies (note (a))	72,853	160,736
Amounts due within one year included in current assets (note 22)	<u>(505)</u>	<u>(505)</u>
	<u>72,348</u>	<u>160,231</u>
Amounts due to investee companies (note (b) and note 30)	<u>6,274</u>	<u>1,373</u>

Notes:

- (a) As at 31st March 2017, the amounts due from investee companies of HK\$69,735,000 (2016: HK\$157,601,000) bear interest at prevailing market rates and have no fixed terms of repayment. The remaining balance of HK\$3,118,000 (2016: HK\$3,135,000) (net of impairment provision of HK\$234,585,000 (2016: HK\$234,568,000)) are interest free. The balances are unsecured and denominated in HK dollar.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Amounts due from/to investee companies (Continued)

Notes: (Continued)

- (b) The balance is unsecured, interest free and has no fixed term of repayment. The balance is denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	6,274	980
US dollar	-	393
	<u>6,274</u>	<u>1,373</u>

21 Properties for sale

	2017 HK\$'000	2016 HK\$'000
Completed properties	2,521,735	4,242,905
Under development	12,156,323	10,153,990
	<u>14,678,058</u>	<u>14,396,895</u>
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	12,318,348	10,528,451
- leases of over 50 years	2,160,559	2,331,520
In the PRC and overseas		
- leases of between 10 to 50 years	179,459	179,061
- leases of over 50 years	19,692	1,357,863
	<u>14,678,058</u>	<u>14,396,895</u>

Impairment on properties for sale of HK\$186,895,000 (2016: HK\$754,151,000) was provided and included in cost of sales for the year ended 31st March 2017. As at 31st March 2017, all the impaired assets have been disposed of. As at 31st March 2016, accumulated impairment loss of HK\$793,541,000 was included in properties for sale.

As at 31st March 2017, properties under development of HK\$5,649,710,000 (2016: HK\$5,105,163,000) are not expected to be readily available for sale within one year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Trade and other receivables, deposits and prepayments

	2017 HK\$'000	2016 HK\$'000
Trade receivables (notes (a) & (b))	259,618	235,303
Other receivables and deposits (note (b))	723,715	1,252,616
Interest receivable (note (b))	50,603	216,176
Stakeholder's account	1,528,857	671,276
Prepayments	210,044	239,770
Loans receivable (note 19)	20,676	8,514
Amounts due from customers for contract work (note (c))	2,892	-
Amounts due from fellow subsidiary companies (note (d))	167	-
Amounts due from joint ventures (note 16)	2,941,660	1,519,029
Amounts due from associates (note 17)	141,572	77,047
Amounts due from investee companies (note 20)	505	505
Amounts due from non-controlling interests (note (e))	116,558	117,084
Amounts due from related companies (note (f))	59,102	137,607
	<u>6,055,969</u>	<u>4,474,927</u>

Notes:

- (a) 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:

	2017 HK\$'000	2016 HK\$'000
Fully performing	255,682	172,453
Past due:		
Under 3 months	2,680	15,540
Between 3 months to 6 months	471	22,627
Between 6 months to 1 year	256	20,176
Over 1 year	529	4,507
	<u>259,618</u>	<u>235,303</u>

As of 31st March 2017, trade receivables of HK\$3,936,000 (2016: HK\$62,850,000) were past due but not impaired. 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 2017 and 31st March 2016, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: (Continued)

(b) (Continued)

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	600,242	810,705
US dollar	127,320	340,142
Renminbi	260,698	532,242
Others	45,676	21,006
	<u>1,033,936</u>	<u>1,704,095</u>

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

	2017 HK\$'000	2016 HK\$'000
Cost incurred to date plus recognised profits less recognised losses	2,102,962	5,511,686
Less: progress billings	(2,100,070)	(5,601,922)
	<u>2,892</u>	<u>(90,236)</u>

Analysed for reporting purpose:

	2017 HK\$'000	2016 HK\$'000
Amounts due from customers	2,892	-
Amounts due to customers (note 30)	-	(90,236)
	<u>2,892</u>	<u>(90,236)</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:

	2017 HK\$'000	2016 HK\$'000
HK dollar	94,370	94,192
Other	22,188	22,892
	<u>116,558</u>	<u>117,084</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: (Continued)

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	58,749	66,404
US dollar	26	71,203
Other	327	-
	<u>59,102</u>	<u>137,607</u>

The amounts due from related companies are fully performing and none of them are impaired.

23 Financial assets/(liabilities) at fair value through profit or loss and derivative financial instruments

	2017 HK\$'000	2016 HK\$'000
<u>Financial assets/(liabilities) at fair value through profit or loss</u>		
Current assets:		
Equity securities - held-for-trading		
- listed in Hong Kong	1,414,360	1,952,510
- listed overseas	5,826,361	3,184,771
Equity securities- designated		
- listed in Hong Kong	701,513	538,745
- listed overseas	6,973	1,506,403
- unlisted overseas	15,719	16,665
Debt securities - held-for-trading		
- listed in Hong Kong	74,211	224,223
- listed overseas	3,035,668	3,568,155
- unlisted overseas	409,684	238,226
Debt securities - designated		
- listed in Hong Kong	-	220,450
	<u>11,484,489</u>	<u>11,450,148</u>
Current liabilities:		
Equity securities - held-for-trading		
- listed in Hong Kong	(69,501)	(354,369)
- listed overseas	(13,283)	-
	<u>(82,784)</u>	<u>(354,369)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Financial assets/(liabilities) at fair value through profit or loss and derivative financial instruments (Continued)

	2017 HK\$'000	2016 HK\$'000
<u>Derivative financial instruments</u>		
Current assets:		
Derivatives - held-for-trading		
- swap	36,538	97,905
- option	6,437	4,852
- equity linked notes	18,631	12,836
- warrant	1,071	663
- forward	24,507	427
- future	15,202	29,297
	<u>102,386</u>	<u>145,980</u>
Current liabilities:		
Derivatives - held-for-trading		
- swap	(19,443)	(503,329)
- option	(64,105)	(87,060)
- forward	(19,173)	(67,298)
- future	(18,041)	(16,031)
	<u>(120,762)</u>	<u>(673,718)</u>
Representing:		
- current assets	11,586,875	11,596,128
- current liabilities	(203,546)	(1,028,087)
Total	<u>11,383,329</u>	<u>10,568,041</u>

The financial assets at fair value through profit or loss and derivative financial instruments are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	2,041,843	2,147,909
US dollar	7,760,340	6,969,425
Singapore dollar	75,123	109,452
Korean Won	-	56,992
Japanese Yen	485,325	270,090
Pound sterling	123,009	157,790
Euro	673,913	756,014
Renminbi	134,065	100,369
Others	89,711	-
	<u>11,383,329</u>	<u>10,568,041</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Cash and bank balances

	2017 HK\$'000	2016 HK\$'000
Bank balances and cash	2,846,966	4,427,753
Short term bank deposits	17,899,938	14,697,165
	<u>20,746,904</u>	<u>19,124,918</u>
Representing:		
- unpledged	20,730,648	18,274,850
- restricted	16,256	850,068
	<u>20,746,904</u>	<u>19,124,918</u>

The effective interest rate on the bank deposits is 0.86% (2016: 0.58%) per annum. These deposits have an average maturity of 72 days (2016: 81 days).

Cash and bank balances are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	10,108,428	12,416,939
US dollar	8,000,611	5,599,066
Renminbi	2,232,803	895,102
Others	405,062	213,811
	<u>20,746,904</u>	<u>19,124,918</u>

The conversion of Renminbi 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 consolidated statement of cash flows.

	2017 HK\$'000	2016 HK\$'000
Bank balances and cash	2,846,966	4,427,753
Short-term bank deposits	17,899,938	14,697,165
	<u>20,746,904</u>	<u>19,124,918</u>
Less: bank deposits with original maturities of more than three months	(3,264,932)	(3,092,017)
Less: restricted cash	(16,256)	(850,068)
	<u>17,465,716</u>	<u>15,182,833</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Assets and liabilities classified as held-for-sale

	As at 31st March 2017 HK\$'000
Property, plant and equipment (note 13)	5,300
Investment properties (note 14)	1,150,407
Other receivables and prepayment	5,193
Cash and bank balances	11,397
Assets classified as held-for-sale	1,172,297
Deferred tax liabilities (note 28)	(67,727)
Other payables, deposits and accruals	(114,659)
Amount due to non-controlling interests	(4,404)
Bank borrowings	(393,568)
Liabilities classified as held-for-sale	(580,358)

The Group has the intention to dispose of its interests in a property project in Tianjin (the “Tianjin Project”) and is actively negotiating with an independent third party for the disposal as at 31st March 2017. The disposal is considered to be highly probable and is expected to be completed within one year from the end of reporting period with loss of control. As a result, assets and liabilities of the Tianjin Project of HK\$1,172,297,000 and HK\$580,358,000 respectively were classified as held-for-sale in the consolidated financial statements.

26 Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2016, 31st March 2016 and 31st March 2017	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2016, 31st March 2016 and 31st March 2017	62,743,532	62,743,532

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1st April 2016	(416,039)	2,632,455	54,622,184	(37,757,621)	(64,591)	19,016,388
Profit for the year	-	-	7,042,373	-	-	7,042,373
Fair value change on available-for-sale financial assets						
- Group	-	(226,460)	-	-	-	(226,460)
- a joint venture	-	402	-	-	-	402
Impairment provision on available-for-sale financial assets recycled to the consolidated income statement	-	36,882	-	-	-	36,882
Release of reserves upon disposal of available-for-sale financial assets	-	(924,364)	-	-	-	(924,364)
Share of other reserve of an associate	-	-	-	-	1,645	1,645
Release of exchange reserve upon disposal/liquidation of interests in subsidiaries and joint ventures	174,096	-	-	-	-	174,096
Exchange translation differences						
- Group	(1,128,763)	-	-	-	-	(1,128,763)
- Joint ventures and associates	(112,376)	-	-	-	-	(112,376)
Settlement with non- controlling interests	-	-	283,000	-	-	283,000
Acquisition of non- controlling interests	-	-	-	-	(59,576)	(59,576)
At 31st March 2017	<u>(1,483,082)</u>	<u>1,518,915</u>	<u>61,947,557</u>	<u>(37,757,621)</u>	<u>(122,522)</u>	<u>24,103,247</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015	529,956	3,464,607	54,564,182	(37,757,613)	(69,022)	20,732,110
Profit for the year	-	-	57,994	-	-	57,994
Fair value change on available-for-sale financial assets						
- Group	-	(254,290)	-	-	-	(254,290)
- Associates and a joint venture	-	5,235	-	-	-	5,235
Tax on fair value change on available- for-sale financial assets (note 28)	-	53,551	-	-	-	53,551
Impairment provision on available-for-sale financial assets recycled to the consolidated income statement	-	104,929	-	-	-	104,929
Release of reserves upon disposal of available-for-sale financial assets	-	(736,121)	-	-	-	(736,121)
Release of investment revaluation reserve upon disposal of interests in associate	-	(5,456)	-	-	-	(5,456)
Share of other reserve of an associate	-	-	-	-	4,431	4,431
Release of exchange reserve upon disposal of interests in subsidiaries, associates and joint ventures	(15,011)	-	-	-	-	(15,011)
Exchange translation differences						
- Group	(744,998)	-	-	-	-	(744,998)
- Associates	(185,986)	-	-	-	-	(185,986)
Transfer of reserve upon liquidation of a subsidiary	-	-	8	(8)	-	-
At 31st March 2016	(416,039)	2,632,455	54,622,184	(37,757,621)	(64,591)	19,016,388

28 Deferred income tax

Deferred income tax is calculated in full on temporary differences, where applicable under the liability method using applicable taxation rates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Deferred income tax (Continued)

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

	2017 HK\$'000	2016 HK\$'000
At 1st April	(2,638,360)	(2,736,242)
Disposal of interests in subsidiaries	1,373	(4,505)
Acquisition of subsidiaries	(5,971)	-
Charged to the consolidated income statement (note 11)	(141,118)	(49,232)
Credited to the consolidated statement of comprehensive income (note 28)	-	53,551
Transfer to liabilities classified as held for sale (note 25)	67,727	-
Exchange difference	160,405	98,068
At 31st March	<u>(2,555,944)</u>	<u>(2,638,360)</u>

Deferred income tax asset and deferred income tax liability 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	With holding tax HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2016	(8,955)	(41,069)	(2,624,196)	-	(83,434)	(2,757,654)
Disposal of interests in subsidiaries	-	-	1,373	-	-	1,373
Acquisition of subsidiaries	-	(5,971)	-	-	-	(5,971)
Charged to consolidated income statement	(30,730)	(35,402)	(81,130)	-	(42,460)	(189,722)
Transfer to liabilities classified as held-for-sale (note 25)	-	-	67,727	-	-	67,727
Exchange difference	(52)	(2,339)	162,788	-	-	160,397
At 31st March 2017	<u>(39,737)</u>	<u>(84,781)</u>	<u>(2,473,438)</u>	<u>-</u>	<u>(125,894)</u>	<u>(2,723,850)</u>
At 1st April 2015	(138,478)	(27,128)	(2,513,750)	(31,761)	(117,363)	(2,828,480)
Disposal of interests in subsidiaries	-	1,563	-	-	-	1,563
Credited/(charged) to consolidated income statement	75,859	(13,054)	(211,046)	31,596	33,929	(82,716)
Credited to consolidated statement of comprehensive income	53,551	-	-	-	-	53,551
Exchange difference	113	(2,450)	100,600	165	-	98,428
At 31st March 2016	<u>(8,955)</u>	<u>(41,069)</u>	<u>(2,624,196)</u>	<u>-</u>	<u>(83,434)</u>	<u>(2,757,654)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Deferred income tax (Continued)

Deferred income tax assets

	Tax losses HK\$'000	Provisions HK\$'000	Unrealised Intra-group profits HK\$'000	Total HK\$'000
At 1st April 2016	6,569	3,739	108,986	119,294
(Charged)/credited to consolidated income statement	(3,674)	1	52,277	48,604
Exchange difference	8	-	-	8
At 31st March 2017	2,903	3,740	161,263	167,906
At 1st April 2015	21,740	11,573	58,925	92,238
Disposal of interests in subsidiaries	-	(6,068)	-	(6,068)
(Charged)/credited to consolidated income statement	(15,169)	(1,408)	50,061	33,484
Exchange difference	(2)	(358)	-	(360)
At 31st March 2016	6,569	3,739	108,986	119,294

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:

	2017 HK\$'000	2016 HK\$'000
Deferred income tax assets	167,554	114,324
Deferred income tax liabilities	(2,723,498)	(2,752,684)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Bank borrowings and guaranteed notes

	2017 HK\$'000	2016 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	7,546,652	7,310,696
- unsecured	11,490,801	5,998,595
Less: current portion of long-term borrowings	(277,936)	(2,092,101)
	<u>18,759,517</u>	<u>11,217,190</u>
Current portion of long-term borrowings		
- secured	277,936	2,092,101
Other short-term bank borrowings		
- secured	160,539	436,131
Broker account overdraft	-	34,189
	<u>438,475</u>	<u>2,562,421</u>
	<u>19,197,992</u>	<u>13,779,611</u>
<u>Guaranteed notes</u>		
Guaranteed notes (note (b))		
- listed	-	4,642,781
Medium term notes (note (c))		
- listed	3,850,702	3,837,247
- unlisted	1,304,673	1,303,828
Less: current portion of guaranteed notes	-	(4,642,781)
	<u>5,155,375</u>	<u>5,141,075</u>

The Group's bank borrowings and guaranteed notes are repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	438,475	7,205,202
Between one and two years	3,555,457	621,944
Between two and three years	1,032,063	6,011,687
Between three and four years	2,441,119	1,616,528
Between four and five years	8,838,098	2,080,261
Over five years	8,048,155	6,027,845
	<u>24,353,367</u>	<u>23,563,467</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Bank borrowings and guaranteed notes (Continued)

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, land use rights, properties for sale, available-for-sale financial assets, financial assets at fair value through profit or loss, pledged bank deposits and pledge of shares of subsidiaries.

The effective interest rate based on the prevailing market rates on the bank borrowings is 2.94% (2016: 4.62%) per annum.

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	8,767,023	7,024,205
Renminbi	5,113,983	5,705,001
Japanese Yen	-	436,131
US dollar	3,825,062	109,365
GBP	1,491,924	504,909
	<u>19,197,992</u>	<u>13,779,611</u>

- (b) Guaranteed notes were issued by a subsidiary of the Company to investors on 20th January 2012 and 13th February 2012 respectively. The notes were issued for a principal amount of US\$350,000,000 and US\$250,000,000 with maturity date on 20th January 2017. The notes bear notional interests of 5.25% per annum which are repayable semi-annually in arrear. The notes are guaranteed unconditionally and irrevocably by the Company, and listed on Singapore Exchange Securities Trading Limited ("SGX"). The notes are within level 1 of the fair value hierarchy. As at 31st March 2016, the fair value of the guaranteed notes was HK\$4,770,542,000. The balances were fully settled during the year ended 31st March 2017.
- (c) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme with aggregate principal amount of US\$2 billion ("MTN"). The Group has drawdown of totalling HK\$5,195,500,000, of which US\$500,000,000 is listed on SGX. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Notional 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Bank borrowings and guaranteed notes (Continued)

Notes: (Continued)

(c) (Continued)

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 31st March 2017, the fair values of the MTN are HK\$5,535,912,000 (2016: HK\$5,474,706,000). Of which, HK\$4,142,923,000 (2016: HK\$4,095,734,000) 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\$1,331,875,000 (2016: US\$1,331,057,000).

(d) As at 31st March 2017, the Group had HK\$23,497,663,000 (2016: HK\$16,368,195,000) undrawn banking facilities.

30 Trade and other payables, deposits and accruals

	2017 HK\$'000	2016 HK\$'000
Trade and other payables and accruals (note (a))	1,765,395	1,308,821
Accruals for construction work (note (a))	165,494	1,139,294
Rental and other deposits received (note (a))	437,936	412,782
	<u>2,368,825</u>	<u>2,860,897</u>
Amounts due to customers for contract work (note 22(c))	-	90,236
Amounts due to joint ventures (note 16)	850,058	234,054
Amounts due to associates (note 17)	409,311	549,166
Amounts due to investee companies (note 20)	6,274	1,373
Amounts due to related companies and individuals (note (b))	1,330,414	1,601,561
Amount due to ultimate holding company (note (c))	2,177	2,417
Amounts due to non-controlling interests (note (d))	2,344,273	2,478,302
	<u>7,311,332</u>	<u>7,818,006</u>

Notes:

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

	2017 HK\$'000	2016 HK\$'000
HK dollar	1,532,459	1,498,716
Renminbi	693,093	1,189,571
US dollar	66,621	153,624
Others	76,652	18,986
	<u>2,368,825</u>	<u>2,860,897</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: (Continued)

- (b) As at 31st March 2017, amounts due to related companies and individuals of HK\$4,631,000 (2016: HK\$4,585,000) bear interest at 1% per annum (2016: 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 the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	1,228,746	1,451,033
US dollar	94,188	70,363
Renminbi	7,480	8,476
Others	-	71,689
	<u>1,330,414</u>	<u>1,601,561</u>

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

- (d) As at 31st March 2017, amounts due to non-controlling interests of HK\$667,935,000 (31st March 2016: HK\$684,602,000) bear interest at rates ranged from 2.06% to 4.77% (31st March 2016: 2.69% to 4.77%). The remaining balance is interest free. The balances are unsecured and have no fixed terms of repayment.

As at 31st March 2016, HK\$49,333,000 was unsecured with interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1%, equivalent to 1.56% per annum. The balance was fully settled during the year ended 31st March 2017.

The balances are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HK dollar	2,129,050	2,309,500
US dollar	4,856	4,839
Renminbi	153,444	163,963
Other	56,923	-
	<u>2,344,273</u>	<u>2,478,302</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Notes to the consolidated statement of cash flows

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

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	7,888,953	1,274,511
Depreciation of property, plant and equipment	174,906	161,859
Amortisation of land use rights	12,973	13,461
Fair value gain on investment properties, net	(605,440)	(1,007,176)
Net loss/(gain) on disposal of property, plant and equipment	123	(1,093)
Write-off of property, plant and equipment	18	23
Impairment of property, plant and equipment	-	350
Net gain on disposal of investment properties	(8,894)	(4,566)
Net gain on disposal of available-for-sale financial assets	(922,517)	(747,730)
Net loss/(gain) on disposal of interests in/liquidation of subsidiaries	131,232	(230,250)
Net gain on disposal of interests in joint ventures	(57,543)	(133,515)
Net loss on disposal of interests in investees	21	-
Net loss on disposal of interests in associates	-	3,473,844
Unrealised (gain)/loss on financial assets at fair value through profit or loss and derivatives	(1,211,846)	1,156,473
Impairment provision on available-for-sale financial assets	36,882	104,929
Impairment of properties for sale	186,895	754,151
Provision for bad and doubtful debt	4,224	499,899
Write-back of over-provision for construction cost	(15,302)	-
Interest income	(349,134)	(522,500)
Interest expenses	430,213	411,299
Share of results of joint ventures	(2,140,264)	(82,275)
Share of results of associates	(491,310)	(1,609,913)
Net cash generated from operating profit before working capital changes	3,064,190	3,511,781
(Increase)/decrease:		
Properties for sale	(1,178,772)	5,323,486
Trade and other receivables, deposits and prepayments	(126,956)	1,190,187
Amounts due from customers for contract work	(2,892)	12,796
Financial assets at fair value through profit or loss and derivative financial instruments	911,809	2,856,289
(Decrease)/increase:		
Trade and other payables, deposits and accrued expenses	(528,654)	(2,056,253)
Receipts in advance on properties for sale under development	2,159,999	(6,245,625)
Amount due to customer for contract work	(90,236)	39,147
Financial liabilities at fair value through profit or loss and derivative financial instruments	(508,997)	269,350
Net cash generated from operations	3,699,491	4,901,158

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- (b) On 4th December 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of 19.53% interest in Sino-Ocean Land (“SOL”), representing 18.56% interests in associates and 0.97% interests in financial assets at fair value through profit and loss (the “SOL Transaction”). Total sales proceeds of the disposal was HK\$7,407,188,000 (representing approximately HK\$5.05 per share), of which, HK\$7,038,483,000 was the consideration of 18.56% interests in associates. After this disposal, the Group held the remaining 0.8% interests in SOL as financial assets at fair value through profit and loss. Details of the disposal are as follows:

	HK\$’000
Net accounting loss on disposal of interests in associates:	
Original investment costs	6,149,337
Excess of fair value of net assets previously recognised as goodwill	2,468,523
Post-acquisition equity accounting share of results in excess of actual dividends received	1,762,517
Carrying value of investment in SOL in balance sheet	10,380,377
Release of investment revaluation reserve	(5,456)
Release of exchange reserve	137,406
Net cash proceeds on disposal	(7,038,483)
Accounting loss on disposal of SOL	3,473,844

- (c) Net proceeds from disposal of interests in subsidiaries:

- (i) Disposal of 無錫市馬山靈聖置業有限公司(“無錫馬山”)

On 29th April 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Country Garden Holdings Company Limited, an independent third party, for sale of 100% of the issued share capital of 無錫馬山, which held a property project in Wuxi, at a consideration of approximately RMB127 million (equivalent to HK\$150 million) (the Transaction). The Transaction was completed on 31st May 2016. Details of the disposal are as follows:

	HK\$’000
Net assets disposed of:	
Properties for sale	306,569
Trade and other receivables	130,281
Cash and bank balance	103,719
Trade and other payables	(266,621)
Receipts in advance on properties for sale under development	(118,489)
	155,459

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Net proceeds from disposal of interests in subsidiaries: (Continued)

(i) Disposal of 無錫市馬山靈聖置業有限公司(“無錫馬山”) (Continued)

	HK\$'000
Net gain on disposal of interest in subsidiary:	
Consideration received during the year	149,611
Net assets disposed of	(155,459)
Release of exchange reserve	30,047
	<u>24,199</u>
Net cash inflow on disposal of interest in a subsidiary	
Consideration received during the year	149,611
Cash and bank balance disposed of	(103,719)
	<u>45,892</u>

(ii) Disposal of Vastline Limited

On 18th October 2016, the Group entered into a sale and purchase agreement with an independent third party for (i) disposal of 100% of the issued share capital of Vastline Limited (“Vastline”), which held a property project in Wuxi, and (ii) assignment of shareholder’s loan (collectively referred to as the “Transactions”) at an aggregate consideration of RMB620 million (equivalent to HK\$710 million). Impairment loss of approximately HK\$187 million is recognised in current year. Impairment loss is calculated as net realisable values less carrying amounts taken into account the consideration and transaction costs of the Transactions. The Transactions were completed on 4th November 2016. Details of the disposal are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Net proceeds from disposal of interests in subsidiaries: (Continued)

(ii) Disposal of Vastline Limited (Continued)

Details of the disposal of Vastline are as follows:

	HK\$'000
Net assets disposed of:	
Properties for sale	624,079
Other receivables and deposits	866
Cash and bank balance	15,841
Other payables, deposits and accruals	(27,746)
	<u>613,040</u>
Net loss on disposal of interests in subsidiaries:	
Net consideration received during the year	644,674
Net assets disposed of	(613,040)
Release of exchange reserve	(107,901)
	<u>(76,267)</u>
Net cash inflow on disposal of interests in subsidiary	
Net consideration received during the year	644,674
Cash and bank balance disposed of	(15,841)
	<u>628,833</u>

- (d) Nan Fong Development Limited ("Nan Fong") was a 50% joint venture of the Group. It is an investment holding company which holds 100% of an investment property in Hong Kong. On 14th December 2016, the Group acquired the remaining 50% shareholding of Nan Fong at a net consideration of HK\$413,707,000 (net of cash and bank balance acquired of HK\$13,097,000), which include HK\$290,922,000 for acquisition of shareholder's loan. Nan Fong has become a wholly owned subsidiary of the Group after the acquisition.
- (e) Ipex Investments Limited ("Ipex") was a 75% owned subsidiary of the Group. It is an investment holding company which holds 60% of an investment property in Shanghai. On 19th December 2016, the Group acquired an additional 25% of the issued shares of Ipex at a consideration of HK\$251,649,000. Ipex has become a wholly owned subsidiary of the Group after the acquisition. The Group recognised a decrease in non-controlling interests of HK\$192,073,000 and a decrease in equity attributable to equity holders of the Company of HK\$59,576,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Financial guarantees/contingent liabilities

(a)	2017		2016	
	Facility amount HK\$'000	Utilised HK\$'000	Facility amount HK\$'000	Utilised HK\$'000
Guarantees executed in respect of banking facilities granted to				
- related companies	-	-	15,947	15,947
- joint ventures	68,235	68,235	3,935,114	3,855,114
	<u>68,235</u>	<u>68,235</u>	<u>3,951,061</u>	<u>3,871,061</u>

- (b) The Group has undertaken to a bank amounting to HK\$22,000,000 (2016: HK\$1,709,916,000) in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures.

33 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 2017 and 31st March 2016, the Group had capital commitments for investment properties under development, investment properties and property, plant and equipment as follows:

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for	<u>577,831</u>	<u>217,823</u>

- (ii) As at 31st March 2017 and 31st March 2016, the Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for	<u>335,476</u>	<u>805,773</u>

- (iii) As at 31st March 2017 and 31st March 2016, the Group had uncalled capital commitments to invest in the funds as follows:

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for	<u>6,312,609</u>	<u>2,820,479</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Commitments (Continued)

(b) Commitments under operating leases

As at 31st March 2017 and 31st March 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2017 HK\$'000	2016 HK\$'000
Third parties		
- not later than one year	7,297	6,134
- later than one year and not later than five years	6,821	3,416
	<u>14,118</u>	<u>9,550</u>

34 Future operating lease receivables

As at 31st March 2017 and 31st March 2016, 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:

	2017 HK\$'000	2016 HK\$'000
Not later than one year	1,182,934	966,667
Later than one year and not later than five years	2,069,193	2,113,234
Later than five years	727,623	920,883
	<u>3,979,750</u>	<u>4,000,784</u>

35 Pledge of assets

As at 31st March 2017 and 31st March 2016, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	2017 HK\$'000	2016 HK\$'000
Property, plant and equipment	1,514,416	1,725,930
Investment properties	15,926,524	21,243,891
Land use rights	382,506	419,810
Available-for-sale financial assets	76,940	103,071
Properties for sale	1,456,104	1,962,783
Financial assets at fair value through profit or loss	8,919,763	5,566,524
	<u>28,276,253</u>	<u>31,022,009</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 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:

	2017 HK\$'000	2016 HK\$'000
Income:		
From related companies which are held by the ultimate beneficial shareholder:		
- service fee income (note (a))	-	71,034
From joint ventures		
- construction revenue (note (b))	246,046	318,664
- marketing fee income (note (c))	31,453	-
	<u>277,500</u>	<u>318,664</u>
	2017 HK\$'000	2016 HK\$'000
Expenses:		
To related companies which are held by a director of the Group:		
- cost recharged (note (d))	-	17,545
- management fees (note (e))	-	28,981
- marketing service expenses (note (f))	-	27,787
	<u>-</u>	<u>74,313</u>

Notes:

- (a) Service fee income from a related company for the property advisory and other services provided. The terms were determined by and agreed between both parties.
- (b) Construction revenue from related companies for the construction work. Revenue was derived from contract with 5% mark up on costs as agreed between both parties.
- (c) Marketing fee income was charged for marketing services provided by the Group to the joint ventures. The terms were determined by and agreed between both parties.
- (d) Salaries and certain administrative costs, which are related to staff and resources commonly used by the Group and related companies, were recharged based on allocation methods as agreed between both parties.
- (e) 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.
- (f) Marketing service expenses were charged for marketing services provided by certain related companies to the subsidiaries of the Group. The terms were determined by and agreed between both parties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Subsequent events

(a) Issuance of perpetual capital securities

On 29th May 2017, a wholly owned subsidiary of the Group (the “issuer”) issued a 5.5% perpetual capital securities with an aggregate principal of USD500 million (equivalent to HK\$3,896 million). These securities are classified as equity instruments and will be recorded in equity in the consolidated balance sheet.

(b) Acquisition of commercial site

On 31st May 2017, a wholly owned subsidiary of the Group won the tender for a commercial site at the former Kai Tak airport from the Lands Department for HK\$24.6 billion. The Group intends to develop an integrated commercial project on the site.

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	
				2017	2016
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%
Cavanah Company Limited	Hong Kong	Property investment	HK\$2,000,000	100%	100%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK\$2	100%	100%
Cheerwide Investment Limited ¹	Hong Kong	Property development	HK\$1	85%	85%
Chun Yip Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$200 ordinary and HK\$1,000,000 non-voting deferred	100%	100%
City Century Development Limited	Hong Kong	Property development	HK\$1	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
				2017	2016
Cloud Fort Development Company Limited	Hong Kong	Property investment and trading	HK\$20	100%	100%
Continental Discovery Sdn. Bhd.	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 development	HK\$1	75%	75%
Enormous Asset Mortgage Limited ¹	Hong Kong	Money Lending	HK\$1	75%	-
Ever Crown Development Limited	Hong Kong	Property development	HK\$2	100%	100%
First Harvest Development Limited ¹	Hong Kong	Property investment and trading	HK\$1	85%	85%
Forterra Trust	Singapore	Investment holding	SG\$992,830,065	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	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%	-
Hallmark Sdn. Bhd.	Malaysia	Property investment	RM500,000	100%	100%
Health Link Investment Limited	Hong Kong	Property investment	HK\$2	100%	100%
Hing Fung Sdn. Bhd.	Malaysia	Property investment	RM3,200,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK\$10,000	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
				2017	2016
Jubilee Charm Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	-
Landsun International Limited	Hong Kong	Hotel operation	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 and property investment	HK\$500,000	100%	100%
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 Group Holdings Limited	British Virgin Islands	Investment holding	US\$5,545,836,729	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 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 INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
				2017	2016
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 (I) Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Wai Development Limited ²	Hong Kong	Property development	HK\$1	100%	50%
New Charm Management Limited	Hong Kong	Building management	HK\$10,000	100%	100%
New Connect Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	-
New Excellent Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
Northern Green Ventures Sdn. Bhd.	Malaysia	Property investment	RM100 ordinary and RM5,309,542 redeemable preference	100%	100%
Poh Foong Sdn. Bhd.	Malaysia	Property investment	RM200,000	100%	100%
Richmass Trading Limited	Hong Kong	Financing	HK\$2	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 Sdn. Bhd.	Malaysia	Property investment	RM6,900,000	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
				2017	2016
上海寶禾置業有限公司 ¹	PRC	Property investment	US\$117,000,000	60%	45%
上海英旭置業有限公司	PRC	Financing	RMB484,000,000	100%	100%
中南聯合資產管理諮詢(深圳)有限公司 ¹	PRC	Asset Management	RMB15,000,000	70%	-
天津智升科技發展有限公司	PRC	Investment holding	RMB11,000,000	100%	100%
南豐京華投資諮詢(北京)有限公司	PRC	Consultancy service	RMB6,305,800	100%	-
悅居(天津)有限公司 ¹	PRC	Property development	RMB450,000,000	75%	75%
無錫市馬山靈聖置業有限公司	PRC	Property development	RMB392,705,077	-	100%
無錫燕莎房地產開發有限公司	PRC	Property development	RMB601,861,530	-	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 company changed from joint venture to wholly owned subsidiary since 14th December 2016.

(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	
				2017	2016
Ace Glory Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Best Profit Limited	Hong Kong	Property development	HK\$1	25%	25%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Joint ventures (Continued)

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	
				2017	2016
Brave Sky Investments Limited	Hong Kong	Property development	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%
Everbeam Investments Limited	Hong Kong	Property development	HK\$1	50%	50%
Everbeam Mortgage Limited	Hong Kong	Money Lending	HK\$1	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	HK\$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property development	HK\$1	25%	25%
大連海港慶豐發展有限公司	PRC	Property development and investment	US\$37,200,000	45.84%	45.84%
豐永(上海)置業有限公司	PRC	Property development and investment	RMB610,000,000	-	50%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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	
				2017	2016
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.