

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED

30TH SEPTEMBER 2020

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

(incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 38, which comprises the condensed consolidated balance sheet of Nan Fung International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th September 2020 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8th December 2020

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

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

		Unaudited For the six months ended 30th September	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5, 6	1,641,173	4,181,752
Cost of sales		(295,827)	(1,599,791)
Gross profit		1,345,346	2,581,961
Other income and gains, net	7	3,585,786	447,117
Net change in fair values of investment properties		(338,707)	13,236
Other operating expenses		(827,799)	(822,401)
Operating profit	8	3,764,626	2,219,913
Finance income		280,449	428,802
Finance expenses		(129,061)	(153,572)
Other finance charges and net exchange difference on financing activities		(87,627)	(12,678)
Finance income, net	9	63,761	262,552
Share of results of			
- Joint ventures		421,176	228,654
- Associates		(208,648)	90,745
Profit before income tax		4,040,915	2,801,864
Income tax expense	10	(30,782)	(94,117)
Profit for the period		4,010,133	2,707,747
Profit/(loss) for the period attributable to:			
- Owners of the Company		3,908,405	2,519,868
- Holders of perpetual capital securities		117,875	107,751
- Non-controlling interests		(16,147)	80,128
		4,010,133	2,707,747

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

	Unaudited For the six months ended 30th September	
	2020 HK\$'000	2019 HK\$'000
Profit for the period	4,010,133	2,707,747
	-----	-----
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of associates and joint ventures	(39,255)	(10,043)
Release of exchange reserve upon disposal/liquidation of subsidiaries	9,994	-
Exchange translation differences	901,603	(1,169,512)
	-----	-----
Other comprehensive income/(loss) for the period	872,342	(1,179,555)
	-----	-----
Total comprehensive income for the period	4,882,475	1,528,192
	=====	=====
Total comprehensive income for the period attributable to:		
- Owners of the Company	4,728,023	1,355,030
- Holders of perpetual capital securities	117,875	107,751
- Non-controlling interests	36,577	65,411
	-----	-----
	4,882,475	1,528,192
	=====	=====

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2020

		Unaudited As at 30th September 2020 HK\$'000	Audited As at 31st March 2020 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,216,709	2,193,780
Investment properties	13	77,355,473	74,476,965
Right-of-use assets		885,239	890,468
Joint ventures	14	4,307,851	8,200,649
Associates	15	3,102,873	3,424,382
Financial assets at fair value through profit or loss		16,704,065	14,343,838
Loans and other receivables	16	8,805,018	10,706,452
Amounts due from investee companies		46,501	47,578
Deferred income tax assets		245,244	269,159
		<u>113,668,973</u>	<u>114,553,271</u>
		-----	-----
Current assets			
Properties for sale		15,949,224	15,217,725
Trade and other receivables, deposits and prepayments	17	7,171,201	7,476,291
Financial assets at fair value through profit or loss		9,868,595	7,571,789
Prepaid tax		59,917	143,740
Cash and bank balances		18,196,065	15,646,023
		<u>51,245,002</u>	<u>46,055,568</u>
Assets classified as held-for-sale	18	-	324,370
		<u>51,245,002</u>	<u>46,379,938</u>
		-----	-----
Total assets		<u>164,913,975</u>	<u>160,933,209</u>

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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2020

	Note	Unaudited As at 30th September 2020 HK\$'000	Audited As at 31st March 2020 HK\$'000
EQUITY			
Equity attributable to the owner's of the Company			
Share capital	19	62,743,532	62,743,532
Reserves		41,739,996	38,137,476
Perpetual capital securities	19	104,483,528 7,855,178	100,881,008 3,968,568
Non-controlling interests		112,338,706 494,994	104,849,576 322,619
Total equity		112,833,700	105,172,195
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,161,724	3,047,849
Bank and other borrowings	20	30,020,359	28,813,367
Lease liabilities		128,940	129,834
Other long-term liabilities		45,246	74,842
		33,356,269	32,065,892
Current liabilities			
Trade and other payables, deposits and accruals	21	9,932,957	13,335,835
Contract liabilities		5,635,651	5,481,073
Financial liabilities at fair value through profit or loss		726,713	819,385
Lease liabilities		13,819	15,184
Bank and other borrowings	20	1,984,147	3,395,580
Tax payable		430,719	648,065
		18,724,006	23,695,122
Total liabilities		52,080,275	55,761,014
Total equity and liabilities		164,913,975	160,933,209

On behalf of the Board

Leung Kam Chung
Director

Cheung Vincent Sai Sing
Director

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

	Unaudited							
	Attributable to equity holders of the Company					Perpetual capital securities	Non- controlling interests	Total equity
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000 (note (a))	Total HK\$'000			
At 1st April 2020	62,743,532	74,147,482	(33,072,358)	(2,937,648)	100,881,008	3,968,568	322,619	105,172,195
Comprehensive income								
Profit/(loss) for the period	-	3,908,405	-	-	3,908,405	117,875	(16,147)	4,010,133
Other comprehensive income	-	-	-	819,618	819,618	-	52,724	872,342
Total comprehensive income	-	3,908,405	-	819,618	4,728,023	117,875	36,577	4,882,475
Dividend paid to owners of the Company (note 11)	-	(1,084,020)	-	-	(1,084,020)	-	-	(1,084,020)
Disposal of interests in subsidiaries (note 22(b))	-	-	-	-	-	-	128,732	128,732
Capital injection of non-controlling interests	-	-	-	-	-	-	7,066	7,066
Issuance of perpetual capital securities	-	-	-	-	-	3,875,350	-	3,875,350
Transaction costs in relation to issuance of perpetual capital securities	-	(41,135)	-	-	(41,135)	-	-	(41,135)
Acquisition of non-controlling interest	-	-	-	(348)	(348)	-	-	(348)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(106,615)	-	(106,615)
	-	(1,125,155)	-	(348)	(1,125,503)	3,768,735	135,798	2,779,030
At 30th September 2020	62,743,532	76,930,732	(33,072,358)	(2,118,379)	104,483,528	7,855,178	494,994	112,833,700

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020

	Unaudited							
	Attributable to equity holders of the Company					Perpetual capital securities	Non- controlling interests	Total equity
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000 (note (a))	Total HK\$'000			
At 1st April 2019	62,743,532	73,066,001	(33,100,357)	(1,287,256)	101,421,920	3,969,456	630,651	106,022,027
Comprehensive income								
Profit for the period	-	2,519,868	-	-	2,519,868	107,751	80,128	2,707,747
Other comprehensive loss	-	-	-	(1,164,838)	(1,164,838)	-	(14,717)	(1,179,555)
Total comprehensive income/(loss)	-	2,519,868	-	(1,164,838)	1,355,030	107,751	65,411	1,528,192
Dividend paid to owners of the Company (note 11)	-	(909,781)	-	-	(909,781)	-	-	(909,781)
Dividend paid to non- controlling interest	-	-	-	-	-	-	(25,000)	(25,000)
Capital injection of non- controlling interests	-	-	-	-	-	-	4,273	4,273
Acquisition of non-controlling interest (note 22(c))	-	-	-	(7,103)	(7,103)	-	(277,941)	(285,044)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(107,834)	-	(107,834)
	-	(909,781)	-	(7,103)	(916,884)	(107,834)	(298,668)	(1,323,386)
At 30th September 2019	62,743,532	74,676,088	(33,100,357)	(2,459,197)	101,860,066	3,969,373	397,394	106,226,833

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

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

		Unaudited For the six months ended 30th September	
	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	22(a)	89,294	5,605,079
Profits tax paid		(144,850)	(34,245)
Net cash (used in)/from operating activities		(55,556)	5,570,834
Cash flows from investing activities			
Interest received		304,148	358,461
Purchase of property, plant and equipment		(44,376)	(42,483)
Proceeds from disposal of property, plant and equipment		-	480
Additions to investment properties		(1,177,489)	(548,024)
Additions to other non-current assets		-	(2,886,512)
Proceeds from sale of investment properties		286,115	-
Decrease in amounts due from investee companies		1,077	2,105
(Increase)/decrease in amounts due from joint ventures		(31,729)	282,247
Dividends received from joint ventures		9,000	11,250
Dividends received from an associate		4,000	10,000
Decrease in investment in and amounts due to joint ventures		1,087,649	816,471
Decrease/(increase) in investment in and amounts due from associates		56,853	(131,563)
Increase in amounts due to associates		34,000	84,952
Net proceeds from disposal of interests in subsidiaries	22(b)	238,504	-
Decrease/(increase) in loans and other receivables		367,880	(608,780)
Decrease in amounts due from fellow subsidiary companies		1,453	3,450
Increase in amounts due from related companies		(3,368)	(65,828)
Decrease in amount due from immediate holding company		508,840	144,124
Increase in amount due from ultimate holding company		(12)	(306)
Decrease in pledged bank deposits		-	23
Increase in short term bank deposits with original maturities more than three months		(2,023,565)	(201,679)
Net cash used in investing activities		(381,020)	(2,771,612)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020

		Unaudited For the six months ended 30th September	
	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities			
Interest paid		(572,186)	(610,278)
Decrease in amounts due to related companies and individuals		(16,904)	(56,979)
Increase in amounts due to fellow subsidiaries		-	42,996
Decrease in amount due to immediate holding company		(12)	(20)
Decrease in amount due to ultimate holding company		(29,420)	(408,952)
Capital injection from non-controlling interests		7,066	4,273
Decrease in amounts due to non-controlling interests		(468,100)	(59,311)
Principal elements of lease payments		(8,376)	(3,182)
Drawdown of bank and other borrowings		5,250,561	2,031,950
Repayment of bank and other borrowings		(9,594,497)	(2,138,295)
Dividend paid to non-controlling interest		-	(25,000)
Dividend paid to owners of the Company		(1,084,020)	(909,781)
Issuance of medium term note		3,822,296	-
Repayment of medium term note		(50,592)	-
Acquisition of non-controlling interest	22(c)	-	(285,044)
Issuance of perpetual capital securities, net of expenses		3,834,215	-
Distribution paid to holders of perpetual capital securities		(106,615)	(107,834)
Net cash from/(used in) financing activities		983,416	(2,525,457)
Net increase in cash and cash equivalents		546,840	273,765
Cash and cash equivalents at the beginning of period		14,575,042	13,931,949
Currency translation differences		(20,363)	(208,856)
Cash and cash equivalents at the end of period		15,101,519	13,996,858
Analysis of the balance of the cash and cash equivalents:			
Bank balances and cash		6,288,772	2,978,684
Short-term bank deposits		11,907,293	14,958,552
		18,196,065	17,937,236
Less: bank deposits with original maturities more than three months		(3,094,546)	(3,940,378)
Cash and cash equivalents at the end of period		15,101,519	13,996,858

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

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

The condensed consolidated interim financial information is presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 8th December 2020.

2 Basis of preparation and summary of significant accounting policies

This condensed consolidated interim financial information for the six months ended 30th September 2020 has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board.

The existing and potential impacts arising from the global COVID-19 pandemic have been considered in the preparation of the condensed consolidated interim financial statements. The Group has based its assumptions and estimates on circumstances and conditions available when the condensed consolidated interim financial statements were prepared. Given the uncertainty of macro conditions, actual results may differ significantly from those assumptions and estimates. The Group will remain alert and cautious on the ongoing development of COVID-19 that may cause further volatility and uncertainty in the global financial market and economy, and will take necessary measures to address the impact arising therefrom.

The condensed consolidated interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31st March 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies and disclosures applied are consistent with those of the Group’s consolidated financial statements for the year ended 31st March 2020.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(i) Amendments to standards adopted by the Group

The Group has adopted the following amendments to standards which are mandatory for the financial year beginning 1st April 2020 and are relevant to its operation.

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has assessed the impact of the adoption of these new amendments to standards, there is neither significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the interim financial information.

(ii) Amendment to standards early adopted by the Group

The Group has early adopted the following amendments to standard, which is relevant to its operations.

IFRS 16 (Amendments)	COVID-19-Related Rent Concessions
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Amendments to IFRS 16 "COVID-19-Related Rent Concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30th June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-Related rent concessions. There is no material impact on the condensed consolidated statement of comprehensive income for the period ended 30th September 2020 and no impact on the opening balance of equity at 1st April 2020.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

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

		Effective for accounting periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment	1st January 2022
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1st January 2022
Annual Improvements to IFRS (Amendments)	Annual Improvements 2018-2020 Cycle	1st January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non- current	1st January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

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

3 Financial risk management

(a) Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st March 2020. There have been no changes in the Group's financial risk management programme and policies since last year end.

(b) Fair value estimation

Financial instruments carried at fair value

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

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

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

	Valuation Hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30th September 2020				
Amounts due from joint ventures at fair value through profit or loss	-	-	679,325	679,325
Loans receivable at fair value through profit or loss	-	-	1,455,800	1,455,800
Financial assets at fair value through profit or loss				
- listed	12,238,402	-	-	12,238,402
- unlisted	-	434,871	13,899,387	14,334,258
Total	12,238,402	434,871	16,034,512	28,707,785
Financial liabilities at fair value through profit or loss				
- listed	(44,940)	-	-	(44,940)
- unlisted	-	(681,773)	-	(681,773)
Total	(44,940)	(681,773)	-	(726,713)
At 31st March 2020				
Amounts due from joint ventures at fair value through profit or loss	-	-	745,691	745,691
Loans receivable at fair value through profit or loss	-	-	1,831,741	1,831,741
Financial assets at fair value through profit or loss				
- listed	8,684,003	-	-	8,684,003
- unlisted	-	449,637	12,781,987	13,231,624
Total	8,684,003	449,637	15,359,419	24,493,059
Financial liabilities at fair value through profit or loss				
- unlisted	-	(819,385)	-	(819,385)
Total	-	(819,385)	-	(819,385)

NAN FUNG INTERNATIONAL HOLDINGS LIMITED,
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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

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

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

Specific valuation techniques used to value financial instruments include:

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

At 30th September 2020, financial assets at fair value through profit or loss of HK\$13,899,387,000 (31st March 2020: HK\$12,781,987,000) are measured with valuation techniques using significant unobservable inputs (level 3). It mainly included private equity funds, unquoted direct investments, hedge funds, real estate funds and others level 3 investments.

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

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

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

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Financial instruments carried at fair value (Continued)

The following represents the changes in level 3 instruments for the six months ended 30th September 2020:

	Amounts due from joint ventures at fair value through profit or loss HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Loans receivable at fair value through profit or loss HK\$'000
At 1st April 2020	745,691	12,781,987	1,831,741
Additions	45,808	1,124,767	85,280
Repayment	(112,174)	-	(465,767)
Disposal	-	(655,301)	-
Return of capital	-	(526,148)	-
Total unrealised gains or losses recognised in income statement	-	1,181,572	4,546
Exchange translation differences	-	(7,490)	-
At 30th September 2020	679,325	13,899,387	1,455,800
At 1st April 2019	638,860	11,505,335	2,194,047
Additions	352,598	906,905	-
Repayment	(120,841)	-	(160,688)
Disposal	-	(172,090)	-
Return of capital	-	(426,729)	-
Total unrealised gains or losses recognised in income statement	-	528,453	(20,932)
Exchange translation differences	-	(6,098)	-
At 30th September 2019	870,617	12,335,776	2,012,427

Estimates of fair value of investment properties

The valuation processes and techniques of the Group are consistent with those used in the annual financial statements for the year ended 31st March 2020, which were based on the economic, market and other conditions as they exist on, and information available to management as of 30th September 2020. The outbreak of COVID-19 has increased the volatility to property markets both inside and outside Hong Kong, resulting in increased uncertainty of the assumptions used in the valuations being achieved and materialised. Consequently, the ongoing development of COVID-19 may cause unexpected volatility in the future fair value of certain investment properties subsequent to 30th September 2020.

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4 Critical accounting estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2020.

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)
- The People's Republic of China ("PRC") and overseas properties
- Financial investment
- Corporate and treasury

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

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

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

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

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5 Segment reporting (Continued)

The segment results for the six months ended 30th September 2020 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	574,123	(357,140)	1,278,704	475,922	91,821	(225,553)	1,944,648	(106,771)
PRC and overseas properties	635,412	395,303	99,204	(54,586)	74,335	18,485	808,951	359,202
Financial investment	431,638	3,849,703	-	(160)	2,171	(1,580)	433,809	3,847,963
Corporate, treasury and others	-	(123,240)	-	-	-	-	-	(123,240)
	<u>1,641,173</u>	<u>3,764,626</u>	<u>1,377,908</u>	<u>421,176</u>	<u>168,327</u>	<u>(208,648)</u>	<u>3,187,408</u>	<u>3,977,154</u>
Segment results								3,977,154
Finance income, net								63,761
Profit before income tax								4,040,915
Income tax expense								(30,782)
Profit for the period								<u>4,010,133</u>

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5 Segment reporting (Continued)

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

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue	Results	Share of revenue	Share of results	Share of revenue	Share of results	Segment revenue	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	2,706,189	801,756	893,009	304,497	58,206	(26,280)	3,657,404	1,079,973
PRC and overseas properties	658,508	283,339	11,345	(75,843)	105,164	130,182	775,017	337,678
Financial investment	817,055	810,957	157	-	7,409	(13,157)	824,621	797,800
Corporate, treasury and others	-	323,861	-	-	-	-	-	323,861
	<u>4,181,752</u>	<u>2,219,913</u>	<u>904,511</u>	<u>228,654</u>	<u>170,779</u>	<u>90,745</u>	<u>5,257,042</u>	<u>2,539,312</u>
Segment results								2,539,312
Finance income, net								262,552
Profit before income tax								2,801,864
Income tax expense								(94,117)
Profit for the period								<u>2,707,747</u>

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5 Segment reporting (Continued)

The segment assets and liabilities at 30th September 2020 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	70,782,190	4,572,602	4,587,459	79,942,251	(12,643,460)
PRC and overseas properties	36,960,310	2,605,085	2,322,586	41,887,981	(2,156,457)
Financial investment	28,792,556	2,760	-	28,795,316	(471,563)
Corporate and treasury	13,983,266	-	-	13,983,266	(1,031,656)
	<u>150,518,322</u>	<u>7,180,447</u>	<u>6,910,045</u>	<u>164,608,814</u>	<u>(16,303,136)</u>
Deferred income tax assets				245,244	-
Prepaid tax				59,917	-
Bank and other borrowings				-	(32,004,506)
Amount due to ultimate holding company				-	(180,190)
Deferred income tax liabilities				-	(3,161,724)
Tax payable				-	(430,719)
Consolidated total assets/(liabilities)				<u>164,913,975</u>	<u>(52,080,275)</u>

The segment assets and liabilities at 31st March 2020 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	71,798,670	8,727,207	4,802,166	85,328,043	(15,623,832)
PRC and overseas properties	35,759,684	2,499,786	2,384,203	40,643,673	(2,265,655)
Financial investment	24,550,681	2,921	32,436	24,586,038	(713,974)
Corporate and treasury	9,962,556	-	-	9,962,556	(1,043,082)
	<u>142,071,591</u>	<u>11,229,914</u>	<u>7,218,805</u>	<u>160,520,310</u>	<u>(19,646,543)</u>
Deferred income tax assets				269,159	-
Prepaid tax				143,740	-
Bank and other borrowings				-	(32,208,947)
Amounts due to ultimate holding company				-	(209,610)
Deferred income tax liabilities				-	(3,047,849)
Tax payable				-	(648,065)
Consolidated total assets/(liabilities)				<u>160,933,209</u>	<u>(55,761,014)</u>

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5 Segment reporting (Continued)

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

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the six months ended		For the six months ended	
	30th September		30th September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	39,524	49,556	1,827,490	825,943
PRC and overseas properties	38,875	39,991	287,467	3,063,140
Financial investment	5,326	2,793	2,976	5,878
Corporate and treasury	6,647	4,032	2,644	33,965
	<u>90,372</u>	<u>96,372</u>	<u>2,120,577</u>	<u>3,928,926</u>

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

	For the six months ended	
	30th September	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	1,005,760	3,523,244
PRC	514,026	560,544
Overseas	121,387	97,964
	<u>1,641,173</u>	<u>4,181,752</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	As at
	30th September	31st March
	2020	2020
	HK\$'000	HK\$'000
Hong Kong	51,598,790	54,338,334
PRC	27,165,087	26,154,405
Overseas	9,104,268	8,693,505
	<u>87,868,145</u>	<u>89,186,244</u>

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6 Revenue

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Recognised at a point in time		
- sale of properties	125,753	2,155,948
- hotel revenue – food and beverage sales	37,664	99,199
Recognised over time		
- construction revenue	734	5,525
- hotel revenue – room rental	42,676	134,021
- property management fee income	147,085	144,902
From other sources		
- gross rental income	820,697	781,194
- dividend income from investments	378,843	768,087
- interest income from debt and convertible securities and loans receivable classified as financial assets at fair value through profit or loss	87,721	92,876
	<u>1,641,173</u>	<u>4,181,752</u>

7 Other income and gains, net

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Net gain/(loss) on financial assets at fair value through profit or loss (note (a))	3,538,274	(34,781)
Net (loss)/gain on derivatives (note (b))	(29,113)	449,674
Unrealised gain/(loss) on loans receivable at fair value through profit or loss	4,546	(20,932)
Net gain on disposal of interests in subsidiaries (note 22(b))	2,874	-
Net gain on disposal of property, plant and equipment	-	402
Net exchange gain/(loss)	78,460	(62,535)
(Net provision for loss)/write-back of allowances of financial assets (note (c))	(74,215)	5,692
Others	64,960	109,597
	<u>3,585,786</u>	<u>447,117</u>

Notes:

- (a) The amount comprised realised gain of HK\$514,458,000 (for the six months ended 30th September 2019: HK\$682,000) and unrealised gain of HK\$3,023,816,000 (for the six months ended 30th September 2019: unrealised loss of HK\$35,463,000) on financial assets at fair value through profit or loss.

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7 Other income and gains, net (Continued)

Notes: (Continued)

- (b) The amount comprised realised gain of HK\$109,219,000 (for the six months ended 30th September 2019: HK\$193,054,000) and unrealised loss of HK\$138,332,000 (for the six months ended 30th September 2019: unrealised gain of HK\$256,620,000) on derivatives.
- (c) The amount comprised net provision for loss allowances of trade receivables of HK\$73,741,000 (for the six months ended 30th September 2019: HK\$nil) and other receivables of HK\$474,000 (for the six months ended 30th September 2019: write-back of provision of HK\$5,692,000).

8 Operating profit

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

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Cost of properties sold	87,090	1,336,782
Write-back of construction works	(3,538)	(4,395)
Hotel direct costs (note)	44,909	101,821
Outgoings in respect of rental income	164,416	161,810
Depreciation and amortisation of		
- property, plant and equipment (note 12)	67,495	76,353
- right-of-use assets - leasehold land and land use right	15,423	15,569
- right-of-use assets - buildings	7,454	4,450
Staff costs (net of amount capitalised in properties under construction of HK\$52,629,000 (for the six months ended 30th September 2019: HK\$72,706,000)) (note)	449,697	418,027
Marketing and selling expenses	60,527	70,559
Short-term and low-value leases expenses	7,695	11,553
	<u>449,697</u>	<u>418,027</u>

Note: For the period ended 30th September 2020, the Group received subsidies of HK\$25,034,000 from Employment Support Scheme launched by the Hong Kong Government, of which HK\$4,071,000 and HK\$20,963,000 are netted off in hotel direct cost and staff cost respectively.

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9 Finance income, net

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Interest income on		
- amount due from		
- joint ventures	20,322	11,558
- associates	50,436	54,789
- investee company	462	546
- bank deposits	97,130	217,142
- loans and other receivables	107,502	121,951
- others	4,597	22,816
	<u>280,449</u>	<u>428,802</u>
	-----	-----
Interest expenses on		
- bank borrowings	(238,328)	(291,722)
- guaranteed notes	(289,376)	(272,187)
- amount due to non-controlling interest	(35,420)	(43,384)
- lease liabilities	(2,777)	(1,980)
- others	(24)	(3,080)
	<u>(565,925)</u>	<u>(612,353)</u>
Total finance costs incurred		
Less: amount capitalised to investment properties and properties for sale under development	436,864	458,781
	<u>(129,061)</u>	<u>(153,572)</u>
	-----	-----
Interest income, net	151,388	275,230
Other finance charges	(28,854)	(19,338)
Net exchange (loss)/gain on financing activities	(58,773)	6,660
	<u>63,761</u>	<u>262,552</u>
	=====	=====
Finance income, net		

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10 Income tax expense

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30th September 2019: 16.5%) on the estimated assessable profits for the period. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (for the six months ended 30th September 2019: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current period	44,494	156,484
- over provision in prior years	(64,922)	(94,335)
PRC income tax		
- provision for current period	190	892
Overseas profits tax		
- provision for current period	17,200	958
- over provision in prior years	(66)	-
Withholding tax	13,676	14,157
Deferred income tax	20,210	15,961
	<u>30,782</u>	<u>94,117</u>

The Group's share of tax charge of joint ventures and associates for the six months ended 30th September 2020 totalling HK\$97,830,000 (for the six months ended 30th September 2019: HK\$98,713,000) is included in the condensed consolidated income statement as share of results of joint ventures and associates.

11 Dividend

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Dividend paid of HK\$0.17 (2019: HK\$0.15) per share	<u>1,084,020</u>	<u>909,781</u>

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12 Property, plant and equipment

	2020 HK\$'000	2019 HK\$'000
Net book amount:		
At 1st April	2,193,780	2,329,347
Additions	44,373	42,483
Disposals and write-off	-	(92)
Charge for the period	(67,495)	(76,353)
Exchange differences	46,051	(78,892)
At 30th September	<u>2,216,709</u>	<u>2,216,493</u>

13 Investment properties

	2020 HK\$'000	2019 HK\$'000
At 1st April	74,476,965	69,933,102
Additions	2,049,064	941,141
Net change in fair values	(338,707)	13,236
Exchange differences	1,168,151	(1,501,318)
At 30th September	<u>77,355,473</u>	<u>69,386,161</u>

The analysis of valuation of the above investment properties at 30th September 2020 and 31st March 2020 are as follows:

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
At external professional valuation	<u>77,355,473</u>	<u>74,476,965</u>

14 Joint ventures

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Share of net assets	<u>4,307,851</u>	<u>8,200,649</u>
Amounts due to joint ventures (note and note 21)	<u>(1,292,662)</u>	<u>(4,542,509)</u>

Note: The amounts due to joint ventures are unsecured, interest free and repayable on demand.

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15 Associates

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Share of net assets	3,102,873	3,424,382
Amounts due to associates (note and note 21)	(159,892)	(125,892)

Note: The amounts due to associates are unsecured, interest free and repayable on demand.

16 Loans and other receivables

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	5,014,414	4,642,096
- unsecured loans (note (b))	127,532	137,369
Loans receivable at fair value through profit or loss (note (c))	1,455,800	1,831,741
Amounts due from joint ventures		
- at amortised cost (note (d))	332,077	793,500
- at fair value through profit or loss (note (e))	679,325	745,691
Amounts due from associates at amortised cost (note (f))	3,807,172	3,794,423
Other receivables (note (g))	833,690	813,191
	12,250,010	12,758,011
Less: current portion of		
- loans receivable		
- at amortised cost (note 17)	(2,973,859)	(1,275,840)
- at fair value through profit or loss (note 17)	(67,807)	(88,770)
- amounts due from joint ventures (note (d) and note 17)	(24,954)	(306,926)
- amounts due from associates (note 17)	(378,372)	(380,023)
	8,805,018	10,706,452

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16 Loans and other receivables (Continued)

Notes:

- (a) The balance includes a loan facility of RMB2,500 million (equivalent to HK\$2,751 million) granted to a PRC property developer (“Borrower”) for a residential and commercial property development project in Foshan.

As at 31st March 2020, total outstanding balance was RMB1,364 million (equivalent to HK\$1,490 million) after provision of RMB616 million (equivalent to HK\$673 million).

On 18th August 2020, the Group has signed a settlement agreement (the “Settlement Agreement”) with the Borrower which outlined a repayment plan and schedule with last repayment on 31st December 2021. According to the Settlement Agreement, the loan will be additionally secured by pledges of shares of a PRC company which held a piece of land in the PRC.

All scheduled repayments, totalling RMB728 million (equivalent to HK\$828 million), were received on time during the period ended 30th September 2020. In September 2020, the Group remitted RMB1,000 million (equivalent to HK\$1,137 million) onshore repayment to the Borrower for offshore settlement. As a result, total net loan receivable balance was RMB1,636 million (equivalent to HK\$1,861 million) after provision of RMB616 million (equivalent to HK\$700 million) as at 30th September 2020.

Subsequent to period end, RMB1,109 million (equivalent to HK\$1,261 million) was received from the Borrower.

As at 30th September 2020, the remaining balance mainly includes an amount of HK\$1,875,000,000 (31st March 2020: HK\$1,875,000,000) which carries interest at prevailing market rate and is repayable in June 2022; and an amount of HK\$775,005,000 (31st March 2020: HK\$775,450,000) which carries interest at 12.5% (31st March 2020: 12.5%) per annum and repayable in May 2021. The balance also includes an amount of HK\$499,500,000 (31st March 2020: HK\$499,500,000) after provision of HK\$207,000,000 (31st March 2020: HK\$207,000,000), which carried interest at 10% per annum as at 31st March 2020 and is overdue as at 30th September 2020.

- (b) As at 30th September 2020, the balance includes an amount of HK\$20,132,000 (31st March 2020: HK\$20,161,000) after provision of HK\$30,243,000 (31st March 2020: HK\$30,243,000), which carries interest at prevailing market rate and is repayable in June 2023; an amount of HK\$106,510,000 (31st March 2020: HK\$116,318,000) which carries interest at 12% (31st March 2020: 12%) per annum and is repayable in July 2029; and an amount of HK\$890,000 (31st March 2020: HK\$890,000) which is interest free and repayable on February 2021.
- (c) As at 30th September 2020, loans receivable at fair value through profit or loss are interest free for the initial two or three years and subsequently bear interest at variable interest rate. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group. Interest income from the loans receivable at fair value through profit or loss of HK\$34,784,000 (for the six months ended 30th September 2019: HK\$19,786,000) and unrealised gain on loans receivable of HK\$4,546,000 (for the six months ended 30th September 2019: loss of HK\$20,932,000) are recognised in the consolidated income statement.

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16 Loans and other receivables (Continued)

Notes: (Continued)

(d) As at 30th September 2020, the balance includes an amount of HK\$307,056,000 (31st March 2020: HK\$486,556,000) which carries interest at 4.25% (31st March 2020: 4.25%) per annum; an amount of HK\$1,409,000 (31st March 2020: HK\$2,411,000) which carries interest at prevailing market rate; and an amount of HK\$23,612,000 (31st March 2020: HK\$304,534,000) which is interest free. The balances are unsecured and repayable on demand.

(e) The fair value of amounts due from joint ventures at fair value through profit or loss is determined based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group.

The balance includes an amount of HK\$332,900,000 (31st March 2020: HK\$322,656,000) which carries interest at prevailing market rates and an amount of HK\$346,425,000 (31st March 2020: HK\$423,035,000) which carries interest at fixed rate ranged from 2.9% to 2.95% (31st March 2020: 2.9% to 2.95%) per annum.

(f) As at 30th September 2020, except for HK\$378,372,000 (31st March 2020: HK\$378,487,000) which is interest free, HK\$3,428,800,000 (31st March 2020: HK\$3,414,400,000) bears interest fixed rate of 2.94% (31st March 2020: 3.31%) per annum. The balances are unsecured and repayable on demand. As at 31st March 2020, HK\$1,536,000 which bore interest at prevailing market rates, was unsecured and repayable on demand.

(g) The balance represents the final installment receivable from the partial disposal of a subsidiary during the year ended 31st March 2020 from the purchaser, which is the non-controlling interest of the project. The amount is non-interest bearing and will due at the later of (i) 30th June 2023 and (ii) within five business days after the completion date of the underlying property development project in Shanghai.

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17 Trade and other receivables, deposits and prepayments

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Trade receivables	438,947	359,711
Less: Provision for loss allowance of trade receivables	(132,801)	(59,287)
Trade receivables, net of provision	306,146	300,424
Other receivables and deposits	2,097,813	3,067,262
Interest receivable	62,212	85,911
Stakeholders' accounts	604,939	835,974
Prepayments	150,867	127,565
Contract cost assets	243,321	239,773
Loans receivable at amortised cost (note 16)	2,973,859	1,275,840
Loans receivable at fair value through profit or loss (note 16)	67,807	88,770
Amounts due from fellow subsidiary companies (note)	3,761	10,109
Amounts due from joint ventures (note 16)	24,954	306,926
Amounts due from associates (note 16)	378,372	380,023
Amounts due from investee companies (note)	504	504
Amounts due from non-controlling interests (note)	93,292	93,292
Amounts due from related companies (note)	12,220	3,956
Amount due from immediate holding company (note)	143,465	652,305
Amount due from ultimate holding company (note)	7,669	7,657
	<u>7,171,201</u>	<u>7,476,291</u>

Note: The balances are unsecured, interest free and repayable on demand.

18 Assets classified as held-for-sale

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Investment properties classified as held-for-sale	-	324,370

On 28th December 2018, the Group entered into a sale and purchase agreement with an independent third party to disposal of its entire interests in a bare land with undetermined used in Malaysia at a consideration of Ringgit Malaysian ("RM") 181 million (equivalent to HK\$337 million (31st March 2020: HK\$324 million)). As a result, relevant investment properties of HK\$324 million (31st March 2020: HK\$324 million) were classified as held-for-sale in the consolidated financial statements. The transaction was completed in June 2020 with no gain or loss recognised.

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19 Share capital and perpetual capital securities

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2020 and 30th September 2020	1,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 31st March 2020 and 30th September 2020	62,743,532	62,743,532

Perpetual capital securities

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
USD500 million issued in 2017	3,968,526	3,968,568
USD500 million issued in 2020	3,886,652	-
	7,855,178	3,968,568

On 29th May 2017, a wholly owned subsidiary of the Group (the “Issuer”) issued 5.5% perpetual capital securities with an aggregate principal of USD500 million for cash (the “2017 Issuance”). The perpetual capital securities are guaranteed by the Company (the “Guarantor”).

On 10th September 2020, another wholly owned subsidiary of the Group (the “New Issuer”) issued 5% perpetual capital securities with an aggregate principal of USD500 million for cash. The perpetual capital securities are guaranteed by the Company.

Subsequent to period ended 30th September 2020, the Group called back the entire 2017 Issuance from perpetual capital securities holder on 29th November 2020.

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

20 Bank and other borrowings

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	11,677,932	11,159,345
- unsecured	2,998,236	7,495,606
Less: current portion of long-term bank borrowings	(1,049,070)	(2,459,967)
	<u>13,627,098</u>	<u>16,194,984</u>
	-----	-----
Current portion of long-term bank borrowings		
- secured	1,049,070	461,029
- unsecured	-	1,998,938
Other short-term bank borrowings		
- secured	935,077	935,613
	<u>1,984,147</u>	<u>3,395,580</u>
	-----	-----
	<u>15,611,245</u>	<u>19,590,564</u>
	-----	-----
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	14,586,851	10,812,568
- unlisted	1,806,410	1,805,815
	<u>16,393,261</u>	<u>12,618,383</u>
	-----	-----
Total bank and other borrowings	<u>32,004,506</u>	<u>32,208,947</u>
	=====	=====
Representing:		
- non-current liabilities	30,020,359	28,813,367
- current liabilities	1,984,147	3,395,580
	<u>32,004,506</u>	<u>32,208,947</u>
Total	<u>32,004,506</u>	<u>32,208,947</u>
	=====	=====

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NOTES TO THE INTERIM FINANCIAL INFORMATION

20 Bank and other borrowings (Continued)

As at 30th September 2020 and 31st March 2020, the Group's bank and other borrowings are repayable as follows:

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Within one year	1,984,147	3,395,580
Between one and two years	5,345,142	4,553,182
Between two and three years	9,106,467	12,380,780
Between three and four years	2,069,713	546,050
Between four and five years	927,615	2,444,008
Over five years	12,571,422	8,889,347
	<u>32,004,506</u>	<u>32,208,947</u>

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, right-of-use assets and financial assets at fair value through profit or loss (note 26).

The effective interest rate based on the prevailing market rates on the bank borrowings as at 30th September 2020 is 2.71% (31st March 2020: 2.86%) per annum.

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme ("MTN") with aggregate principal amount of US\$3 billion. As at 30th September 2020, the Group has drawdown of totalling HK\$16,563 million, of which US\$1,903 million is listed on Singapore Exchange Securities Trading Limited. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Interest yield per annum	Interests in arrear
29th August 2012	HK\$800 million	29th August 2022	4.425%	Quarterly
20th September 2012	US\$300 million	20th September 2022	4.50%	Semi-annually
10th October 2012	HK\$300 million	10th October 2022	4.125%	Quarterly
8th November 2012	HK\$110 million	8th November 2022	3.95%	Quarterly
30th January 2013	HK\$100 million	30th January 2023	3.85%	Quarterly
29th May 2014	US\$193 million (note)	29th May 2024	4.875%	Semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	Quarterly
3rd October 2017	US\$410 million	3rd October 2027	3.875%	Semi-annually
5th September 2018	US\$500 million	5th September 2028	5.00%	Semi-annually
27th August 2020	US\$500 million	27th August 2030	3.625%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 30th September 2020, the fair values of the MTN are HK\$17,469 million (31st March 2020: HK\$13,491 million). Of which, HK\$15,574 million (31st March 2020: HK\$11,599 million) is within level 1 of fair value hierarchy and the remaining is within level 2 of fair value hierarchy. Total remaining capacity of the MTN amounted to US\$863 million (31st March 2020: US\$1,357 million).

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20 Bank and other borrowings (Continued)

Notes: (Continued)

(b) (Continued)

Note: On 20th July 2020, the Group repurchased US\$6.5 million MTN from third party and subsequently cancelled it on 12th August 2020, resulting in a decrease in drawdown balance from US\$200 million to US\$193 million during the period.

(c) As at 30th September 2020, the Group had HK\$30,215,739,000 (31st March 2020: HK\$30,880,632,000) undrawn banking facilities.

21 Trade and other payables, deposits and accruals

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Trade and other payables and accruals	4,053,586	3,599,407
Accruals for construction work	204,506	221,974
Rental and other deposits received	558,675	557,754
Deferred income	26,172	22,508
Amounts due to joint ventures (note 14)	1,292,662	4,542,509
Amounts due to associates (note 15)	159,892	125,892
Amounts due to investee companies (note (a))	9,118	9,118
Amounts due to related companies and individuals (note (b))	499,582	493,048
Amount due to immediate holding company (note (a))	7,990	8,002
Amount due to ultimate holding company (note (a))	180,190	209,610
Amounts due to non-controlling interests (note (c))	2,940,584	3,546,013
	<u>9,932,957</u>	<u>13,335,835</u>

Notes:

- (a) Amounts due to investee companies, immediate holding company and ultimate holding company are unsecured, interest free and repayable on demand.
- (b) As at 30th September 2020, amounts due to related companies and individuals of HK\$4,796,000 (31st March 2020: HK\$4,772,000) bear interest at 1% (31st March 2020: 1%) per annum and remaining balances are interest free. The balances are unsecured and repayable on demand.
- (c) As at 30th September 2020, amounts due to non-controlling interests of HK\$1,073,842,000 (31st March 2020: HK\$1,591,370,000) bear interest at rate ranged from 5.01% to 6.04% (31st March 2020: 5.01% to 6.04%). The remaining balance is interest free. The balances are unsecured and repayable on demand.

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NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Notes to condensed consolidated statement of cash flows

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

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Profit before income tax	4,040,915	2,801,864
Depreciation of property, plant and equipment	67,495	76,353
Amortisation of right-of-use assets	22,877	20,019
Net change in fair values of investment properties	338,707	(13,236)
Net gain on disposal of property, plant and equipment	-	(402)
Write-off of property, plant and equipment	-	14
Net gain on disposal of interests in subsidiaries	(2,874)	-
Unrealised gain on financial assets at fair value through profit or loss	(2,885,484)	(221,157)
Unrealised (gain)/loss on loans receivable at fair value through profit or loss	(4,546)	20,932
Net provision for/(write-back of) impairment of financial assets	74,215	(5,692)
Finance income, net	(63,761)	(262,552)
Unrealised exchange loss	-	131,443
Share of results of joint ventures	(421,176)	(228,654)
Share of results of associates	208,648	(90,745)
Net cash generated from operating profit before working capital changes	1,375,016	2,228,187
Decrease/(Increase) in:		
Properties for sale	(671,319)	672,533
Trade and other receivables, deposits and prepayments	1,069,153	272,387
Financial assets at fair value through profit or loss	(1,782,444)	180,956
Increase/(decrease) in:		
Trade and other payables, deposits and accruals	36,982	315,676
Contract liabilities	154,578	1,868,974
Financial liabilities at fair value through profit or loss	(92,672)	66,366
Net cash generated from operations	89,294	5,605,079

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(b) Disposal of interests in subsidiaries

On 8th May 2020, the Group entered into a sale and purchase agreement with Profound Lead Limited for the sale of 75% of the issued share capital of Absolute Leader Developments Limited, 75% of issued share capital of Golden Estate Investments Limited and their subsidiaries (together the “Disposal Group”) at total consideration of HK\$240,498,000. The Disposal Group held an investment property in Tianjin. The transaction was completed on 3rd June 2020. Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	3
Joint venture	226,696
Trade and other receivables	1,522
Cash and bank balances	1,994
Trade and other payables	(502)
Amount due to non-controlling interest	(129,099)
Amount due to a joint venture	(1,921)
	<u>98,693</u>
Net gain on disposal of subsidiaries:	
Total consideration	240,498
Net asset disposed of	(98,693)
Release of non-controlling interests	(128,732)
Release of exchange reserves	(10,199)
	<u>2,874</u>
Net proceeds from disposal of interests in subsidiaries:	
Consideration received	240,498
Cash and bank balances disposed of	(1,994)
	<u>238,504</u>

(c) Acquisition of non-controlling interests

During the period ended 30th September 2019, acquisition of non-controlling interests mainly represented acquisition of remaining interests in Grace Shine Enterprises Limited (“Grace Shine”) with net cash outflow of HK\$285,044,000.

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

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23 Financial guarantees/contingent liabilities

During the period ended 30th September 2020, the Group provided financial guarantee to a joint venture for bank loan related to a Hong Kong property development project. As at 30th September 2020, contingent liabilities in respect of such guarantee given by the Group during the period amounted to HK\$181,500,000 (31st March 2020: HK\$nil), which is proportionate to the Group's effective interest of ownership in the joint venture.

24 Commitments

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

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Contracted but not provided for		
Investment properties (note (i))	4,688,750	5,611,676
Other investments (note (ii))	3,464,897	3,754,783
	<u>8,153,647</u>	<u>9,366,459</u>
Capital contribution to		
Joint ventures (note (iii))	137,328	240,873
	<u>8,290,975</u>	<u>9,607,332</u>

- (i) As at 30th September 2020 and 31st March 2020, the Group had capital commitments for investment properties under development and completed investment properties.
- (ii) As at 30th September 2020 and 31st March 2020, the Group had uncalled capital commitments to invest in the funds and direct investments. The commitments are subject to certain conditions described in the contracts.
- (iii) As at 30th September 2020, the Group has an outstanding commitment to contribute capital of US\$17,720,000 (31st March 2020: US\$31,062,000) to joint ventures for jointly developing manufacturing and office properties and parking lot located in New York.

The aggregate lease payments under short-term leases and low-value leases are as follows:

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Third parties		
- not later than one year	3,846	5,433
- later than one year and not later than five years	787	2,197
	<u>4,633</u>	<u>7,630</u>

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25 Future operating lease receivables

At 30th September 2020 and 31st March 2020, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the Group's investment properties and properties for sale as follows:

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Within one year	1,416,470	1,416,941
Between one and two years	952,439	967,611
Between two and three years	630,942	625,439
Between three to four years	417,714	413,419
Between four to five years	341,430	332,396
Later than five years	1,650,663	1,744,717
	<u>5,409,658</u>	<u>5,500,523</u>

26 Pledge of assets

At 30th September 2020 and 31st March 2020, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	As at 30th September 2020 HK\$'000	As at 31st March 2020 HK\$'000
Property, plant and equipment	1,328,978	1,307,370
Investment properties	46,607,653	44,981,007
Right-of-use assets	341,495	334,050
Financial assets at fair value through profit or loss	7,765,915	5,112,569
	<u>56,044,041</u>	<u>51,734,996</u>

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27 Significant related party transactions

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

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Income:		
From related companies which is held by a close family member of directors of the Company		
- rental income (note)	14,040	8,740
	<u> </u>	<u> </u>
Key management compensation	54,207	63,435
	<u> </u>	<u> </u>

Note: Rental income from related companies for premises rented to related companies. The terms were determined by and agreed between both parties.