

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2022

**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"), which are set out on pages 4 to 95, comprise:

- the consolidated balance sheet as at 31st March 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NAN FUNG INTERNATIONAL HOLDINGS
LIMITED (CONTINUED)**
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**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 June 2022

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2022**

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	5, 6	5,893,314	9,836,859
Cost of sales		(2,245,315)	(4,555,770)
Gross profit		3,647,999	5,281,089
Net (losses)/income on financial investments	7	(2,273,014)	14,077,041
Other income and gains/(losses), net	8	1,176,226	(153,345)
Net change in fair values of investment properties	15	556,599	(5,012,449)
Other operating expenses		(2,600,590)	(2,129,900)
Operating profit	9	507,220	12,062,436
Finance income		476,890	501,465
Finance expenses		(276,634)	(263,039)
Other finance charges and net exchange difference on financing activities		(68,336)	(89,643)
Finance income, net	11	131,920	148,783
Share of results of			
- Joint ventures	5	471,739	555,001
- Associates	5	618,879	(361,324)
Profit before income tax		1,729,758	12,404,896
Income tax expense	12	(391,555)	(671,347)
Profit for the year		1,338,203	11,733,549
Profit for the year attributable to:			
- Owners of the Company		645,940	10,516,564
- Holders of perpetual capital securities		194,633	249,170
- Non-controlling interests		497,630	967,815
		1,338,203	11,733,549

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2022**

	2022 HK\$'000	2021 HK\$'000
Profit for the year	1,338,203	11,733,549
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of joint ventures and associates	81,733	144,997
Release of exchange reserves upon disposal/liquidation of subsidiaries	(797)	9,994
Cash flow hedges:		
Fair value change	(37,851)	32,383
Cost of hedging	507	(548)
Hedging gain/(loss) reclassified to profit or loss	4,661	(28,892)
Exchange translation differences	902,328	2,001,355
Other comprehensive income for the year	950,581	2,159,289
Total comprehensive income for the year	2,288,784	13,892,838
Total comprehensive income attributable to:		
- Owners of the Company	1,538,703	12,569,503
- Holders of perpetual capital securities	194,633	249,170
- Non-controlling interests	555,448	1,074,165
	2,288,784	13,892,838

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2022

	Note	2022 HK\$'000	2021 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	14	2,100,220	2,201,213
Investment properties	15	87,544,260	77,370,386
Right-of-use assets	16	970,565	876,166
Joint ventures	17	3,661,352	3,227,608
Associates	18	3,469,300	2,950,226
Financial assets at fair value through profit or loss	23	20,883,035	22,546,159
Loans and other receivables	19	6,317,073	8,476,318
Amounts due from investee companies	20	43,156	45,039
Deferred income tax assets	27	301,843	239,200
Other non-current asset		-	18,904
		<u>125,290,804</u>	<u>117,951,219</u>
Current assets			
Properties for sale	21	13,690,651	12,821,615
Trade and other receivables, deposits and prepayments	22	7,781,731	6,533,761
Financial assets at fair value through profit or loss	23	11,505,253	11,500,215
Prepaid tax		216,177	59,149
Cash and bank balances	24	15,163,839	15,665,310
		<u>48,357,651</u>	<u>46,580,050</u>
Total assets		<u><u>173,648,455</u></u>	<u><u>164,531,269</u></u>
Equity			
Equity attributable to the owners of the Company			
Share capital	25	62,743,532	62,743,532
Reserves	26	50,241,757	49,581,463
		<u>112,985,289</u>	<u>112,324,995</u>
Perpetual capital securities	25	3,886,765	3,886,689
		<u>116,872,054</u>	<u>116,211,684</u>
Non-controlling interests		2,091,079	1,479,648
Total equity		<u><u>118,963,133</u></u>	<u><u>117,691,332</u></u>

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST MARCH 2022

	Note	2022 HK\$'000	2021 HK\$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	27	3,701,141	3,316,599
Bank and other borrowings	28	31,304,836	29,923,257
Lease liabilities		129,334	125,938
Other long-term liabilities		32,845	71,404
		<u>35,168,156</u>	<u>33,437,198</u>
Current liabilities			
Trade and other payables, deposits and accruals	29	7,339,401	9,103,005
Contract liabilities	30	5,211,070	512,052
Financial liabilities at fair value through profit or loss	23	58,322	410,181
Lease liabilities		12,053	14,443
Bank and other borrowings	28	6,551,450	2,514,889
Tax payable		344,870	848,169
		<u>19,517,166</u>	<u>13,402,739</u>
Total liabilities		<u>54,685,322</u>	<u>46,839,937</u>
Total equity and liabilities		<u>173,648,455</u>	<u>164,531,269</u>

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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2022

	Attributable to owners 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	Total HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2021	62,743,532	83,532,709	(33,072,358)	(878,888)	112,324,995	3,886,689	1,479,648	117,691,332
Comprehensive income								
Profit for the year	-	645,940	-	-	645,940	194,633	497,630	1,338,203
Other comprehensive income	-	-	-	892,763	892,763	-	57,818	950,581
Total comprehensive income	-	645,940	-	892,763	1,538,703	194,633	555,448	2,288,784
Dividend paid to owners of the Company (note 13)	-	(878,409)	-	-	(878,409)	-	-	(878,409)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(1,116)	(1,116)
Capital injection of non-controlling interests	-	-	-	-	-	-	57,099	57,099
Transfer of statutory reserve of an associate and a subsidiary	-	(6,006)	-	6,006	-	-	-	-
Release of merger reserve upon liquidation of a subsidiary	-	(11,914)	11,914	-	-	-	-	-
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(194,557)	-	(194,557)
At 31st March 2022	62,743,532	83,282,320	(33,060,444)	19,881	112,985,289	3,886,765	2,091,079	118,963,133

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2022

	Attributable to owners 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	Total HK\$'000	HK\$'000	HK\$'000	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 for the year	-	10,516,564	-	-	10,516,564	249,170	967,815	11,733,549
Other comprehensive income	-	-	-	2,052,939	2,052,939	-	106,350	2,159,289
Total comprehensive income	-	10,516,564	-	2,052,939	12,569,503	249,170	1,074,165	13,892,838
Dividend paid to owners of the Company (note 13)	-	(1,084,020)	-	-	(1,084,020)	-	-	(1,084,020)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(54,383)	(54,383)
Capital injection of non-controlling interests	-	-	-	-	-	-	8,515	8,515
Acquisition of non-controlling interest	-	-	-	(361)	(361)	-	-	(361)
Disposal of interest in subsidiaries (note 31 (b))	-	-	-	-	-	-	128,732	128,732
Transfer of statutory reserve of an associate	-	(6,182)	-	6,182	-	-	-	-
Issuance of perpetual capital securities	-	-	-	-	-	3,875,350	-	3,875,350
Transaction costs in relation to the issuance of perpetual capital securities	-	(41,135)	-	-	(41,135)	-	-	(41,135)
Redemption of perpetual capital securities	-	-	-	-	-	(3,896,089)	-	(3,896,089)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(310,310)	-	(310,310)
At 31st March 2021	62,743,532	83,532,709	(33,072,358)	(878,888)	112,324,995	3,886,689	1,479,648	117,691,332

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 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	2,407,105	4,356,745
Profits tax paid		(865,927)	(326,707)
Net cash from operating activities		1,541,178	4,030,038
Cash flows from investing activities			
Interest received		497,958	494,294
Purchase of property, plant and equipment		(13,850)	(55,905)
Proceeds from disposal of property, plant and equipment		689	-
Additions to investment properties		(2,849,944)	(4,201,970)
Acquisition of investment properties		(5,144,872)	-
Proceeds from sale of investment properties		-	286,115
Additions to other non-current asset		-	(18,904)
Decrease in amounts due from investee companies		1,883	2,539
Increase in amounts due to investee companies		40	-
Increase in amounts due from non-controlling interests		(419,985)	(523,347)
Increase in investment in joint ventures		(44,326)	(21,213)
(Increase)/decrease in amounts due from joint ventures		(45,577)	56,880
Dividends received from joint ventures		76,000	13,132
Increase in amounts due to joint ventures	31(d)	231,394	1,214,059
Dividends received from associates		4,000	4,000
Decrease in investment in and advances to associates		41,261	50,010
Increase in amounts due to associates	31(d)	476,000	68,000
Net proceeds from disposal of interests in subsidiaries	31(b)	-	238,504
Net proceeds from disposal of interests in a joint venture	31(c)	133,672	-
Decrease in loans and other receivables		1,954,352	1,936,289
(Increase)/decrease in amounts due from fellow subsidiary companies		(532)	1,124
Decrease in amounts due from related companies		280	1,364
Decrease/(increase) in amount due from immediate holding company		368,084	(23,385)
Decrease/(increase) in amounts due from ultimate holding company		14	(36)
Decrease/(increase) in short term bank deposits with original maturities more than three months		1,001,011	(972,736)
Net cash used in investing activities		(3,732,448)	(1,451,186)

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 2022

	Note	2022 HK\$'000	2021 HK\$'000
Cash flows from financing activities	31(e)		
Interest paid		(1,139,731)	(1,063,689)
Increase/(decrease) in amounts due to related companies and individuals		11,934	(5,528)
Decrease in amount due to immediate holding company		(16)	(24)
(Decrease)/increase in amount due to ultimate holding company		(356,499)	155,715
Capital injection from non-controlling interests		57,099	8,515
Decrease in amounts due to non-controlling interests		(49,433)	(649,343)
Issuance of medium term note		-	3,822,296
Repayment of medium term note		-	(50,592)
Issuance of perpetual capital securities, net of expenses		-	3,834,215
Redemption of perpetual capital securities, net of expenses		-	(3,896,089)
Distribution paid to holders of perpetual capital securities		(194,557)	(310,310)
Principal elements of lease payments		(21,960)	(21,491)
Drawdown of bank and other borrowings		13,724,529	7,659,643
Repayment of bank and other borrowings		(8,456,273)	(12,062,781)
Dividend paid to owners of the Company		(878,409)	(1,084,020)
Dividend paid to non-controlling interest		(1,116)	(54,383)
Acquisition of non-controlling interests		-	(361)
Net cash generated from/(used in) financing activities		<u>2,695,568</u>	<u>(3,718,227)</u>
Net increase/(decrease) in cash and cash equivalents		504,298	(1,139,375)
Cash and cash equivalents at beginning of year		13,621,593	14,575,042
Currency translation differences		(4,758)	185,926
Cash and cash equivalents at end of year	24	<u>14,121,133</u>	<u>13,621,593</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

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

The consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$’000”) unless otherwise stated. The consolidated financial statements were approved for issue by the Board of Directors on 21st June 2022.

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 and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair values.

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

(i) 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 2021 and are relevant to its operation.

IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (Amendments)

In addition, the Group has early adopted the following amendments to the accounting standard for the accounting period commencing 1st April 2021:

IFRS 16 (Amendments)

Covid-19-Related Rent Concessions beyond
30 June 2021

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Amendments to standards adopted by the Group (Continued)

The Group has assessed the impact of the adoption of these 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 consolidated financial statements.

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

The Group has not early adopted the following new standard and amendments to standards that have been issued but are not yet effective for the year ended 31st March 2022:

		Effective for accounting periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1st January 2022
IAS 37 (Amendments)	Onerous Contracts—Cost of Fulfilling a Contract	1st January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	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
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1st January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1st January 2023
IFRS 17 and IFRS 17 (Amendments)	Insurance contracts	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 new standard and amendments to standards and is in the process of assessing the impact on the consolidated financial statements.

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

(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.

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interests

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

(iii) Joint arrangements

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

(a) Joint operations

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

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

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 36(b).

(b) Joint ventures

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

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

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iv) Associates

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

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

The financial statements of the associates used for this purpose cover a year end of not more than three months before the Group'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.

(v) Venture capital organisation

The Group formed an investment committee constitute key management personnel of the Group with policies on managing certain existing and future investments on a fair value basis for a medium-term for capital growth and would seek to exit upon expiration of the investment period, in accordance with the new risk management strategy and on which the information is reported to the directors of the Group on the same basis.

IAS 28 provides an exemption from applying the equity method of accounting if an investment in a joint venture or an associate is held by or indirectly through an entity that is a venture capital organisation ("VCO"). A joint venture or an associate that held by an entity that qualifies for the VCO exemption is exempted from equity method and measured at fair value under IFRS 9 as the equity investments are:

- managed on a fair value basis as part of a portfolio, and this is the basis on which information is reported to key management personnel;
- acquired for medium growth in fair value; and
- unrelated to the principal operations of the reporting entity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(v) Venture capital organisation (Continued)

As the business objective is similar to that of a VCO in respect of an investment entity, the Group applied an exemption from applying the equity method in accounting for its investment in a joint venture or an associate and designated such investment at fair value through profit or loss in accordance with IFRS 9 as the investments are part of a business model.

The gain or loss on the remeasurement of a joint venture or an associate that results in change above represents the difference between (i) the fair value of the consideration/investment and (ii) the Group's entire carrying amount of that joint venture or associate (including goodwill) and any related accumulated currency translation differences. All of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

(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.

(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. They are deferred in equity if they relate to qualifying hedges.

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 income and gains/(losses), net'.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(d) Property, plant and equipment

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.

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
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 (i)).

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

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2 Summary of significant accounting policies (Continued)

(e) Investment properties

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

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred. Investment properties that are being redeveloped for continuing use as investment properties continue to be measured at fair value. Fair value measurement on properties under construction is applied unless the fair value is considered not 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 is recorded in consolidated income statement within 'other income and gains/(losses), net'.

(f) 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.

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2 Summary of significant accounting policies (Continued)

(g) Leases

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

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

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2 Summary of significant accounting policies (Continued)

(h) Financial assets

(i) Classification of financial assets

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

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

(ii) Measurement of financial assets

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

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

(1) Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in ‘other income and gains/(losses), net’, together with foreign exchange gains and losses and impairment losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in ‘other income and gains/(losses), net’. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in ‘other income and gains/(losses), net’.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

(ii) Measurement of financial assets (Continued)

(1) Debt instruments (Continued)

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A fair value gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within “other income and gains/(losses), net” in the period in which it arises. Interest income and dividend income are recognised in the profit or loss and presented as part of revenue in the consolidated income statement.

(2) Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in ‘other income and gains/(losses), net’ in the consolidated income statement as applicable.

(iii) Impairment of financial assets

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

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

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

(iv) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) 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.

(j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of item being hedged. The Group designated a cross currency interest rate swap as hedge of foreign currency risk associated with the cash flows of a foreign currency-denominated borrowing.

At the inception of the hedging, the Group documents the economic, relationship between hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flow of hedges item. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instrument designated in hedging relationship are disclosed in note 3(a)(iv). Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge that qualify for hedge accounting

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

When cross currency interest rate swap is used to hedge foreign currency-denominated borrowing, the Group designates the change in the fair value of the contract (including forward points) as the hedging instrument. Gains or losses relating to the effective portion of the change in fair value of the hedging instrument are recognised in the cash flow hedge reserve within equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Derivatives and hedging activities (Continued)

(i) Cash flow hedge that qualify for hedge accounting (Continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The movement in spot rate is recycled from equity to profit or loss to offset the foreign exchange gain or loss arising from translation of the hedged foreign currency-denominated borrowing. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of

(ii) Costs of hedging

The Group excludes foreign currency basis spread of the cross currency interest rate swap from the designated hedging instrument. In such case, the Group treats the excluded element as costs of hedging. The change in fair value of the foreign currency basis spread (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in the costs of hedging reserve under equity. This element at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the period.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other income and gains/(losses), net'.

(k) Trade and other receivables

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

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

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

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2 Summary of significant accounting policies (Continued)

(l) Cash and cash equivalents

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

(m) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Bonus entitlements

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

(n) Borrowings

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

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

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

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2 Summary of significant accounting policies (Continued)

(o) Trade payables

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

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

(p) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

The deferred tax liabilities in relation to investment properties in the United Kingdoms, Singapore, Malaysia and the United States that are measured at fair value are determined assuming the properties will be recovered entirely through sale. While deferred tax liabilities in relation to investment properties in mainland China are determined assuming the properties will be recovered entirely through use.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(p) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

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

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

(iii) Offsetting

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

(q) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(r) Financial guarantee contract

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

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2 Summary of significant accounting policies (Continued)

(r) Financial guarantee contract (Continued)

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

(s) Revenue and income recognition

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

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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

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

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

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

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

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

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

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

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2 Summary of significant accounting policies (Continued)

(s) Revenue and income recognition (Continued)

(i) Revenue from contract with customers

(1) Sale of properties

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

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

(2) Construction revenue

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

(3) Hotel revenue

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

(4) Others

Property management fee income is recognised over time when the services are rendered.

(ii) Revenue and income from other sources

(1) Rental income

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

(2) Dividend income

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

(3) Interest income

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(t) Contract related assets and contract liabilities

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

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

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

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

(u) Share capital

Ordinary shares are classified as equity.

(v) Borrowing costs

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

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

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(w) Segment reporting

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

(x) Contingent liabilities

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

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

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

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

(z) Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(aa) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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3 Financial risk management

The Group holds the following financial instruments:

	2022 HK\$'000	2021 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
<u>Non-current assets</u>		
- Amount due from joint ventures	491,479	307,123
- Amount due from associates	3,492,400	3,463,600
- Loans and other receivables from third parties	123,000	1,992,212
- Amounts due from investee companies	43,156	45,039
- Amounts due from non-controlling interests	892,811	854,077
<u>Current assets</u>		
- Trade and other receivables and deposits	7,032,432	6,282,602
- Cash and bank balances	15,163,839	15,665,310
<i>Financial assets at fair value through profit or loss</i>		
<u>Non-current assets</u>		
- Financial assets at fair value through profit or loss	20,883,035	22,546,159
- Amount due from joint ventures at fair value through profit or loss	487,773	591,761
- Loans receivables at fair value through profit or loss	829,610	1,267,545
<u>Current assets</u>		
- Loans receivable at fair value through profit or loss	83,085	60,541
- Financial assets at fair value through profit or loss	11,505,253	11,500,215
Financial liabilities		
<i>Liabilities at amortised cost</i>		
<u>Non-current liabilities</u>		
- Bank and other borrowings	31,304,836	29,923,257
- Lease liabilities	129,334	125,938
- Other long-term liabilities	32,845	71,404
<u>Current liabilities</u>		
- Trade and other payables, deposits and accruals	6,469,940	8,558,958
- Bank and other borrowings	6,551,450	2,514,889
- Lease liabilities	12,053	14,443
<i>Financial liabilities at fair value through profit or loss</i>		
<u>Current liabilities</u>		
- Financial liabilities at fair value through profit or loss	58,322	410,181
- Amounts due to non-controlling interests at fair value through profit or loss	299,526	-

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3 Financial risk management (continued)

(a) Financial risk factors

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

(i) Price risk

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

As at 31st March 2022, 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\$1,299,849,000 (2021: HK\$1,310,395,000).

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

Credit risk of cash and bank balances

With respect to credit risk arising on cash and bank balances, the Group has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating as at 31st March 2022 ranging from AA- to BBB- issued by Standard and Poor's or Moody's as follows:

	2022 HK\$'000	2021 HK\$'000
AA-	1,597,443	1,251,969
A- to A+	10,291,742	11,535,791
BBB- to BBB+	3,142,630	2,759,575
Unrated ¹	132,024	117,975
	<u>15,163,839</u>	<u>15,665,310</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Credit risk of cash and bank balances (Continued)

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

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

Credit risk of trade receivables

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

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. In view of the sound financial position and collection history of receivables due from these counterparties and insignificant risk of default, to measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A default on trade receivable is when the counterparty fails to make contractual payments within credit period when they fall due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced, adjusted with current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan within the Group, and its failure to make contractual payments for a period. Impairment losses on trade receivables are presented as net impairment losses within “other income and gains/(losses), net”. Subsequent recoveries of amounts previously written off are credited against the same item.

Management assessed the ECL of trade receivables, detail was disclosed in note 22, and the credit risk inherent in the Group’s outstanding trade receivables balances due from these counterparties is not significant.

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3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Credit risk of loans and other receivables

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

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

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

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers corresponding historical credit losses of the debtors experienced, adjusted with current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Loss allowances provided for loans and other receivables

For the year ended 31st March 2022, net written-back of provision for loss allowance of HK\$718,442,000 (2021: net provision of loss allowance of HK\$301,609,000) were provided for loans receivables. The amounts mainly include:

- 1 As at 31st March 2022, the Group has secured loans receivable at amortised cost of HK\$2,383,104,000 after provision of HK\$568,500,000 (2021: HK\$3,166,439,000 after provision of HK\$1,237,963,000).

- (i) As at 31st March 2022, certain secured loans receivable of HK\$138,000,000 after provision of HK\$568,500,000 (2021: HK\$179,500,000 after provision of HK\$527,000,000) were non-performing as at 31st March 2022 and 31st March 2021 and were originally due in April 2020. Management considered the risk of default of these loans to be high as at 31st March 2022 and 31st March 2021. Taking into consideration value of the pledged properties, additional loss allowances of HK\$41,500,000 (2021: HK\$320,000,000) was provided and recognised in profit or loss for the year ended 31st March 2022.

- (ii) As at 31st March 2022, the Group has certain secured loans receivable of RMB296 million (equivalent to HK\$365 million) (2021: RMB364 million (equivalent to HK\$431 million) after provision of RMB516 million (equivalent to HK\$610 million)).

During the year ended 31st March 2022, scheduled repayments totalling RMB685 million (equivalent to HK\$833 million) were received on time. Management considered the risk of default of these loans to be low as at 31st March 2022 and the Group has written-back loss allowance of RMB516 million (equivalent to HK\$629 million) (2021: written-back loss allowance of RMB100 million (equivalent to HK\$119 million)) based on expected credit loss assessment. Such amount was recognised in profit or loss during the year ended 31st March 2022.

Details of the secured loans receivables at amortised cost are disclosed in note 19 to the consolidated financial statements.

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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 and other receivables, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests.

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

As at 31st March 2022, if interest rates increase/decrease by 50 basis points with all other variables held constant, the Group's pre-tax profit, before taking into account the impact of interest capitalisation, would decrease/increase by approximately HK\$15,872,563,000 (2021: increase/decrease by approximately HK\$16,370,000), 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, mainland China, the United States and United Kingdoms, and is exposed to foreign exchange risk arising from various currency exposures in the financial investment portfolio, primarily with respect to the United States dollar ("US dollar"), Renminbi ("RMB"), Euro and Great British Pound ("GBP"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

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

As at 31st March 2022, 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\$14,831,000 (2021: HK\$20,901,000) and HK\$15,108,000 (2021: HK\$25,043,000) respectively as a result of foreign exchange gains/losses.

As at 31st March 2022, if US dollar/HK dollar had weakened/strengthened 2% against GBP with all other variables held constant, the Group's pre-tax profit would decrease/increase by HK\$27,943,000 (2021: HK\$1,120,000) as a result of foreign exchange losses/gains.

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3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Foreign exchange risk (Continued)

The Group has entered into a cross currency interest rate swap contract to hedge its foreign currency exposure in respect of bank borrowings denominated in AUD with principal amount equivalent to HK\$450,000,000. Under the Group's policy, the critical terms of the cross currency interest rate swap must align with the hedged item.

The effects of the cross currency interest rate swap contracts on the Group's consolidated balance sheet and consolidated income statement are as follows:

	2022 HK\$'000	2021 HK\$'000
Carrying amount	58,714	58,714
Notional amount	450,000	450,000
	18th February	18th February
Maturity date	2025	2025
Hedge ratio*	1:1	1:1
Change in foreign currency basis-free value of hedging instrument	(5,344)	29,979
Change in value of hedged item used to determine hedge effectiveness	(5,155)	29,952
Hedged rate for outstanding hedging instrument (including forward points)	AUD0.1921: HK\$1	AUD0.1921: HK\$1

*The Hedge ratio is based on a hedging instrument with the same notional amount in the same currency as the underlying exposure, the hedge ratio is therefore 1:1.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

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

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

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31st March 2022				
Trade and other payables and accruals	2,565,232	-	-	-
Amounts due to joint ventures, associates and investee companies	861,556	-	-	-
Amounts due to related companies and individuals	499,454	-	-	-
Amount due to immediate holding company	7,962	-	-	-
Amount due to ultimate holding company	8,826	-	-	-
Amounts due to non-controlling interests	2,836,030	-	-	-
Financial liabilities at fair value through profit or loss	58,322	-	-	-
Lease liabilities	21,496	19,804	40,390	109,392
Bank and other borrowings	7,561,532	4,300,617	17,443,281	13,353,682
	<u>14,420,410</u>	<u>4,320,421</u>	<u>17,483,671</u>	<u>13,463,074</u>

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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 2021				
Trade and other payables and accruals	3,009,863	1,623,790	-	-
Amounts due to joint ventures, associates and investee companies	274,122	-	-	-
Amounts due to related companies and individuals	487,520	-	-	-
Amount due to immediate holding company	7,978	-	-	-
Amount due to ultimate holding company	365,325	-	-	-
Amounts due to non-controlling interests	2,837,764	-	-	-
Financial liabilities at fair value through profit or loss	410,181	-	-	-
Lease liabilities	19,662	14,851	41,144	116,913
Bank and other borrowings	3,488,377	13,752,466	6,193,643	14,193,675
	<u>10,900,792</u>	<u>15,391,107</u>	<u>6,234,787</u>	<u>14,310,588</u>

(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 companies and individuals, immediate holding company, ultimate holding company, non-controlling interests, banks, issuance of guaranteed notes and issuance of perpetual capital securities.

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3 Financial risk management (Continued)

(b) Capital risk management (Continued)

The Group monitors its capital on the basis of the net debt to equity ratio. Net debt is calculated as total bank and other borrowings (including “current and non-current bank borrowings” and “guaranteed notes”) less cash and bank balances. The net debt to equity ratio as at 31st March 2022 and 31st March 2021 is as follows:

	2022 HK\$'000	2021 HK\$'000
Bank borrowings	21,282,904	15,986,147
Guaranteed notes	16,573,382	16,451,999
Total debts - interest bearing bank and other borrowings	37,856,286	32,438,146
Less: Cash and bank balances	(15,163,839)	(15,665,310)
Net debt	22,692,447	16,772,836
Equity attributable to owners of the Company and holders of perpetual capital securities	116,872,054	116,211,684
Net debt to equity ratio	19.42%	14.43%

Increase in net debt to equity ratio is mainly due to bank borrowings obtained for acquisition of property projects in Hong Kong, United State and United Kingdom.

(c) Fair value estimation

(i) Financial instruments carried at fair value

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

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

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

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

	Valuation Hierarchy			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	HK\$'000
At 31st March 2022				
Amounts due from joint ventures at fair value through profit or loss	-	-	487,773	487,773
Loans receivable at fair value through profit or loss	-	-	912,695	912,695
Financial assets at fair value through profit or loss				
- listed	13,839,786	-	-	13,839,786
- unlisted	-	441,634	18,106,868	18,548,502
Total	13,839,786	441,634	19,507,336	33,788,756
Amounts due to non-controlling interests at fair value through profit or loss	-	-	(299,526)	(299,526)
Financial liabilities at fair value through profit or loss				
- unlisted	-	(58,322)	-	(58,322)
Total	-	(58,322)	(299,526)	(357,848)
At 31st March 2021				
Amounts due from joint ventures at fair value through profit or loss	-	-	591,761	591,761
Loans receivable at fair value through profit or loss	-	-	1,328,086	1,328,086
Financial assets at fair value through profit or loss				
- listed	14,627,790	-	-	14,627,790
- unlisted	-	508,293	18,910,291	19,418,584
Total	14,627,790	508,293	20,830,138	35,966,221

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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 Hierarchy			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2021				
Financial liabilities at fair value through profit or loss				
- listed	(338)	-	-	(338)
- unlisted	-	(409,843)	-	(409,843)
Total	(338)	(409,843)	-	(410,181)

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 and option pricing models, are used to determine fair value for the remaining financial instruments.

As at 31st March 2022, financial assets at fair value through profit or loss of HK\$18,106,868,000 (2021: HK\$18,910,291,000) are measured with valuation techniques using significant unobservable inputs (level 3). It included private equity funds, unquoted direct investments, fixed income fund, venture capital fund and others which represent approximate 29%, 41%, 5%, 18% and 6% (2021: 40%, 34%, 6%, 14% and 6%) of those level 3 investments respectively.

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

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

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 such as preferential rights of the shares held, market volatility and initial public offering probability, with reference to recent third party transactions of comparable type of instruments and reliable indicative offers from potential buyers. The higher the discount, the lower the fair values of unquoted direct investment.

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

Details on sensitivity analysis of the Group's financial assets at fair value through profit or loss are set out on note 3(a)(i) to the consolidated financial statements. There is no transfer between level 1, level 2 and 3 during the year. The following represents the changes in level 3 instruments for the year ended 31st March 2022:

	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	Amounts due to non- controlling interests at fair value through profit or loss HK\$'000
At 1st April 2021	591,761	18,910,291	1,328,086	-
Additions	26,484	2,982,581	57,600	(283,350)
Repayment	(130,472)	-	(538,408)	-
Disposal	-	(1,286,865)	-	-
Return of capital	-	(838,711)	-	-
Total unrealised (losses)/gains recognised in income statement	-	(1,763,457)	65,417	(16,176)
Exchange translation differences	-	103,029	-	-
At 31st March 2022	487,773	18,106,868	912,695	(299,526)

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

	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	Amounts due to non- controlling interests at fair value through profit or loss HK\$'000
At 1st April 2020	745,691	12,781,987	1,831,741	-
Additions	71,080	2,240,595	218,500	-
Repayment	(225,010)	-	(658,252)	-
Disposal	-	(1,640,739)	-	-
Return of capital	-	(952,782)	-	-
Total unrealised (losses)/gains recognised in income statement	-	6,429,870	(63,903)	-
Exchange translation differences	-	51,360	-	-
At 31st March 2021	591,761	18,910,291	1,328,086	-

(ii) Financial instruments carried at other than fair value

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

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 15.

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4 Critical accounting estimates and judgements (Continued)

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

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. The quoted market price used is the closing bid price as at the reporting date. The fair values of unlisted derivatives are based on brokers' quote and statements. The fair value of investments in funds that are not quoted in an active market is determined primarily by reference to the latest available net assets value for each fund as determined by the fund administrator of such fund. The fair value of other financial instruments that are not traded in an active market is estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period, as detailed in note 3(c)(i).

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

Management reviews the net realisable value of properties for sale at each reporting date. For properties for sale, the net realisable value are the estimated selling price of the properties less costs to sell. Management makes estimates by taking into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses). In considering the net realisable values of properties under development, 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. Any changes to the estimated net realisable value may cause a material adjustment to the carrying amount and result in future financial year if the actual net realisable value of the properties for sales or properties under development is different than expected as a result of change in market condition.

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

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(a)(ii) and note 19.

(v) Income taxes

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

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

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4 Critical accounting estimates and judgements (Continued)

- (vi) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less cost to sell and its value in use, calculated on the basis of management/independent professional qualified valuer's assumptions and estimates. Projection for a period of five to ten years in general may be used on the basis that a longer projection period represents the long-dated nature of the Group's hotel properties and is more appropriate reflection of the future cash flow generated from the hotel operations. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the recoverable amount.

- (vii) Classification of properties

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

- (viii) Venture capital organisation

In deciding classification and measurement of unlisted equity investments where the Group has joint control or significant influence over the investee, significant judgment is required in determining whether the Group is a VCO under IAS 28 "Investment in Associates and Joint Venture". IAS 28 allows the Group elects to measure its investment at fair value instead of accounting under equity method if the Group is a VCO. The Group considers it is a VCO as one of the Group's business activities is investing in unlisted investments and the Group aims to hold these investments for a medium-term for capital growth and would seek to exit upon expiration of the investment period. Consequently, the Group elects to measure this unlisted equity investment on a fair value basis in accordance with IFRS 9.

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)
- Mainland China and overseas properties
- Financial investment (including investments exempt for equity accounting)
- Corporate, treasury and others

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5 Segment reporting (Continued)

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 and ultimate holding company, tax payable, bank and other borrowings and deferred income tax liabilities.

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

The segment results for the year ended 31st March 2022 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	4,357,032	2,473,472	561,721	323,198	1,217,667	522,088	6,136,420	3,318,758
Mainland China and overseas properties	1,536,615	1,204,699	272,274	148,508	189,544	96,791	1,998,433	1,449,998
Financial investment	2,460,337	(3,502,059)	-	33	-	-	2,460,337	(3,502,026)
Corporate, treasury and others	-	331,108	-	-	-	-	-	331,108
	<u>8,353,984</u>	<u>507,220</u>	<u>833,995</u>	<u>471,739</u>	<u>1,407,211</u>	<u>618,879</u>	<u>10,595,190</u>	<u>1,597,838</u>
Segment results								1,597,838
Finance income, net								131,920
Profit before income tax								1,729,758
Income tax expense								(391,555)
Profit for the year								<u>1,338,203</u>

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5 Segment reporting (Continued)

The segment results for the year ended 31st March 2021 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	8,514,327	(1,660,180)	1,662,077	651,849	160,254	(424,986)	10,336,658	(1,433,317)
Mainland China and overseas properties	1,322,761	366,550	185,402	(96,586)	161,431	65,243	1,669,594	335,207
Financial investment	1,038,404	13,437,038	-	(262)	2,171	(1,581)	1,040,575	13,435,195
Corporate, treasury and others	-	(80,972)	-	-	-	-	-	(80,972)
	<u>10,875,492</u>	<u>12,062,436</u>	<u>1,847,479</u>	<u>555,001</u>	<u>323,856</u>	<u>(361,324)</u>	<u>13,046,827</u>	<u>12,256,113</u>
Segment results								12,256,113
Finance income, net								148,783
Profit before income tax								12,404,896
Income tax expense								(671,347)
Profit for the year								<u>11,733,549</u>

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5 Segment reporting (Continued)

The segment assets and liabilities as at 31st March 2022 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	70,652,402	3,866,759	4,707,544	79,226,705	(8,964,541)
Mainland China and overseas properties	44,858,224	851,225	2,632,040	48,341,489	(2,528,506)
Financial investment	35,062,737	2,719	-	35,065,456	(617,684)
Corporate, treasury and others	10,496,785	-	-	10,496,785	(655,506)
	<u>161,070,148</u>	<u>4,720,703</u>	<u>7,339,584</u>	<u>173,130,435</u>	<u>(12,766,237)</u>
Deferred income tax assets				301,843	-
Prepaid tax				216,177	-
Bank and other borrowings				-	(37,856,286)
Amount due to immediate holding company				-	(7,962)
Amount due to ultimate holding company				-	(8,826)
Deferred income tax liabilities				-	(3,701,141)
Tax payable				-	(344,870)
Consolidated total assets/(liabilities)				<u>173,648,455</u>	<u>(54,685,322)</u>

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5 Segment reporting (Continued)

The segment assets and liabilities as at 31st March 2021 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	66,596,407	3,573,985	4,293,151	74,463,543	(6,083,437)
Mainland China and overseas properties	39,674,386	664,730	2,510,987	42,850,103	(2,335,715)
Financial investment	36,822,582	2,667	-	36,825,249	(439,453)
Corporate, treasury and others	10,094,025	-	-	10,094,025	(1,005,115)
	<u>153,187,400</u>	<u>4,241,382</u>	<u>6,804,138</u>	<u>164,232,920</u>	<u>(9,863,720)</u>
Deferred income tax assets				239,200	-
Prepaid tax				59,149	-
Bank and other borrowings				-	(32,438,146)
Amount due to immediate holding company				-	(7,978)
Amount due to ultimate holding company				-	(365,325)
Deferred income tax liabilities				-	(3,316,599)
Tax payable				-	(848,169)
Consolidated total assets/(liabilities)				<u>164,531,269</u>	<u>(46,839,937)</u>

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5 Segment reporting (Continued)

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

	<u>Depreciation and amortisation</u>		<u>Additions to non-current assets</u>	
	For the year ended 31st March		For the year ended 31st March	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	107,164	90,208	2,935,244	4,328,959
Mainland China and overseas properties	82,814	79,813	6,081,034	779,938
Financial investment	10,254	10,417	6,013	3,027
Corporate, treasury and others	14,103	13,414	4,597	3,508
	<u>214,335</u>	<u>193,852</u>	<u>9,026,888</u>	<u>5,115,432</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 2022 HK\$'000	For the year ended 31st March 2021 HK\$'000
Hong Kong	6,817,369	9,552,731
Mainland China	1,182,488	1,080,748
Overseas	354,127	242,013
	<u>8,353,984</u>	<u>10,875,492</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 2022 HK\$'000	As at 31st March 2021 HK\$'000
Hong Kong	52,857,773	48,656,770
Mainland China	29,282,449	28,084,928
Overseas	15,605,475	9,902,805
	<u>97,745,697</u>	<u>86,644,503</u>

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6 Revenue

	2022 HK\$'000	2021 HK\$'000
Recognised at a point in time		
- sale of properties	3,362,611	7,616,854
- hotel revenue - food and beverage sales	113,378	102,025
Recognised over time		
- construction revenue	47,500	8,020
- hotel revenue - room rental	142,392	112,359
- property management fee income	326,210	301,567
From other sources		
- gross rental income	1,831,635	1,649,681
- interest income from loans receivable classified as financial assets at fair value through profit or loss	69,588	46,353
	<u>5,893,314</u>	<u>9,836,859</u>

7 Net (losses)/income on financial investments

	2022 HK\$'000	2021 HK\$'000
Dividend income (note (a))	2,413,448	939,541
Interest income from debt and convertible securities	47,221	99,092
Net (loss)/gain on financial assets at fair value through profit or loss (note (b))	(5,237,930)	12,476,995
Net gain on derivatives (note (c))	504,247	561,413
	<u>(2,273,014)</u>	<u>14,077,041</u>

Notes:

- (a) Amounts mainly included cash distribution and share distribution in kind (of the underlying investment held by the fund) from fund investments during the year.
- (b) The amount comprised realised gain of HK\$543,531,000 (2021: HK\$2,647,122,000) and unrealised loss of HK\$5,781,461,000 (2021: unrealised gain of HK\$9,829,873,000) on financial assets at fair value through profit or loss.
- (c) The amount comprised realised gain of HK\$152,450,000 (2021: HK\$526,345,000) and unrealised gain of HK\$351,797,000 (2021: unrealised gain of HK\$35,068,000) on derivatives.

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7 Net (losses)/income on financial investments (Continued)

Notes: (Continued)

- (d) Comparative figures have been reclassified to conform with current year's presentation: a reclassification of dividend income and interest income from debt and convertible securities of HK\$939,541,000 and HK\$99,092,000 respectively from "Revenue" and net gain on financial assets at fair value through profit or loss and net loss on derivatives of HK\$12,476,995,000 and HK\$561,413,000 respectively from "Other income and gains/(losses), net" to "Net (losses)/income on financial investments" to reflect the current assessment on the performance of the respective investments from the management of the Group.

8 Other income and gains/(losses), net

	2022 HK\$'000	2021 HK\$'000
Unrealised gains/(losses) on loans receivable at fair value through profit or loss (note 19(c))	65,418	(63,903)
Net gain on disposal of subsidiaries (note 31(b))	-	2,874
Net gain on disposal of interests in a joint venture (note 31(c))	122,633	-
Net gain on disposal of property, plant and equipment	470	-
Net write-back of/(provision for) loss allowances of financial assets (note)	664,686	(395,040)
Net exchange gain	51,723	154,341
Others	271,296	148,383
	<u>1,176,226</u>	<u>(153,345)</u>

Note:

The amount comprised net provision for loss allowances of trade receivables of HK\$53,756,000 (2021: HK\$93,421,000). The amount also comprised a net written-back for loss allowances of and loans receivables of HK\$718,442,000 (2021: net provision for loss allowances of loan receivables of HK\$301,609,000).

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9 Operating profit

Operating profit is arrived at after charging:

	2022 HK\$'000	2021 HK\$'000
Cost of properties sold	1,672,972	4,104,541
Hotel direct costs (note 10)	123,680	110,872
Outgoings in respect of rental income	392,420	332,679
Depreciation and amortisation of		
- property, plant and equipment (note 14)	166,987	147,625
- right-of-use assets - leasehold land and land use right	32,389	31,268
- right-of-use assets - buildings	14,959	14,959
Staff costs (note 10)	1,395,210	1,006,434
Marketing and selling expenses	154,443	192,373
Short-term and low-value leases expenses	16,522	13,605
	<u> </u>	<u> </u>

10 Staff costs and key management compensation

	2022 HK\$'000	2021 HK\$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	1,473,297	1,079,841
- retirement benefit costs - defined contribution schemes	36,415	31,877
	<u> </u>	<u> </u>
Total staff costs incurred for the year (note)	1,509,712	1,111,718
Less: amount capitalised to investment properties and properties for sale under development	(114,502)	(105,284)
	<u> </u>	<u> </u>
Amount directly charged to the consolidated income statement	1,395,210	1,006,434
	<u> </u>	<u> </u>
Including:		
Key management compensation		
- wages, salaries and allowances and benefits in kind	345,355	235,804
- retirement benefit costs - defined contribution schemes	3,776	3,045
	<u> </u>	<u> </u>
Total key management compensation incurred for the year	349,131	238,849
	<u> </u>	<u> </u>

Note:

For the year ended 31st March 2021, the Group received subsidies of HK\$49,406,000 from Employment Support Scheme launched by the Hong Kong Government, of which HK\$8,100,000 and HK\$41,306,000 are netted off in hotel direct costs and staff costs respectively.

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11 Finance income, net

	2022 HK\$'000	2021 HK\$'000
Interest income on		
- amount due from		
- joint ventures	32,374	34,833
- associates	81,425	96,148
- investee company	273	671
- bank deposits	107,081	155,955
- loans and other receivables	253,807	207,530
- others	1,930	6,328
	<u>476,890</u>	<u>501,465</u>
Interest expenses on		
- bank borrowings	(474,567)	(463,998)
- guaranteed notes	(682,873)	(630,786)
- amount due to non-controlling interest	(42,404)	(61,139)
- lease liabilities	(5,124)	(5,072)
- others	(690)	(725)
	<u>(1,205,658)</u>	<u>(1,161,720)</u>
Total finance costs incurred		
Less: amount capitalised to investment properties and properties for sale under development	929,024	898,681
	<u>(276,634)</u>	<u>(263,039)</u>
Total finance costs expensed during the year		
Interest income, net	200,256	238,426
Other finance charges	(4,338)	(44,031)
Net exchange loss on financing activities	(63,998)	(45,612)
	<u>131,920</u>	<u>148,783</u>

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 3.68% (2021: 3.61%) per annum.

12 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year. Subsidiaries established and operated in mainland China are subject to corporate income tax at the rate of 25% (2021: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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12 Income tax expense (Continued)

The amount of income tax charged to the consolidated income statement represents:

	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong profits tax	125,961	523,197
Mainland China income tax	20,456	13,283
Overseas profits tax	22,616	37,269
Withholding tax	36,234	36,672
Deferred income tax (note 27)	186,288	60,926
	<u>391,555</u>	<u>671,347</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:

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	1,729,758	12,404,897
Less: share of results of		
- joint ventures	(471,739)	(555,001)
- associates	(618,879)	361,324
	<u>639,140</u>	<u>12,211,220</u>
Calculated at a tax rate of 16.5% (2021: 16.5%)	105,458	2,014,851
Effect of different tax rates in other countries	22,279	8,979
Income not subject to tax	(1,246,744)	(2,248,720)
Expenses not deductible for tax purposes	1,409,151	1,013,661
Over provision in prior years	(119,684)	(67,997)
Withholding tax	36,234	36,672
Tax losses not recognised	276,049	127,411
Others	(91,188)	(213,510)
Income tax expense	<u>391,555</u>	<u>671,347</u>

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2022 totalling HK\$169,606,000 (2021: HK\$149,415,000) 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 2022, the Group has unrecognised tax losses of HK\$3,892,249,000 (2021: HK\$2,868,264,000) to carry forward against future taxable profits. Unrecognised tax losses of HK\$3,248,256,000 as at 31st March 2022 (2021 HK\$2,093,680,000) have no expiry date and the remaining losses will expire at various dates up to and including 2026 (2021: 2025).

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13 Dividends

	2022 HK\$'000	2021 HK\$'000
Dividend paid of HK\$0.14 per share (2021: HK\$0.17)	878,409	1,084,020

On 22nd April 2022, the directors of the Company declared a dividend of HK\$0.19 per share, totalling HK\$1,188,990,000. The amount was paid in May 2022. The aggregated amount is not recognised as a liability as at 31st March 2022.

14 Property, plant and equipment

	Building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
At 1st April 2020			
Cost	2,279,086	801,981	3,081,067
Accumulated depreciation	(426,975)	(460,312)	(887,287)
Net book amount	1,852,111	341,669	2,193,780
Year ended 31st March 2021			
Opening net book amount	1,852,111	341,669	2,193,780
Additions	2,758	53,144	55,902
Write-off	-	(5)	(5)
Charge for the year	(71,687)	(75,938)	(147,625)
Exchange difference	85,330	13,831	99,161
Closing net book amount	1,868,512	332,701	2,201,213

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14 Property, plant and equipment (Continued)

	Building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
At 31st March 2021			
Cost	2,387,633	860,676	3,248,309
Accumulated depreciation	(519,121)	(527,975)	(1,047,096)
Net book amount	<u>1,868,512</u>	<u>332,701</u>	<u>2,201,213</u>
Year ended 31st March 2022			
Opening net book amount	1,868,512	332,701	2,201,213
Additions	-	13,850	13,850
Disposal and write-off	-	(819)	(819)
Charge for the year	(73,756)	(93,231)	(166,987)
Exchange difference	46,044	6,919	52,963
Closing net book amount	<u>1,840,800</u>	<u>259,420</u>	<u>2,100,220</u>
At 31st March 2022			
Cost	2,446,807	885,756	3,332,563
Accumulated depreciation	(606,007)	(626,336)	(1,232,343)
Net book amount	<u>1,840,800</u>	<u>259,420</u>	<u>2,100,220</u>

15 Investment properties

	2022 HK\$'000	2021 HK\$'000
Completed investment properties	51,871,331	44,689,608
Investment properties under development	35,672,929	32,680,778
Total	<u>87,544,260</u>	<u>77,370,386</u>

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15 Investment properties (Continued)

	Hong Kong residential HK\$'000	Overseas residential HK\$'000	Hong Kong commercial HK\$'000	Overseas commercial HK\$'000	Mainland China commercial HK\$'000	Total HK\$'000
At 1st April 2021	4,788,500	444,727	39,489,600	8,786,449	23,861,110	77,370,386
Additions	399	-	2,893,833	5,604,349	343,275	8,841,856
Net change in fair values	1,017,201	5,005	(225,433)	153,760	(393,934)	556,599
Exchange differences	-	(1,730)	-	(243,807)	1,020,956	775,419
At 31st March 2022	5,806,100	448,002	42,158,000	14,300,751	24,831,407	87,544,260
At 1st April 2020	4,809,800	430,655	39,631,800	7,476,580	22,128,130	74,476,965
Additions	8,219	-	4,156,676	545,003	276,862	4,986,760
Transfer from properties for sale	-	-	384,700	-	-	384,700
Net change in fair values	(29,519)	(9,381)	(4,683,576)	103,125	(393,098)	(5,012,449)
Exchange differences	-	23,453	-	661,741	1,849,216	2,534,410
At 31st March 2021	4,788,500	444,727	39,489,600	8,786,449	23,861,110	77,370,386

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

	2022 HK\$'000	2021 HK\$'000
In Hong Kong, held on leases of between 10 to 50 years	45,465,700	41,782,700
over 50 years	2,498,400	2,495,400
	47,964,100	44,278,100
In mainland China and overseas		
Freehold	14,745,588	9,227,790
Leases of between 10 to 50 years	24,831,407	23,861,111
Leases over 50 years	3,165	3,385
	39,580,160	33,092,286
	87,544,260	77,370,386

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15 Investment properties (Continued)

Leasing arrangements

The investment properties are leased to tenants under operating leases.

Risk management strategy on leases of investment properties are set out in note 3(a)(ii).

Minimum lease payments receivable on leases of investment properties are set out in note 33. None of the leases include significant variable rentals.

Valuation processes of the Group

As at 31st March 2022, the Group's investment properties were valued by independent professional valuers - Knight Frank Petty Limited, Savills, Joseph J. Blake 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, mainland China and overseas are generally derived using the income capitalisation method, the discounted cash flow 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.

Discounted cash flow method is based on the net present value of the income stream estimated by applying an appropriate discount rate which reflects the risk profile.

Fair values of properties under development in Hong Kong and mainland China and properties under redevelopment in overseas are 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.

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15 Investment properties (Continued)

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 2022, capitalisation rates of 2.0% to 4.8% (2021: 2.0% to 4.8%), 3.5% to 5.8% (2021: 3.8% to 5.3%) and 4.0% to 6.0% (2021: 4.1% to 6.0%) are used for investment properties in Hong Kong, mainland China and overseas respectively in the income capitalisation method.

Discount 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 2022, discount rates of 6.0% to 7.8% (2021: 5.0% to 7.8%) are used for investment properties in mainland China in the discounted cash flow 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 2022, rental value of HK\$11 to HK\$141 (2021: HK\$11 to HK\$145) per square feet per month, HK\$5 to HK\$121 (2021: HK\$5 to HK\$89) per square feet per month and HK\$29 to HK\$63 (2021: HK\$29 to HK\$78) per square feet per month are used for Hong Kong, mainland China and overseas respectively.

Estimated costs to completion, developer's profit and risk margins of 10% to 15% (2021: 10% to 15%) required are estimated by valuers based on market conditions as at 31st March 2022 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.

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 2021, which were based on the economic, market and other conditions as they exist on, and information available to management as of 31st March 2022. 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 31st March 2022.

16 Right-of-use assets

	2022 HK\$'000	2021 HK\$'000
Leasehold land and land-use right	927,563	832,066
Buildings	43,002	44,100
	<u>970,565</u>	<u>876,166</u>

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16 Right-of-use assets (Continued)

The Group obtains right to control the use of land-use right and various land and buildings for a period of time through lease arrangements. Lease arrangements for buildings are negotiated on an individual basis and obtain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 7 years. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

During the year ended 31st March 2022, additions to the right-of-use assets and lease liabilities were HK\$125,240,000 (2021: HK\$3,918,000) and HK\$13,750,000 (2021: HK\$3,918,000) respectively. The total cash outflow for leases was HK\$38,482,000 (2021: HK\$35,096,000) for the year ended 31st March 2022.

17 Joint ventures

	2022 HK\$'000	2021 HK\$'000
Share of net assets	3,661,352	3,227,608
Amounts due to joint ventures (note 29)	(446,466)	(215,072)

Details of the principal joint ventures as at 31st March 2022 are shown in note 36 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
2022	5,024,570	3,115,934	(3,566,033)	(913,119)	833,995	471,739
2021	5,010,837	2,886,715	(3,944,514)	(725,430)	1,847,479	555,001

As at 31st March 2022, the Company provided financial guarantee to certain joint ventures (proportionate to the Group's effective interest in the joint ventures) for bank loans related to Hong Kong and overseas property development projects. Those underlying bank loans are secured by other assets of the respective joint ventures, which mainly includes investment properties and cash and bank balances held under the joint ventures.

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18 Associates

	2022 HK\$'000	2021 HK\$'000
Share of net assets	3,469,300	2,950,226
Amount due to associates (note 29)	(405,932)	(49,932)

Details of the principal associates as at 31st March 2022 are shown in note 36 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	Loss after income tax HK\$'000
2022	7,548,255	2,059,180	(5,530,964)	(607,171)	1,407,211	618,879
2021	7,485,951	1,852,962	(4,983,222)	(1,405,465)	323,856	(361,324)

19 Loans and other receivables

	2022 HK\$'000	2021 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	2,383,104	3,166,439
- unsecured loans (note (b))	118,308	113,715
Loans receivable at fair value through profit or loss (note (c))	912,695	1,328,086
Amounts due from joint ventures		
- at amortised cost (note (d))	571,578	422,013
- at fair value through profit or loss (note (e))	487,773	591,761
Amounts due from associates at amortised cost (note (f))	3,870,284	3,853,912
Amount due from non-controlling interests at amortised cost (note (g))	892,811	854,077
	9,236,553	10,330,003
Less: current portion of loans receivable		
- at amortised cost (note 22)	(2,378,412)	(1,287,942)
- at fair value through profit or loss (note 22)	(83,085)	(60,541)
amounts due from joint ventures (note (d) and note 22)	(80,099)	(114,890)
amounts due from associates (note 22)	(377,884)	(390,312)
	6,317,073	8,476,318

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19 Loans and other receivables (Continued)

Notes:

- (a) The balance includes a loan facility of RMB2,500 million (equivalent to HK\$3,083 million) granted to a mainland China property developer (“Borrower”) for a residential and commercial property development project in Foshan.

On 18th August 2020, the Group signed a settlement agreement (the “Settlement Agreement”) with the Borrower which outlined a repayment plan and schedule. According to the Settlement Agreement, the loan was secured by pledges of shares of mainland China companies which held a piece of land and property projects in mainland China.

As at 31st March 2021, total net loan receivable balance was RMB364 million (equivalent to HK\$431 million) after provision of RMB516 million (equivalent to HK\$610 million).

During the year ended 31st March 2022, interest income and receivable of RMB101 million (equivalent to HK\$124 million) were recognised based on effective interest rate method. The Group has received RMB685 million (equivalent to HK\$833 million) from borrower and has written back RMB516 million (equivalent to HK\$629 million), resulting in a total receivable balance of RMB296 million (equivalent to HK\$365 million) as at 31st March 2022.

Subsequent to end of reporting period, RMB164 million (equivalent to HK\$206 million) was received from the Borrower.

As at 31st March 2022, the remaining balance mainly includes an amount of HK\$1,875,000,000 (2021: HK\$1,875,000,000) which carries interest at prevailing market rate and is repayable in August 2022. The balance also includes an amount of HK\$138,000,000 (2021: HK\$179,500,000) after provision of HK\$568,500,000 (2021: HK\$527,000,000), which is overdue as at 31st March 2022. During the year ended 31st March 2022, USD100,000,000 (equivalent to HK\$676,451,000) after provision of USD13,000,000 (equivalent to HK\$101,079,000) which bore interest at 12.5% was fully settled. The loss allowance of USD13,000,000 (equivalent to HK\$101,003,000) was written-back and recognised in the consolidated income statement.

The balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	2,013,000	2,054,500
US dollar	5,590	680,840
RMB	364,514	431,099
	<u>2,383,104</u>	<u>3,166,439</u>

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19 Loans and other receivables (Continued)

Notes: (Continued)

- (b) As at 31st March 2022, the balance includes an amount of HK\$117,410,000 (2021: HK\$92,526,000) which carries interest at 12% (2021: 12%) per annum and is repayable in July 2029; and an amount of HK\$898,000 (2021: HK\$892,000) which is interest free and is due during the year ended 31st March 2022. During the year ended 31st March 2022, HK\$20,297,000 after provision of HK\$30,243,000 which bore interest at prevailing market rate was repaid and write-back of loss allowances of HK\$30,243,000 was recognised in the consolidated income statement.

The balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	898	892
US dollar	117,410	112,823
	<u>118,308</u>	<u>113,715</u>

- (c) As at 31st March 2022, 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\$69,128,000 (2021: HK\$46,353,000) and unrealised gain on loans receivable of HK\$65,418,000 (2021: unrealised loss on loans receivable of HK\$63,903,000) (note 8) are recognised in the consolidated income statement.

- (d) As at 31st March 2022, except for HK\$81,366,000 (2021: HK\$114,957,000) which is interest free, an amount of HK\$490,212,000 (2021: HK\$307,056,000) carries interest at 4.25% (2021: 4.25%) per annum. The balances are unsecured, repayable on demand, and mainly denominated in HK dollar.

- (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\$262,512,000 (2021: HK\$322,401,000) which carries interest at prevailing market rates and an amount of HK\$225,261,000 (2021: HK\$269,360,000) which carries interest at fixed rate ranged from 2.9% to 2.95% (2021: 2.9% to 2.95%) per annum.

- (f) As at 31st March 2022, except for HK\$377,884,000 (2021: HK\$390,312,000) which is interest free, HK\$3,492,400,000 (2021: HK\$3,463,600,000) carries interest at fixed rate of 2.94% (2021: 2.94%) per annum respectively. The balances are unsecured, repayable on demand and mainly denominated in HK dollar.

- (g) As at 31st March 2022, the balance represents the present value of the consideration receivable for partial disposal of property development project in mainland China which repayable at the later of (i) 30th June 2023 and (ii) within five business days after the completion date of the underlying property development project. During the year ended 31st March 2022, HK\$38,734,000 (2021: HK\$40,887,000) is recognised as finance income. The balance is denominated in HK dollar.

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20 Amounts due from/to investee companies

	2022 HK\$'000	2021 HK\$'000
Amounts due from investee companies (note (a))	44,111	45,543
Amounts due within one year included in current assets (note 22)	(955)	(504)
	<u>43,156</u>	<u>45,039</u>
Amounts due to investee companies (note (b) and note 29)	<u>9,158</u>	<u>9,118</u>

Notes:

- (a) As at 31st March 2022, the amounts due from investee companies of HK\$40,354,000 (2021: HK\$42,281,000) bear interest at prevailing market rates and repayable on demand. The remaining balance of HK\$3,757,000 (2021: HK\$3,262,000) net of provision for loss allowance of HK\$233,997,000 (2021: HK\$234,100,000) are interest free. The balances are unsecured and denominated in HK dollar.
- (b) The amounts due to investee companies are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

21 Properties for sale

	2022 HK\$'000	2021 HK\$'000
Completed properties	6,690,721	8,158,128
Under development	6,999,930	4,663,487
	<u>13,690,651</u>	<u>12,821,615</u>
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	10,199,287	10,965,075
- leases of over 50 years	3,491,364	1,856,540
	<u>13,690,651</u>	<u>12,821,615</u>

As at 31st March 2022, properties under development of HK\$1,603,817,000 (2021: HK\$4,663,487,000) are not expected to be recovered within 12 months.

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22 Trade and other receivables, deposits and prepayments

	2022 HK\$'000	2021 HK\$'000
Trade receivables (note (a))	376,590	312,360
Less: Provision for loss allowance of trade receivables	(67,184)	(29,179)
Trade receivables, net of provision (note (b))	309,406	283,181
Other receivables and deposits (note (b))	1,021,598	2,196,631
Interest receivable (note (b))	72,014	93,082
Stakeholder's account	1,395,928	600,806
Prepayments	493,043	185,105
Contract cost assets	173,171	5,513
Contract assets	32,398	3,655
Loans receivable at amortised cost (note 19)	2,378,412	1,287,942
Loans receivable at fair value through profit or loss (note 19)	83,085	60,541
Amounts due from fellow subsidiary companies (note (c))	7,829	7,638
Amounts due from joint ventures (note 19)	80,099	114,890
Amounts due from associates (note 19)	377,884	390,312
Amounts due from investee companies (note 20)	955	504
Amounts due from non-controlling interests (note (d))	1,036,624	616,639
Amounts due from related companies (note (e))	4,000	3,939
Amount due from immediate holding company (note (f))	307,606	675,690
Amounts due from ultimate holding company (note (g))	7,679	7,693
	<u>7,781,731</u>	<u>6,533,761</u>

Notes:

- (a) The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected credit loss allowance for all trade receivables.

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

	2022 HK\$'000	2021 HK\$'000
Fully performing	348,976	260,926
Underperforming and non-performing	27,614	51,434
	<u>376,590</u>	<u>312,360</u>

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

Notes: (Continued)

(a) (Continued)

Movement in the loss allowance for trade debtors during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
As at the beginning of the year	29,179	59,287
Impairment loss recognised during the year, net	53,756	93,421
Uncollectible amount written off	(13,752)	(124,601)
Exchange differences	(1,999)	1,072
As at the end of the year	<u>67,184</u>	<u>29,179</u>

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

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

	2022 HK\$'000	2021 HK\$'000
HK dollar	952,834	1,962,140
US dollar	82,219	223,799
RMB	208,271	222,120
GBP	154,139	159,521
Others	5,555	5,314
	<u>1,403,018</u>	<u>2,572,894</u>

(c) Amounts due from fellow subsidiary companies are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

(d) The balances are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

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

(e) The balances are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

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

Notes: (Continued)

- (f) The balance is unsecured, interest free and repayable on demand. The balance is denominated in HK dollar.
- (g) The balances are unsecured, interest free and repayable on demand. The balances are mainly denominated in HK dollar.

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

	2022 HK\$'000	2021 HK\$'000
<u>Equity and debt securities</u>		
Non-current assets:		
- listed in Hong Kong	135,978	-
- listed overseas	2,696,661	3,643,811
- unlisted in Hong Kong	167,218	169,129
- unlisted overseas	17,883,178	18,733,219
	20,883,035	22,546,159
Current assets:		
- listed in Hong Kong	4,174,248	3,767,337
- listed overseas	6,798,945	7,198,463
- unlisted overseas	56,472	7,943
	11,029,665	10,973,743
	31,912,700	33,519,902
<u>Derivative financial instruments</u>		
Current assets:		
- swap	343,871	416,675
- swaption	17,976	-
- option	40,511	42,068
- warrant	37,776	37,525
- forward	1,516	12,025
- future	33,938	18,179
	475,588	526,472

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

	2022 HK\$'000	2021 HK\$'000
Current liabilities:		
- swap	(25,987)	(383,971)
- swaption	(19,540)	-
- option	(12,708)	(25,824)
- forward	(87)	(48)
- future	-	(338)
	<u>(58,322)</u>	<u>(410,181)</u>
Representing:		
- non-current assets	20,883,035	22,546,159
- current assets	11,505,253	11,500,215
- current liabilities	<u>(58,322)</u>	<u>(410,181)</u>
Total	<u>32,329,966</u>	<u>33,636,193</u>

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

	2022 HK\$'000	2021 HK\$'000
HK dollar	4,716,774	3,858,868
US dollar	25,505,464	27,748,383
Singapore dollar	217,506	195,995
Japanese Yen	326,005	5,676
GBP	496,599	170,369
Euro	682,233	833,728
RMB	151,450	480,308
Others	233,935	342,866
	<u>32,329,966</u>	<u>33,636,193</u>

As at 31st March 2022, the Group has control or joint control on certain unlisted equity or debt securities. However, the Group was exempted from applying equity method to these investments and they were recorded as financial assets at fair value through profit or loss.

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24 Cash and bank balances

	2022 HK\$'000	2021 HK\$'000
Bank balances and cash	8,892,725	7,825,241
Short term bank deposits	6,271,114	7,840,069
	<u>15,163,839</u>	<u>15,665,310</u>
Representing:		
- unpledged	<u>15,163,839</u>	<u>15,665,310</u>

The effective interest rate on the bank deposits is 0.61% (2021: 1.20%) per annum. These deposits have an average maturity of 70 days (2021: 133 days).

Cash and bank balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	4,456,137	3,055,828
US dollar	9,116,102	10,289,702
RMB	1,070,787	1,346,356
Euro	73,249	418,554
GBP	276,382	346,840
Singapore dollar	13,199	29,574
Others	157,983	178,456
	<u>15,163,839</u>	<u>15,665,310</u>

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

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

	2022 HK\$'000	2021 HK\$'000
Bank balances and cash	8,892,725	7,825,241
Short-term bank deposits	6,271,114	7,840,069
	<u>15,163,839</u>	<u>15,665,310</u>
Less: bank deposits with original maturities of more than three months	<u>(1,042,706)</u>	<u>(2,043,717)</u>
	<u>14,121,133</u>	<u>13,621,593</u>

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25 Share capital and perpetual capital securities

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2020, 31st March 2021 and 31st March 2022	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2020, 31st March 2021 and 31st March 2022	62,743,532	62,743,532

Perpetual capital securities

	2022 HK\$'000	2021 HK\$'000
USD500 million issued in 2020	3,886,765	3,886,689

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.

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.

During the year ended 31st March 2021, the Group redeemed the entire 2017 Issuance from perpetual capital securities holders on 30th 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 Company, 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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26 Reserves

	Exchange reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Hedging reserve HK\$'000	Other reserves (note) HK\$'000	Total HK\$'000
At 1st April 2021	(406,701)	83,532,709	(33,072,358)	2,943	(475,130)	49,581,463
Profit for the year	-	645,940	-	-	-	645,940
Dividend paid to owners of the Company (note 13)	-	(878,409)	-	-	-	(878,409)
Release of exchange reserve upon liquidation of subsidiaries	(797)	-	-	-	-	(797)
Release of merger reserve upon liquidation of a subsidiary	-	(11,914)	11,914	-	-	-
Exchange translation differences						
- Group	844,510	-	-	-	-	844,510
- Joint ventures and associates	81,733	-	-	-	-	81,733
Transfer of statutory reserve of an associate	-	(5,751)	-	-	5,751	-
Transfer of statutory reserve of a subsidiary	-	(255)	-	-	255	-
Fair value change on hedging instruments	-	-	-	(37,851)	-	(37,851)
Cost of hedging	-	-	-	507	-	507
Hedging gain reclassified to profit or loss	-	-	-	4,661	-	4,661
At 31st March 2022	518,745	83,282,320	(33,060,444)	(29,740)	(469,124)	50,241,757

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26 Reserves (Continued)

	Exchange reserve HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Hedging reserve HK\$'000	Other reserves (note) HK\$'000	Total HK\$'000
At 1st April 2020	(2,456,684)	74,147,482	(33,072,358)	-	(480,964)	38,137,476
Profit for the year	-	10,516,564	-	-	-	10,516,564
Dividend paid to owners of the Company (note 13)	-	(1,084,020)	-	-	-	(1,084,020)
Acquisition of non-controlling interest	-	-	-	-	(361)	(361)
Release of exchange reserve upon liquidation of subsidiaries	(205)	-	-	-	-	(205)
Release of exchange reserve upon disposal of interest in subsidiaries (note 31 (b))	10,199	-	-	-	-	10,199
Exchange translation differences						
- Group	1,895,005	-	-	-	-	1,895,005
- Joint ventures and associates	144,984	-	-	-	-	144,984
Share of other reserve of an associate	-	-	-	-	13	13
Transfer of statutory reserve of an associate	-	(6,182)	-	-	6,182	-
Fair value change on hedging instruments	-	-	-	32,383	-	32,383
Cost of hedging	-	-	-	(548)	-	(548)
Hedging gain reclassified to profit or loss	-	-	-	(28,892)	-	(28,892)
Transaction costs in relation to the issuance of perpetual capital securities	-	(41,135)	-	-	-	(41,135)
At 31st March 2021	(406,701)	83,532,709	(33,072,358)	2,943	(475,130)	49,581,463

Note: Other reserves mainly represent reserves arose from acquisition of additional interest in a subsidiary from non-controlling interests.

27 Deferred income tax

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

	2022 HK\$'000	2021 HK\$'000
At 1st April	(3,077,399)	(2,778,690)
Charged to the consolidated income statement (note 12)	(186,288)	(60,926)
Exchange difference	(135,611)	(237,783)
At 31st March	(3,399,298)	(3,077,399)

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27 Deferred income tax (Continued)

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

Deferred income tax liabilities

	Unrealised gains on investment securities HK\$'000	Accelerated tax depreciation HK\$'000	Fair value gains on properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April 2021	(133,929)	(158,038)	(3,146,038)	(45,512)	(3,483,517)
Credited/(charged) to consolidated income statement	20,239	(26,359)	(205,511)	197	(211,434)
Exchange difference	(38)	84	(133,795)	-	(133,749)
At 31st March 2022	<u>(113,728)</u>	<u>(184,313)</u>	<u>(3,485,344)</u>	<u>(45,315)</u>	<u>(3,828,700)</u>
At 1st April 2020	(77,760)	(166,937)	(2,829,195)	(45,588)	(3,119,480)
(Charged)/credited to consolidated income statement	(56,107)	8,899	(78,864)	76	(125,996)
Exchange difference	(62)	-	(237,979)	-	(238,041)
At 31st March 2021	<u>(133,929)</u>	<u>(158,038)</u>	<u>(3,146,038)</u>	<u>(45,512)</u>	<u>(3,483,517)</u>

Deferred income tax assets

	Tax losses HK\$'000	Provisions HK\$'000	Unrealised intra-group profits HK\$'000	Total HK\$'000
At 1st April 2021	223,619	-	182,499	406,118
Credited/(charged) to consolidated income statement	(58,367)	76,814	6,699	25,146
Exchange difference	94	(1,956)	-	(1,862)
At 31st March 2022	<u>165,346</u>	<u>74,858</u>	<u>189,198</u>	<u>429,402</u>
At 1st April 2020	137,270	-	203,520	340,790
(Charged)/credited to consolidated income statement	86,091	-	(21,021)	65,070
Exchange difference	258	-	-	258
At 31st March 2021	<u>223,619</u>	<u>-</u>	<u>182,499</u>	<u>406,118</u>

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27 Deferred income tax (Continued)

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

	2022 HK\$'000	2021 HK\$'000
Deferred income tax assets	301,843	239,200
Deferred income tax liabilities	(3,701,141)	(3,316,599)
	<u> </u>	<u> </u>

28 Bank and other borrowings

	2022 HK\$'000	2021 HK\$'000
<u>Bank and other borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	11,395,019	12,673,178
- unsecured	9,556,029	2,709,184
Other long-term borrowings		
- secured	161,611	77,753
Less: current portion of long-term bank borrowings	(2,725,649)	(1,988,857)
	<u> </u>	<u> </u>
	18,387,010	13,471,258
	<u> </u>	<u> </u>
Current portion of long-term bank borrowings		
- secured	2,109,223	1,425,457
- unsecured	616,426	563,400
Short-term bank borrowings		
- secured	170,245	526,032
	<u> </u>	<u> </u>
	2,895,894	2,514,889
	<u> </u>	<u> </u>
	21,282,904	15,986,147
	<u> </u>	<u> </u>
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	14,765,117	14,644,985
- unlisted	1,808,265	1,807,014
	<u> </u>	<u> </u>
	16,573,382	16,451,999
	<u> </u>	<u> </u>
Total bank and other borrowings	<u> </u>	<u> </u>
	37,856,286	32,438,146

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28 Bank and other borrowings (Continued)

	2022 HK\$'000	2021 HK\$'000
Representing:		
- non-current liabilities	31,304,836	29,923,257
- current liabilities	6,551,450	2,514,889
Total	<u>37,856,286</u>	<u>32,438,146</u>

As at and 31st March 2022 and 31st March 2021, the Group's bank and other borrowings are repayable as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	6,551,450	2,514,889
Between one and two years	8,889,336	10,662,284
Between two and three years	3,354,506	3,591,943
Between three and four years	4,207,454	2,523,713
Between four and five years	2,538,167	496,860
Over five years	12,315,373	12,648,457
	<u>37,856,286</u>	<u>32,438,146</u>

Notes:

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

The effective interest rate based on the prevailing market rates on the bank borrowings as at 31st March 2022 is 2.60% (2021: 2.60%) per annum.

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

	2022 HK\$'000	2021 HK\$'000
HK dollar	9,437,426	6,997,529
RMB	3,661,307	3,874,283
US dollar	3,510,616	1,303,562
GBP	4,167,943	3,302,264
Australian dollar	505,612	508,509
	<u>21,282,904</u>	<u>15,986,147</u>

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28 Bank and other borrowings (Continued)

Notes: (Continued)

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme (“MTN”). The aggregate principal amount of US\$3 billion. As at 31st March 2022, the Group has drawdown of totalling HK\$16,710 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
5 September 2018	US\$500 million	5th September 2028	5%	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 31st March 2022, the fair values of the MTN are HK\$16,369,712,000 (2021: HK\$17,497,213,000). Of which, HK\$14,569,002,000 (2021: HK\$15,602,707,000) 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\$865,285,000 (2021: US\$863,737,000).

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 year.

- (c) As at 31st March 2022, the Group had HK\$13,770,669,000 (2021: HK\$30,581,428,000) undrawn banking facilities.

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29 Trade and other payables, deposits and accruals

	2022 HK\$'000	2021 HK\$'000
Trade and other payables and accruals (note (a))	1,978,682	4,001,623
Accruals for construction work (note (a))	541,445	530,247
Rental and other deposits received (note (a))	576,956	584,626
Deferred income	28,490	13,800
Amounts due to joint ventures (note (b))	446,466	215,072
Amounts due to associates (note (c))	405,932	49,932
Amounts due to investee companies (note 20)	9,158	9,118
Amounts due to related companies and individuals (note (d))	499,454	487,520
Amount due to immediate holding company (note (e))	7,962	7,978
Amount due to ultimate holding company (note (e))	8,826	365,325
Amounts due to non-controlling interests at amortised cost (note (f))	2,536,504	2,837,764
Amounts due to non-controlling interests at fair value through profit or loss (note (g))	299,526	-
	<u>7,339,401</u>	<u>9,103,005</u>

Notes:

- (a) Trade and other payables mainly include payables related to property development projects including construction and development cost payables. Trade and other payables, deposits and accruals are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	1,904,262	4,047,110
RMB	729,552	474,254
US dollar	380,784	464,718
GBP	81,031	128,893
Others	1,454	1,521
	<u>3,097,083</u>	<u>5,116,496</u>

- (b) Amounts due to joint ventures are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.

Details of the principal joint ventures as at 31st March 2022 are shown in note 36 to the consolidated financial statements.

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

Notes: (Continued)

- (c) Amounts due to associates are unsecured, interest free and repayable on demand. The balances are denominated in HK dollar.
- (d) As at 31st March 2022, amounts due to related companies and individuals of HK\$4,869,000 (2021: HK\$4,820,000) bear interest at 1% per annum (2021: 1% per annum) and remaining balances are interest free. The balances are unsecured and repayable on demand. The balances are denominated in HK dollar.
- (e) Amounts due to immediate holding company and ultimate holding company are unsecured, interest free and repayable on demand. The balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	10,139	15,826
US dollar	6,649	357,477
	<u>16,788</u>	<u>373,303</u>

- (f) As at 31st March 2022, amounts due to non-controlling interests at amortised cost of HK\$839,153,000 (2021: HK\$856,653,000) bear interest 5.0% per annum (2021: 5.1% per annum). The remaining balances are interest free. The balances are unsecured and repayable on demand. The balances are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK dollar	2,147,466	2,434,928
RMB	125,179	128,616
GBP	263,859	274,220
	<u>2,536,504</u>	<u>2,837,764</u>

- (g) The amounts due to non-controlling interests at fair value through profit or loss represented a redeemable preference shares with a par value of US\$0.01 per share. It is measured at fair value through profit or loss and redeemable at the net assets of a subsidiary of the Group at any time by the holder.

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30 Contract liabilities

	2022 HK\$'000	2021 HK\$'000
Contract liabilities related to property sales (note (a))	5,211,070	512,052

Notes:

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

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
- Property sales	257,542	5,345,519

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

	2022 HK\$'000	2021 HK\$'000
Expected to be recognised within one year	7,671,194	1,429,002
Expected to be recognised after one year	-	4,407,056
	7,671,194	5,836,058

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

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31 Notes to the consolidated statement of cash flows

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

	Note	2022 HK\$'000	2021 HK\$'000
Profit before income tax		1,729,758	12,404,896
Depreciation of property, plant and equipment		166,987	147,625
Amortisation of right-of-use assets		47,348	46,227
Net change in fair values of investment properties		(556,599)	5,012,449
Net gain on disposal of property, plant and equipment		(470)	-
Write-off of property, plant and equipment		601	5
Net gain on disposal/liquidation of subsidiaries		(797)	(3,079)
Net gain on disposal of interests in a joint venture	31(c)	(122,633)	-
Unrealised (gain)/loss on loans receivable at fair value through profit or loss		(65,418)	63,903
Unrealised loss/(gain) on financial assets at fair value through profit or loss and derivatives		5,429,664	(9,864,941)
Net (written-back of)/provision for loss allowances of financial assets		(664,686)	395,040
Finance income, net		(131,920)	(148,783)
Share of results of joint ventures		(471,739)	(555,001)
Share of results of associates		(618,879)	361,324
Net cash generated from operating profit before working capital changes		4,741,217	7,859,665
Decrease/(increase) in:			
Properties for sale		(768,148)	2,125,301
Trade and other receivables, deposits and prepayments		(204,861)	1,178,133
Financial assets at fair value through profit or loss		(3,665,766)	(2,206,268)
Increase/(decrease) in:			
Trade and other payables, deposits and accruals		(2,042,496)	778,139
Contract liabilities		4,699,018	(4,969,021)
Financial liabilities at fair value through profit or loss		(351,859)	(409,204)
Net cash generated from operations		2,407,105	4,356,745

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

(b) Disposal of interests in subsidiaries

Disposal of entire interests in Absolute Leader Developments Limited, Golden Estate Investments Limited and their subsidiaries (together the “Disposal Group”)

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 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)
	98,693
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)
	2,874
Net proceeds from disposal of interests in subsidiaries:	
Consideration received	240,498
Cash and bank balances disposed of	(1,994)
	238,504

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

(c) Disposal of interests in a joint venture

On 8th July 2021, the group entered into a sales and purchase agreement with the joint venture partner, IPG 23-30 Borden Upper Tier Member, LLC, for the disposal of 80% interest in IPG 23-30 Borden JV Member LLC, which held 50% interest in a property project in New York, at an aggregate consideration of US\$17 million (equivalent to HK\$133,672,000). The transaction was completed on 19th July 2021 with net gain on disposal of US\$16 million (equivalent to HK\$122,633,000) recognised. Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Interest in joint ventures	
- Cost	88,923
- Share of net assets	(77,859)
	<u>11,064</u>
Net gain on disposal of a joint venture:	
Total consideration	133,672
Net asset disposed of	(11,064)
Release of exchange reserves	25
	<u>122,633</u>
Net proceeds from disposal of interests in a joint venture:	
Consideration received	133,672
	<u>133,672</u>

(d) Significant non-cash transactions

During the year ended 31st March 2022, dividends received from associate amounting to HK\$120,000,000 (2021: 143,960,000) were settled through amounts due to associates.

During the year ended 31st March 2021, dividends received from joint ventures amounting to HK\$5,539,579,000 were settled through amounts due to joint ventures.

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

(e) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings HK\$'000	Interest Payables HK\$'000	Amounts due to related companies and individuals HK\$'000	Amount due to immediate holding company HK\$'000	Amounts due to ultimate holding company HK\$'000	Amounts due to non controlling interests HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1st April 2021	32,438,146	138,165	487,520	7,978	365,325	2,837,764	140,381	36,415,279
Cash flows	5,268,256	(1,139,731)	11,934	(16)	(356,499)	(49,433)	(21,960)	3,712,551
Finance cost	-	1,157,440	-	-	-	42,404	5,124	1,204,968
Exchange differences	126,360	690	-	-	-	5,295	4,189	136,534
Other non-cash movement	23,524	(19,185)	-	-	-	-	13,653	17,992
At 31st March 2022	<u>37,856,286</u>	<u>137,379</u>	<u>499,454</u>	<u>7,962</u>	<u>8,826</u>	<u>2,836,030</u>	<u>141,387</u>	<u>41,487,324</u>
At 1st April 2020	32,208,947	124,813	493,048	8,002	209,610	3,546,013	145,018	36,735,451
Cash flows	(631,434)	(1,063,689)	(5,528)	(24)	155,715	(649,343)	(21,491)	(2,215,794)
Finance cost	-	1,094,784	-	-	-	61,139	5,072	1,160,995
Exchange differences	798,134	725	-	-	-	9,054	7,864	815,777
Other non-cash movement	62,499	(18,468)	-	-	-	(129,099)	3,918	(81,150)
At 31st March 2021	<u>32,438,146</u>	<u>138,165</u>	<u>487,520</u>	<u>7,978</u>	<u>365,325</u>	<u>2,837,764</u>	<u>140,381</u>	<u>36,415,279</u>

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32 Commitments

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

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for		
Investment properties (note (a))	988,078	2,640,941
Other investments (note (b))	5,038,775	3,045,264
	6,026,853	5,686,205
Capital contribution to		
Joint ventures (note (c))	12,862	137,354
	6,039,715	5,823,559

Notes:

- (a) As at 31st March 2022 and 31st March 2021, the Group had capital commitments for investment properties under development and completed investment properties.
- (b) As at 31st March 2022 and 31st March 2021, 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.
- (c) As at 31st March 2022, the Group has an outstanding commitment to contribute capital of US\$796,000 (2021: US\$16,615,000) and HK\$6,667,000 (2021: HK\$8,167,000) to joint ventures for jointly developing manufacturing and office properties and parking lot located in New York and Hong Kong.

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

	2022 HK\$'000	2021 HK\$'000
Third parties		
- not later than one year	1,926	4,055
- later than one year and not later than five years	-	332
	1,926	4,387

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33 Future operating lease receivables

As at 31st March 2022 and 31st March 2021, 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:

	2022 HK\$'000	2021 HK\$'000
Within one year	1,689,645	1,447,022
Between one and two years	1,323,266	1,039,616
Between two and three years	1,038,329	755,584
Between three to four years	805,454	586,377
Between four to five years	585,562	479,712
Later than five years	1,675,886	1,144,777
	<u>7,118,142</u>	<u>5,453,088</u>

34 Pledge of assets

As at 31st March 2022 and 31st March 2021, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	2022 HK\$'000	2021 HK\$'000
Property, plant and equipment	1,450,693	1,347,166
Investment properties	50,707,627	49,327,122
Right-of-use assets	349,817	348,736
Financial assets at fair value through profit or loss	9,086,005	8,298,472
	<u>61,594,142</u>	<u>59,321,496</u>

35 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:

	2022 HK\$'000	2021 HK\$'000
Income:		
From related companies which is held by a close family member of directors of the Company		
- rental income (note)	<u>27,700</u>	<u>27,345</u>

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

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36 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	
				2022	2021
Blooming Lotus Holdings Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
Bordon Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$686,700,000	100%	100%
Capital Treasure Investments Limited ¹	British Virgin Islands	Property investment	US\$1,000	80%	80%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK\$2	100%	100%
Cheerwide Investment Limited ¹	Hong Kong	Property investment and property trading	HK\$1	85%	85%
Chun Yip Construction Company Limited	Hong Kong	Building construction	HK\$570,000,200 ordinary and HK\$1,000,000 non-voting deferred	100%	100%
City Century Development Limited ²	Hong Kong	Property development	HK\$1	100%	100%
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 trading	HK\$1	75%	75%
Ever Crown Development Limited	Hong Kong	Property investment	HK\$2	100%	100%
Ever Grand Enterprises Limited	Hong Kong	Property investment	HK\$1	100%	100%
Forterra Trust	Singapore	Investment holding	SG\$663,179,763	100%	100%

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

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2022	2021
Gavast Estates Limited	Hong Kong	Investment holding	HK\$2	100%	100%
Global Gain Investment Holdings Limited	Cayman Islands	Investment holding	US\$1	100%	100%
Goodyear Investments Private Limited	Singapore	Property investment	SG\$250,000	100%	100%
Great Team Development Limited ^{1,2}	Hong Kong	Property development	HK\$1	60%	60%
Greatco Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Group Reliance Limited	Hong Kong	Financing	HK\$250,000,000	100%	100%
Hing Fung Sendirian Berhad	Malaysia	Property investment	RM6,800,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK\$10,000	100%	100%
Jubilant Century Limited	Hong Kong	Property investment	HK\$10,000	100%	100%
Jubilee Charm Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
Landsun International Limited	Hong Kong	Hotel operation, money lending and financing	HK\$2	100%	100%
London George Unit Trust	Jersey	Property investment	GBP52,600,000	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%
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%

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

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2022	2021
Nan Fung Group Holdings Limited	British Virgin Islands	Investment holding	US\$5,545,836,729	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 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	HK\$3,500,000	100%	100%
Nan Fung Treasury Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury (II) Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury (III) Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Trinity (HK) Limited	Hong Kong	Financial asset management and investment advisory	HK\$255,000,000	100%	100%
Nan Wai Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
New Charm Management Limited	Hong Kong	Building management	HK\$10,000	100%	100%

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

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2022	2021
New Connect Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
New Excellent Development Limited	Hong Kong	Property investment	HK\$1	100%	100%
NF The Mills UK Ltd	United Kingdom	Gallery and event space	GBP1	100%	100%
NFLSRE 1 Winthrop LLC	Delaware	Property investment	US\$28,257,300	100%	100%
NFLSRE 2 Financial LLC	Delaware	Property investment	US\$nil	100%	-
NFLSRE 51 Sleeper LLC	Delaware	Property investment	US\$40,950,000	100%	100%
NFLSRE 470 Atlantic LLC	Delaware	Property investment	US\$nil	100%	-
Northern Green Ventures Sdn. Bhd.	Malaysia	Property investment	RM100 ordinary and RM53,095,420 redeemable preference	100%	100%
New Zone Developments Limited	British Virgin Islands	Property investment	US\$1,000	100%	-
Permwell Management Limited	Cayman Islands	Investment holding	US\$1	100%	100%
Poh Foong Sdn. Bhd.	Malaysia	Property investment	RM200,000	100%	100%
Portslade Global Limited	British Virgin Islands	Investment holding	US\$1,000	100%	100%
Rich Union Development Limited	Hong Kong	Property development	HK\$1	100%	100%
The Mills Limited	Hong Kong	Event space and business planning	HK\$1	100%	100%
Timse Enterprises Limited	Hong Kong	Property trading	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%

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

(a) Subsidiaries (Continued)

The Group had interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2022	2021
上海華天房地產發展有限公司	Mainland China	Property investment	RMB1,772,890,815	100%	100%
上海景信房地產開發有限公司	Mainland China	Property investment	RMB108,880,055	100%	100%
上海寶禾置業有限公司	Mainland China	Property investment	US\$117,000,000	100%	100%
上海英旭置業有限公司	Mainland China	Financing	RMB334,000,000	100%	100%
上海崇豐房地產發展有限公司	Mainland China	Property development	RMB2,531,793,280	60%	60%
大灣管理諮詢(深圳)有限公司 (formerly named as 中南聯合 資產管理諮詢(深圳)有限公 司)	Mainland China	Asset management	RMB15,000,000	100%	100%
南豐京華投資諮詢(北京)有限 公司	Mainland China	Consultancy service	USD1,000,000	100%	100%
廣州市展匯房地產開發有限 公司	Mainland China	Property investment	HK\$1,369,000,000	100%	100%
廣州市展豐房地產開發有限 公司	Mainland China	Property investment	HK\$2,345,000,000	100%	100%

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

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

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

(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	
				2022	2021
Ace Glory Limited	Hong Kong	Property investment and trading	HK\$1	30%	30%
Best Profit Limited	Hong Kong	Property investment and trading	HK\$1	25%	25%
Brave Sky Investments Limited	Hong Kong	Property trading	HK\$2	50%	50%
Brave Sky Mortgage Limited	Hong Kong	Money lending	HK\$2	50%	50%
Century Rise Limited	Hong Kong	Property investment and trading	HK\$1	30%	30%
Everbeam Investments Limited	Hong Kong	Property trading	HK\$1	50%	50%
Everbeam Mortgage Limited	Hong Kong	Money lending	HK\$1	50%	50%
Fortune Creation Developments Limited	British Virgin Islands	Property development	US\$100	50%	50%
IPG LIC 49th Ave Lot 22 JV LLC ¹	Delaware	Property investment	US\$1,888,605	94%	94%
IPG LIC 49th Ave Lower Floor Units JV LLC ¹	Delaware	Property investment	US\$67,738,427	94%	94%
IPG LIC 49th Ave Upper Floor Unit JV LLC ¹	Delaware	Property investment	US\$24,272,969	94%	94%
Market Prospect Limited	Hong Kong	Property trading	HK\$2	50%	50%
Pacific Bond Limited	Hong Kong	Property investment and trading	HK\$1	30%	30%
Protic Limited	Hong Kong	Property development	HK\$2	50%	-
Teamer International Limited	Hong Kong	Property trading	HK\$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property investment and trading	HK\$1	25%	25%

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

(b) Joint ventures (Continued)

- 1 The directors of the Company considered the Group does not have unilateral control over these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing of control.

(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	
				2022	2021
Century Land Investment Limited	Hong Kong	Property investment	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	Mainland China	Property investment	US\$100,000,000	49%	49%

- 1 The directors of the Company considered the Group has significant influence over this company through its representative on the board of directors of this company.