

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2018

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

(Incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Nan Fung International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 89, which comprise:

- the consolidated balance sheet as at 31st March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

Independence

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

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

(Incorporated in the British Virgin Islands with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

(Incorporated in the British Virgin Islands with limited liability)

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26th June 2018

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

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2018**

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	5, 6	3,125,040	6,229,893
Cost of sales		(524,855)	(2,633,113)
Gross profit		2,600,185	3,596,780
Other income and gains, net	7	3,550,811	3,043,877
Net change in fair values of investment properties		1,336,430	605,440
Other operating expenses		(1,784,930)	(1,749,394)
Operating profit	8	5,702,496	5,496,703
Finance income		397,712	349,134
Finance expenses		(326,501)	(430,213)
Other finance charges and net exchange difference on financing activities		176,548	(158,245)
Finance income/(expenses), net	10	247,759	(239,324)
Share of results of			
- Joint ventures	5	1,803,981	2,140,264
- Associates	5	354,142	491,310
Profit before income tax		8,108,378	7,888,953
Income tax expense	11	(615,344)	(518,247)
Profit for the year		7,493,034	7,370,706
Profit/(loss) for the year attributable to:			
- Owners of the Company		7,339,264	7,042,373
- Holders of perpetual capital securities		177,284	-
- Non-controlling interests		(23,514)	328,333
		7,493,034	7,370,706

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2018**

	2018 HK\$'000	2017 HK\$'000
Profit for the year	7,493,034	7,370,706
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value change on available-for-sale financial assets	1,088,951	(226,526)
Impairment provision on available-for-sale financial assets recycled to consolidated income statement	13,197	36,882
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(220,879)	(924,364)
Share of other comprehensive income/(loss) of joint ventures and associates	207,744	(110,329)
Release of exchange reserves upon disposal of interests in/liquidation of subsidiaries and joint ventures	46,747	174,096
Fair value change on hedge instruments	135,764	-
Exchange translation differences	2,068,921	(1,222,781)
Other comprehensive income/(loss) for the year	3,340,445	(2,273,022)
Total comprehensive income for the year	10,833,479	5,097,684
Total comprehensive income attributable to:		
- Owners of the Company	10,598,397	4,863,435
- Holders of perpetual capital securities	177,284	-
- Non-controlling interests	57,798	234,249
	10,833,479	5,097,684

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2018

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,099,611	3,123,989
Investment properties	14	75,517,598	45,125,952
Land use rights	15	409,333	382,506
Joint ventures	16	8,617,184	9,257,902
Associates	17	6,467,538	5,999,522
Available-for-sale financial assets	18	10,194,779	6,625,762
Loans receivable	19	3,212,856	1,249,335
Amounts due from investee companies	20	48,455	72,348
Deferred income tax assets	28	194,010	167,554
		107,761,364	72,004,870
Current assets			
Properties for sale	21	23,386,118	14,678,058
Trade and other receivables, deposits and prepayments	22	7,381,546	6,055,969
Financial assets at fair value through profit or loss and derivative financial instruments	23	13,654,979	11,586,875
Prepaid tax		29,038	80,811
Cash and bank balances	24	6,976,468	20,746,904
		51,428,149	53,148,617
Assets classified as held-for-sale	25	231,372	1,172,297
		51,659,521	54,320,914
Total assets			
		159,420,885	126,325,784

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

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31ST MARCH 2018

	Note	2018 HK\$'000	2017 HK\$'000
EQUITY			
Equity attributable to the owner's of the Company			
Share capital	26	62,743,532	62,743,532
Reserves	27	34,292,138	24,103,247
		97,035,670	86,846,779
Perpetual capital securities	26	3,969,252	-
		101,004,922	86,846,779
Non-controlling interests		624,913	1,490,669
Total equity		101,629,835	88,337,448
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	3,163,564	2,723,498
Bank and other borrowings	29	32,683,164	23,914,892
Other long-term liabilities		104,086	82,704
		35,950,814	26,721,094
Current liabilities			
Trade and other payables, deposits and accruals	30	10,698,675	7,311,332
Receipts in advance on properties for sale		7,294,322	2,206,082
Financial liabilities at fair value through profit or loss and derivative financial instruments	23	270,046	203,546
Bank and other borrowings	29	2,757,128	438,475
Tax payable		820,065	527,449
		21,840,236	10,686,884
Liabilities classified as held-for-sale	25	-	580,358
		21,840,236	11,267,242
Total liabilities		57,791,050	37,988,336
Total equity and liabilities		159,420,885	126,325,784

On behalf of the Board

Cheung Vincent Sai Sing
Director

Cheung Vanessa Tih Lin
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 2018**

	Attributable to owners of the Company					Perpetual	Non-	Total
	Share capital HK\$'000	Retained earnings HK\$'000	Merger reserve HK\$'000	Other reserves HK\$'000	Total HK\$'000	capital securities HK\$'000	controlling interests HK\$'000	equity HK\$'000
At 1st April 2017	62,743,532	61,947,557	(37,757,621)	(86,689)	86,846,779	-	1,490,669	88,337,448
Comprehensive income								
Profit/(loss) for the year	-	7,339,264	-	-	7,339,264	177,284	(23,514)	7,493,034
Other comprehensive income	-	-	-	3,259,133	3,259,133	-	81,312	3,340,445
Total comprehensive income	-	7,339,264	-	3,259,133	10,598,397	177,284	57,798	10,833,479
Dividend paid to non-controlling interests	-	-	-	-	-	-	(11,544)	(11,544)
Capital injection of non-controlling interests	-	-	-	-	-	-	3,630	3,630
Transfer of statutory reserve of an associate	-	(3,755)	-	3,755	-	-	-	-
Acquisition of non-controlling interests (note 31(b))	-	-	-	(369,415)	(369,415)	-	(915,640)	(1,285,055)
Issuance of perpetual capital securities	-	-	-	-	-	3,896,300	-	3,896,300
Transaction costs in relation to issuance of perpetual capital securities	-	(40,091)	-	-	(40,091)	-	-	(40,091)
Distribution paid to holders of perpetual capital securities	-	-	-	-	-	(104,332)	-	(104,332)
At 31st March 2018	62,743,532	69,242,975	(37,757,621)	2,806,784	97,035,670	3,969,252	624,913	101,629,835
At 1st April 2016	62,743,532	54,622,184	(37,757,621)	2,151,825	81,759,920	-	1,599,515	83,359,435
Comprehensive income								
Profit for the year	-	7,042,373	-	-	7,042,373	-	328,333	7,370,706
Other comprehensive loss	-	-	-	(2,178,938)	(2,178,938)	-	(94,084)	(2,273,022)
Total comprehensive income/(loss)	-	7,042,373	-	(2,178,938)	4,863,435	-	234,249	5,097,684
Dividend paid to non-controlling interests	-	-	-	-	-	-	(167,090)	(167,090)
Capital injection of/settlement with non-controlling interests	-	283,000	-	-	283,000	-	16,068	299,068
Acquisition of non-controlling interests	-	-	-	(59,576)	(59,576)	-	(192,073)	(251,649)
	-	283,000	-	(59,576)	223,424	-	(343,095)	(119,671)
At 31st March 2017	62,743,532	61,947,557	(37,757,621)	(86,689)	86,846,779	-	1,490,669	88,337,448

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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	5,025,580	3,699,491
Profits tax paid		(125,307)	(833,647)
Net cash from operating activities		4,900,273	2,865,844
Cash flows from investing activities			
Interest received		393,378	712,111
Purchase of property, plant and equipment		(23,210)	(11,132)
Proceeds from disposal of property, plant and equipment		1,104	410
Additions to investment properties		(31,697,879)	(2,656,683)
Proceeds from sale of investment properties		-	39,797
Purchase of available-for-sale financial assets		(2,722,976)	(839,539)
Proceeds from disposal of available-for-sale financial assets		359,814	1,111,271
Proceeds from disposal of loans receivable		1,499,451	-
Decrease in amounts due from investee companies		23,893	87,862
Increase in amounts due to investee companies		2,844	4,901
(Increase)/decrease in amounts due from non-controlling interests		(2,891)	526
Decrease in amounts due from joint ventures		4,009,864	1,009,966
Dividends received from joint ventures		3,500	100,500
Increase in amounts due to joint ventures		1,855,624	616,004
Dividends received from associates		2,000	80,673
Investment in and increase in amounts due from associates		(433,053)	(1,144,089)
Increase in amounts due to associates		854,064	448,192
Net cash (outflow)/inflow from disposal of interests in subsidiaries	31(c) & (d)	(125,706)	674,725
Proceeds from disposal of interests in joint ventures		-	76,331
Increase in loans receivable		(4,066,437)	(1,180,270)
Increase in amounts due from fellow subsidiary companies		(2,961)	(167)
Decrease in amounts due from related companies		13,360	78,505
Increase in amount due from an intermediate holding company		(1,146,599)	-
Increase in amount due from ultimate holding company		(1,191)	-
Acquisition of interest in a subsidiary, net of cash acquired	31 (e)	-	(413,707)
Decrease/(increase) in short term bank deposits with original maturities more than three months		3,093,368	(172,915)
(Increase)/decrease in restricted bank deposits		(12,417)	833,812
Net cash used in investing activities		(28,123,056)	(542,916)

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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Cash flows from financing activities	31(g)		
Interest paid		(1,068,598)	(1,101,150)
Decrease in amounts due to related companies and individuals		(559,251)	(271,147)
Increase in amounts due to fellow subsidiaries		126,907	-
Increase/(decrease) in amount due to ultimate holding company		537,089	(240)
Capital injection from non-controlling interests		3,630	5,370
Increase in amounts due to non-controlling interests		601,938	153,638
Issuance of medium term note		3,653,475	-
Issuance of perpetual capital securities, net of expenses		3,856,209	-
Distribution paid to holders of perpetual capital securities		(104,332)	-
Repayment of guaranteed notes		-	(4,653,900)
Drawdown of bank and other borrowings		27,317,185	9,976,430
Repayment of bank and other borrowings		(20,747,165)	(3,753,941)
Dividend paid to non-controlling interest		(11,544)	(167,090)
Acquisition of non-controlling interests	31(b) & (f)	(1,285,055)	(251,649)
Net cash from/(used in) financing activities		<u>12,320,488</u>	<u>(63,679)</u>
Net (decrease)/increase in cash and cash equivalents		(10,902,295)	2,259,249
Cash and cash equivalents at beginning of year		17,465,716	15,182,833
Currency translation differences		212,810	35,031
Cash and cash equivalents of subsidiaries classified as held-for-sale	25	-	(11,397)
Cash and cash equivalents at end of year	24	<u>6,776,231</u>	<u>17,465,716</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 24th September 1999 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 26th June 2018.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(i) Amendments to standards and interpretation adopted by the Group

The Group has adopted the following amendments to standards and interpretation which are mandatory for the financial year beginning 1st April 2017 and are relevant to its operation.

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses issued
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2014 – 2016 Cycle - IFRS 12 Disclosure of Interests in Other Entities

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 and interpretation adopted by the Group (Continued)

In current year, the Group has adopted the amendments to IAS 40 in advance of its mandatory effective date (i.e., 1st January 2018). The amendments clarify that, to transfer to or from, investment properties, there must be a change in use supported by appropriate evidence. During the year, the Group has transferred investment properties of HK\$6,281,578,000 to properties for sale – under development in accordance with IAS 40 (amendments).

Other than the effect of the amendments of IAS 40, the Group has assessed the impact of the adoption of these amendments to standards and consider that there is neither significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements. The reconciliation of liabilities arising from financing activities as required by amendments to IAS 7 is disclosed in note 31(g).

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

The Group has not early adopted the following new standards and amendments that have been issued but are not yet effective for the year ended 31st March 2018:

		Effective for accounting periods beginning on or after
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2014 – 2016 Cycle	1st January 2018
Annual Improvements to IFRSs (Amendments)	Annual Improvements to IFRSs 2015 – 2017 Cycle	1st January 2019
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions'	1st January 2018
IFRS 9	Financial Instruments	1st January 2018
IFRS 15	Revenue from Contracts with Customers	1st January 2018
IFRS 16	Leases	1st January 2019
IFRIC 22	Foreign Currency, Transactions and Advance Consideration	1st January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1st January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

The Group will adopt the new standards and amendments as and when they become effective. The Group is in the process of assessing the impact on the financial statements, in which the assessment on IFRS 9, 15 and 16 is detailed below:

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

IFRS 9 Financial Instruments

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following major impacts from the adoption of the new standard on 1st April 2018:

Classification of financial assets and financial liabilities

The majority of the Group's instruments that are currently classified as available-for-sale financial assets ("AFS") will be reclassified to financial assets at fair value through profit or loss ("FVPL"). Related fair value gains or losses will have to be transferred from the investment revaluation reserve to retained earnings on 1st April 2018.

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

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

Hedging accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

IFRS 9 Financial Instruments (Continued)

Impairment of financial assets (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

The new standard will be applied for financial years commencing on 1st April 2018. The Group will apply the new rules retrospectively from 1st April 2018, where the standard provides transition exemptions. The Group will elect to apply the transition exemptions, and comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) in the year of adoption i.e. as at 1st April 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, and the related Interpretations when it becomes effective. IFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1st April 2018. The Group will adopt this new standard from 1st April 2018. The Group does not expect the new standard to have a significant impact on the Group's accounting.

IFRS 16 Leases

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

NAN FUNG INTERNATIONAL HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Transactions with non-controlling interests

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

(iii) Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iii) Joint arrangements (Continued)

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

(iv) Associates

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

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

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2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

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

(d) Property, plant and equipment

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

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2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

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

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

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

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

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

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

(e) Land use rights

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

(f) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

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2 Summary of significant accounting policies (Continued)

(f) Investment properties (Continued)

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

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

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

(g) Properties under development and properties for sale

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

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

(h) Leases

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

(i) The Group as lessor

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

(ii) The Group as lessee

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

(i) Financial assets

(i) Classification of financial assets

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

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2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(i) Classification of financial assets (Continued)

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

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

(2) Loans and receivables

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

(3) Available-for-sale financial assets

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

(ii) Recognition and measurement

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

(1) Assets carried at amortised cost

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

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

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

(2) Assets classified as available-for-sale

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

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2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

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

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

(j) Impairment of non-financial assets

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

(k) Derivatives

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

(l) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Contracts in progress

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

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

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2 Summary of significant accounting policies (Continued)

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Bonus entitlements

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

(p) Borrowings

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

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

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

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2 Summary of significant accounting policies (Continued)

(q) Trade payables

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

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

(r) Current and deferred income tax

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

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

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

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

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

(s) Provisions

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

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

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2 Summary of significant accounting policies (Continued)

(t) Financial guarantee contract

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

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

(u) Revenue and income recognition

(i) Sale of properties

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

(ii) Rental income

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

(iii) Construction revenue

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

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

(iv) Hotel revenue

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

(v) Dividend income

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

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2 Summary of significant accounting policies (Continued)

(u) Revenue and income recognition (Continued)

(vi) Interest income

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

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

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

(viii) Others

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

(v) Share capital

Ordinary shares are classified as equity.

(w) Borrowing costs

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

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

(x) Segment reporting

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

(y) Contingent liabilities

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

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

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2 Summary of significant accounting policies (Continued)

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

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

3 Financial risk management

(a) Financial risk factors

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

(i) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group's publicly traded equity are mainly listed in The Hong Kong Stock Exchange, New York Stock Exchange and Nasdaq.

As at 31st March 2018, if the market values of the Group's available-for-sale financial assets increase/decrease by 10%, with all other variables held constant, the Group's post-tax profit would not be affected unless there are impairments but the Group's total equity would increase/decrease by approximately HK\$1,000,179,000 (2017: HK\$653,914,000). Should certain of the investments were considered to be impaired as at 31st March 2018, further decrease in market values of the investments would require to be charged to the consolidated income statement.

As at 31st March 2018, 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\$959,614,000 (2017: HK\$761,581,000).

(ii) Credit risk

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

The clearing and depository operations for the Group's security investment transactions are mainly concentrated with brokers who are members of major securities exchanges. The Group also invests in unlisted funds managed by fund managers who do not have credit rating. As at 31st March 2018, those brokers and fund managers had a long term foreign issuer credit rating ranging from AA- to BBB+ as issued by the Standard and Poor's as follows:

	2018 HK\$'000	2017 HK\$'000
AA-	137,333	-
A- to A+	9,293,431	8,301,706
BBB+	3,933,608	3,139,422
Unrated ¹	10,215,340	6,567,963
	<u>23,579,712</u>	<u>18,009,091</u>

¹ The directors monitor the exposure on unrated assets and considered that the counterparty risk is minimal.

As at 31st March 2018, substantial listed investments, which are either classified as available-for-sale financial assets or financial assets at fair value through profit or loss, are placed in custody with financial institutions with good credit rating. All transactions in listed securities are settled or paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Group's credit risk concentration of debt and convertible securities as at 31st March 2018 is analysed below based upon the credit rating of the issuers:

	2018 HK\$'000	2017 HK\$'000
AA to AAA	406,502	-
A- to A+	622,486	1,418,016
BBB- to BBB+	1,008,786	1,404,068
Lower than BBB-	601,036	204,624
Unrated ²	708,977	579,481
	<u>3,347,787</u>	<u>3,606,189</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

With respect to credit risk arising on cash and bank balances, the Group has limited its credit exposure by restricting their selection of financial institutions and banks with good credit rating as at 31st March 2018 ranging from AA- to BBB- issued by Standard and Poor's or Moody's as follows:

	2018 HK\$'000	2017 HK\$'000
AA-	218,645	1,245,929
A- to A+	6,153,640	18,627,720
BBB- to BBB+	302,291	820,598
Unrated ³	301,892	52,657
	<u>6,976,468</u>	<u>20,746,904</u>

- ³ The directors monitor the exposure on unrated assets and considered that the risk of default is minimal as these balances were mainly placed in banks located in the People's Republic of China ("PRC").

The Group has no significant concentrations of credit risk from its trade customers. It has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases, sales proceeds are received before the assignment of properties are executed, mortgage of property is required from buyer for financing the property purchase.

Trade receivables mainly include receivables from lease of properties, trading of securities, and other services. Loans receivable are substantially secured by collaterals.

In order to minimise the credit risk of trade and other receivables and loans receivable, the management of the Group has delegated the heads of different business lines for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. No credit limits were exceeded during the year ended 31st March 2018, and management does not expect any losses from non-performance by these counterparties.

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

(iii) Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Interest rate risk (continued)

Interest rates of bank deposits, bank borrowing, loans receivable, amounts due from joint ventures, associates and investee companies and amounts due to non-controlling interests are determined based on prevailing market rates and expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by monitoring of interest rate movements, replacing and entering into new banking facilities when favourable pricing opportunities arise and would consider using interest rate swap when appropriate. The Group has entered into various interest rate swaps with financial institutions to swap the floating interest rate of bank and other borrowings of HK\$4,742,680,000 (2017: HK\$nil) to effectively become fixed rate. These interest rate swaps are designated as hedges and these hedges are considered to be highly effective. As at 31st March 2018, 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\$60,891,000 (2017: increase/decrease by approximately HK\$33,684,000), resulting from the change in the borrowing costs of bank borrowings and interest bearing financial liabilities, and change in interest income from the interest bearing financial assets.

(iv) Foreign exchange risk

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

The Group's foreign currency exposures primarily arise from monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency, where these assets and liabilities are 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 2018, 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\$61,409,000 (2017: HK\$58,592,000) and HK\$16,036,000 (2017: HK\$19,267,000) respectively as a result of foreign exchange gains/losses.

As at 31st March 2018, 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\$29,031,000 (2017: increase/decrease by HK\$100,000) as a result of foreign exchange losses/gains.

(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.

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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 2018				
Trade and other payables and accruals	2,668,986	-	-	-
Amounts due to customers for contract work	777			
Amounts due to joint ventures, associates and investee companies	3,572,573	-	-	-
Amounts due to related companies and individuals	649,281	-	-	-
Amounts due to fellow subsidiary companies	248,789	-	-	-
Amount due to ultimate holding company	539,266	-	-	-
Amounts due to non-controlling interests	2,905,441	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	270,046	-	-	-
Bank and other borrowings	3,772,689	2,047,723	25,600,884	9,402,767
Other long-term liabilities	-	-	104,086	-
	<u>14,627,848</u>	<u>2,047,723</u>	<u>25,704,970</u>	<u>9,402,767</u>
At 31st March 2017				
Trade and other payables and accruals	2,368,825	-	-	-
Amounts due to joint ventures, associates and investee companies	1,265,643	-	-	-
Amounts due to related companies and individuals	1,208,532	-	-	-
Amounts due to fellow subsidiary companies	121,882	-	-	-
Amount due to ultimate holding company	2,177	-	-	-
Amounts due to non-controlling interests	2,344,273	-	-	-
Financial liabilities at fair value through profit or loss and derivative financial instruments	203,546	-	-	-
Bank and other borrowings	1,150,804	4,246,152	14,037,166	8,677,618
Other long-term liabilities	-	-	82,704	-
	<u>8,665,682</u>	<u>4,246,152</u>	<u>14,119,870</u>	<u>8,677,618</u>

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3 Financial risk management (Continued)

(b) Capital risk management

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

The Group monitors its capital on the basis of the net debt to equity ratio. Net debt is calculated as total bank and other borrowings (including "current and non-current bank borrowings" and "guaranteed notes") less cash and bank balances. The net debt to equity ratio as at 31st March 2018 and 31st March 2017 is as follows:

	2018 HK\$'000	2017 HK\$'000
Bank borrowings	26,570,143	19,197,992
Guaranteed notes	8,870,149	5,155,375
Total debts - interest bearing bank and other borrowings	35,440,292	24,353,367
Less: Cash and bank balances	(6,976,468)	(20,746,904)
Net debt	28,463,824	3,606,463
Equity attributable to owners of the Company and holders of perpetual capital securities	101,004,922	86,846,779
Net debt to equity ratio	28.18%	4.15%

Increase in net debt to equity ratio mainly resulted from cash paid and bank borrowings obtained for acquisition of commercial site at the former Kai Tak airport.

(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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

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

	Valuation Technique			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31st March 2018				
Available-for-sale financial assets				
Equity securities				
- listed	265,387	-	-	265,387
- unlisted	-	-	9,736,398	9,736,398
Debt and convertible securities				
- unlisted	-	1,550	191,444	192,994
Loans receivable designated at fair value through profit or loss	-	-	2,530,109	2,530,109
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	9,183,776	-	-	9,183,776
Equity securities - designated				
- listed	1,000,945	-	-	1,000,945
- unlisted	-	-	16,783	16,783
Debt securities - held-for-trading				
- listed	2,256,026	-	-	2,256,026
- unlisted	-	898,767	-	898,767
Derivative financial instruments - held-for-trading				
- listed	2,064	-	-	2,064
- unlisted	-	296,618	-	296,618
Total	12,708,198	1,196,935	12,474,734	26,379,867

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

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

	Valuation Technique			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2017				
Available-for-sale financial assets				
Equity securities				
- listed	96,545	-	-	96,545
- unlisted	-	-	6,442,591	6,442,591
Debt and convertible securities				
- unlisted	-	1,672	84,954	86,626
Loans receivable designated at fair value through profit or loss	-	-	1,270,011	1,270,011
Financial assets at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	7,240,721	-	-	7,240,721
Equity securities - designated				
- listed	708,486	-	-	708,486
- unlisted	-	-	15,719	15,719
Debt securities - held-for-trading				
- listed	3,109,879	-	-	3,109,879
- unlisted	-	409,684	-	409,684
Derivative financial instruments - held-for-trading				
- listed	19,454	-	-	19,454
- unlisted	-	82,932	-	82,932
Total	11,175,085	494,288	7,813,275	19,482,648

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

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

	Valuation Technique			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March 2018				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(57,028)	-	-	(57,028)
Derivatives				
- listed	(15,689)	-	-	(15,689)
- unlisted	-	(197,329)	-	(197,329)
Total	(72,717)	(197,329)	-	(270,046)
At 31st March 2017				
Financial liabilities at fair value through profit or loss				
Equity securities - held-for-trading				
- listed	(82,784)	-	-	(82,784)
Derivatives				
- listed	(18,041)	-	-	(18,041)
- unlisted	-	(102,721)	-	(102,721)
Total	(100,825)	(102,721)	-	(203,546)

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

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

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

Specific valuation techniques used to value financial instruments include:

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

As at 31st March 2018, available-for-sale financial instruments of HK\$9,927,842,000 (2017: HK\$6,527,545,000) are measured with valuation techniques using significant unobservable inputs (level 3). It included private equity funds, unquoted direct equity investments, hedge funds, real estate funds and others which represent approximate 31%, 39%, 6%, 7% and 17% (2017: 35%, 33%, 9%, 13% and 10%) of those level 3 investments respectively.

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

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

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

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

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

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3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

The following represents the changes in level 3 instruments for the year ended 31st March 2018:

	Available- for-sale financial assets HK\$'000	Loans receivable designated at fair value through profit or loss HK\$'000	Financial assets at fair value through profit or loss and derivative financial instruments HK\$'000
At 1st April 2017	6,527,545	1,270,011	15,719
Additions	3,236,267	3,067,391	2,492
Repayment	-	(307,842)	-
Disposal ¹	(257,227)	(1,499,451)	-
Return of capital	(638,859)	-	-
Total unrealised gains or losses recognised in			
- Income statement	-	-	(1,441)
- Other comprehensive income	948,879	-	-
Exchange translation differences	111,237	-	13
At 31st March 2018	9,927,842	2,530,109	16,783
At 1st April 2016	6,045,846	89,741	16,665
Additions	1,860,160	1,199,553	-
Repayment	-	(19,283)	-
Disposal	(9,729)	-	-
Return of capital	(1,020,642)	-	-
Total unrealised gains or losses recognised in			
- Income statement	-	-	(948)
- Other comprehensive income	(347,065)	-	-
Exchange translation differences	(1,025)	-	2
At 31st March 2017	6,527,545	1,270,011	15,719

¹ Details of disposal of loans receivable designated at fair value through profit or loss of HK\$1,499,451,000 is included in note 19(b).

(ii) Financial instruments carried at other than fair value

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

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4 Critical accounting estimates and judgements

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

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

(i) Estimate of fair value of investment properties

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

(ii) Estimate of fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

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

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

Management reviews the recoverable amount of properties for sale at each reporting date. The recoverable amounts are the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amounts. The amount of impairment made for the year ended 31st March 2018 was HK\$nil (2017: HK\$186,895,000). Any changes to the estimated recoverable amounts may cause a material adjustment to the carrying amount and result in future financial year if the actual net realisable values of the properties for sale are different than expected as a result of change in market condition.

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

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4 Critical accounting estimates and judgements (Continued)

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

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

As at 31st March 2018, if all of the declines in fair value below cost were considered as impaired, the Group would suffer an additional post-tax loss of HK\$251,897,058 (2017: HK\$163,923,000) for the year, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to the consolidated income statement.

(v) Income taxes

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

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

(vi) Classification of properties

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

(vii) Recoverability of receivables

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

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5 Segment reporting

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

Management has determined the operating segments based on these reports and analysed from a business perspective including subsidiaries, joint ventures and associates:

- Hong Kong properties (including construction services)
- PRC and overseas properties
- Financial investment
- Corporate, treasury and others

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

Segment liabilities comprise operating liabilities. Other liabilities include amount due to ultimate holding company, tax payable, bank 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.

In current year, operating results of Macau projects are reported to chief operating decision-maker together with operating results of Hong Kong projects. Therefore, relevant revenue, results, assets and liabilities of Macau projects are grouped under Hong Kong properties for segment reporting purpose.

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5 Segment reporting (Continued)

The segment results for the year ended 31st March 2018 are as follows:

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue HK\$'000	Results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000
Hong Kong properties	1,175,496	2,374,445	4,682,284	1,922,507	137,296	286,472	5,995,076	4,583,424
PRC and overseas properties	1,216,324	553,121	15,609	(115,225)	182,877	94,456	1,414,810	532,352
Financial investment	674,566	2,628,126	347	(3,301)	12,746	(26,786)	687,659	2,598,039
Corporate, treasury and others	58,654	146,804	-	-	-	-	58,654	146,804
	<u>3,125,040</u>	<u>5,702,496</u>	<u>4,698,240</u>	<u>1,803,981</u>	<u>332,919</u>	<u>354,142</u>	<u>8,156,199</u>	<u>7,860,619</u>
Segment results								7,860,619
Finance income, net								247,759
Profit before income tax								8,108,378
Income tax expense								(615,344)
Profit for the year								<u>7,493,034</u>

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5 Segment reporting (Continued)

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

	<u>The Company and its subsidiaries</u>		<u>Joint ventures</u>		<u>Associates</u>		<u>Total</u>	
	Revenue HK\$'000	Results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Share of revenue HK\$'000	Share of results HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000
Hong Kong properties	3,844,813	1,817,765	7,046,666	2,190,080	3,164	204,536	10,894,643	4,212,381
PRC and overseas properties	1,252,459	(83,240)	11,854	(49,172)	575,828	251,679	1,840,141	119,267
Financial investment	1,132,621	3,763,804	811	(644)	47,220	35,095	1,180,652	3,798,255
Corporate, treasury and others	-	(1,626)	-	-	-	-	-	(1,626)
	<u>6,229,893</u>	<u>5,496,703</u>	<u>7,059,331</u>	<u>2,140,264</u>	<u>626,212</u>	<u>491,310</u>	<u>13,915,436</u>	<u>8,128,277</u>
Segment results								8,128,277
Finance expense, net								(239,324)
Profit before income tax								7,888,953
Income tax expense								(518,247)
Profit for the year								<u>7,370,706</u>

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5 Segment reporting (Continued)

The segment assets and liabilities as at 31st March 2018 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	75,882,733	7,820,853	4,032,981	87,736,567	(14,020,943)
PRC and overseas properties	34,357,947	3,411,560	2,372,501	40,142,008	(1,357,924)
Financial investment	25,901,735	5,959	278,829	26,186,523	(1,391,037)
Corporate, treasury and others	5,132,739	-	-	5,132,739	(1,595,048)
	<u>141,275,154</u>	<u>11,238,372</u>	<u>6,684,311</u>	<u>159,197,837</u>	<u>(18,364,952)</u>
Deferred income tax assets				194,010	-
Prepaid tax				29,038	-
Bank and other borrowings				-	(35,440,292)
Amounts due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(3,163,564)
Tax payable				-	(820,065)
Consolidated total assets/(liabilities)				<u>159,420,885</u>	<u>(57,791,050)</u>

The segment assets and liabilities as at 31st March 2017 are as follows:

	The Company and its subsidiaries HK\$'000	Joint ventures HK\$'000	Associates HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000
Hong Kong properties	44,020,373	9,124,097	2,916,131	56,060,601	(6,650,374)
PRC and overseas properties	28,959,155	3,066,549	3,068,988	35,094,692	(2,039,505)
Financial investment	19,386,526	8,916	155,975	19,551,417	(325,648)
Corporate, treasury and others	15,370,709	-	-	15,370,709	(1,366,318)
	<u>107,736,763</u>	<u>12,199,562</u>	<u>6,141,094</u>	<u>126,077,419</u>	<u>(10,381,845)</u>
Deferred income tax assets				167,554	-
Prepaid tax				80,811	-
Bank and other borrowings				-	(24,353,367)
Amounts due to ultimate holding company				-	(2,177)
Deferred income tax liabilities				-	(2,723,498)
Tax payable				-	(527,449)
Consolidated total assets/(liabilities)				<u>126,325,784</u>	<u>(37,988,336)</u>

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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	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong properties	90,603	101,985	28,543,827	2,165,394
PRC and overseas properties	86,289	85,470	4,168,672	2,676,188
Financial investment	-	-	187,730	6,304
Corporate, treasury and others	22	424	71	-
	<u>176,914</u>	<u>187,879</u>	<u>32,900,300</u>	<u>4,847,886</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 2018 HK\$'000	For the year ended 31st March 2017 HK\$'000
Hong Kong	1,908,716	4,977,434
The PRC	1,087,209	1,157,154
Overseas	129,115	95,305
	<u>3,125,040</u>	<u>6,229,893</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 2018 HK\$'000	As at 31st March 2017 HK\$'000
Hong Kong	60,170,981	36,099,635
The PRC	26,856,524	23,723,862
Overseas	7,083,759	4,066,374
	<u>94,111,264</u>	<u>63,889,871</u>

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6 Revenue

	2018 HK\$'000	2017 HK\$'000
Sale of properties	241,055	2,786,422
Gross rental income	1,433,621	1,289,005
Construction revenue	59,980	389,705
Hotel revenue	490,291	441,156
Property management fee income	166,648	144,824
Dividend income from investments	461,316	949,940
Interest income from loan receivables, debt and convertible securities	272,129	228,841
	<u>3,125,040</u>	<u>6,229,893</u>

7 Other income and gains, net

	2018 HK\$'000	2017 HK\$'000
Net gain on financial assets at fair value through profit or loss (note (a))	1,955,576	1,529,913
Net gain on derivatives (note (b))	245,256	479,417
Fair value gain on transfer of properties for sale to investment properties (note 14)	796,544	-
Impairment provision on available-for-sale financial assets	(13,197)	(36,882)
Net gain on disposal of available-for-sale financial assets	226,488	922,517
Net gain/(loss) on disposal of interests in/liquidation of subsidiaries	91,413	(131,232)
Net gain on disposal of interests in joint ventures	-	57,543
Net gain/(loss) on disposal of property, plant and equipment	497	(123)
Net gain on disposal of investment properties	-	8,894
Write back of/(provision for) doubtful debt (note 16(a))	70,232	(4,224)
Write-back of over-provision for construction cost	-	15,302
Net exchange gain	50,873	67,149
Others	127,129	135,603
	<u>3,550,811</u>	<u>3,043,877</u>

Notes:

- (a) The amount comprised realised gain of HK\$900,683,000 (2017: HK\$385,570,000) and unrealised gain of HK\$1,054,893,000 (2017: HK\$1,144,343,000) on financial assets at fair value through profit or loss.
- (b) The amount comprised realised gain of HK\$225,483,000 (2017: HK\$411,914,000) and unrealised gain of HK\$19,773,000 (2017: HK\$67,503,000) on derivatives.

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8 Operating profit

Operating profit is arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Cost of properties sold	101,596	1,839,183
Cost of construction works	27,139	378,221
Hotel direct costs	208,320	196,178
Outgoings in respect of rental income	194,479	206,653
Depreciation of property, plant and equipment (note 13)	163,838	174,906
Amortisation of land use rights (note 15)	13,076	12,973
Staff costs (note 9)	688,767	697,538
Marketing and selling expenses	104,333	204,447
Rental expense under operating lease	8,459	1,107

9 Staff costs and key management compensation

	2018 HK\$'000	2017 HK\$'000
Staff costs		
- wages, salaries and allowances and benefits in kind	970,294	909,433
- retirement benefit costs - defined contribution schemes	28,487	25,591
Total staff costs incurred for the year	998,781	935,024
Less: amount capitalised to properties under construction	(310,014)	(237,486)
Amount directly charged to the consolidated income statement	688,767	697,538
Including :		
Key management compensation		
- wages, salaries and allowances and benefits in kind	173,763	179,104
- retirement benefit costs - defined contribution schemes	1,530	3,572
Total key management compensation incurred for the year	175,293	182,676

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10 Finance income/(expenses), net

	2018 HK\$'000	2017 HK\$'000
Interest income on		
- joint ventures	83,631	93,141
- associates	67,863	63,815
- investee companies	793	1,137
- bank deposits	184,665	143,719
- others	60,760	47,322
	<u>397,712</u>	<u>349,134</u>
Interest expenses on		
- bank borrowings	(646,325)	(485,274)
- guaranteed notes	(302,223)	(447,713)
- others	(111,223)	(98,378)
	<u>(1,059,771)</u>	<u>(1,031,365)</u>
Total finance costs incurred		
Less: amount capitalised to qualifying assets	733,270	601,152
	<u>(326,501)</u>	<u>(430,213)</u>
Interest income/(expenses), net	71,211	(81,079)
Other finance charges	(14,071)	(14,032)
Net exchange gain/(loss) on financing activities	190,619	(144,213)
	<u>247,759</u>	<u>(239,324)</u>

The weighted average capitalised interest rate applied to general borrowings used for the investment properties and properties for sale under development is 2.62% (2017: 3.51%) per annum.

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Subsidiaries established and operated in the PRC are subject to corporate income tax at the rate of 25% (2017: 25%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

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11 Income tax expense (Continued)

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

	2018 HK\$'000	2017 HK\$'000
Current income tax		
Hong Kong profits tax		
- provision for current year	317,243	240,237
- under/(over) provision in prior years	66,889	(25,792)
PRC income tax		
- provision for current year	6,394	6,058
Overseas profits tax		
- provision for current year	23,993	5,207
- under/(over) provision in prior years	963	(2,739)
PRC land appreciation tax		
- provision for current year	-	14
Withholding tax	52,877	154,144
Deferred income tax (note 28)	146,985	141,118
	<u>615,344</u>	<u>518,247</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:

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	8,108,378	7,888,953
Less: share of results of		
- joint ventures	(1,803,981)	(2,140,264)
- associates	(354,142)	(491,310)
	<u>5,950,255</u>	<u>5,257,379</u>
Calculated at a tax rate of 16.5% (2017: 16.5%)	981,792	867,468
Effect of different tax rates in other countries	15,692	(68,827)
Income not subject to tax	(774,884)	(980,809)
Expenses not deductible for tax purposes	309,713	569,850
Under/(over) provision in prior years	67,852	(28,531)
PRC land appreciation tax	-	14
Withholding tax	52,877	154,144
Tax losses not recognised	94,743	118,001
Others	(132,441)	(113,063)
Income tax expense	<u>615,344</u>	<u>518,247</u>

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11 Income tax expense (Continued)

The Group's share of income tax expense of joint ventures and associates for the year ended 31st March 2018 totalling HK\$414,637,000 (2017: HK\$441,400,000) 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 2018, the Group has unrecognised tax losses of HK\$3,030,566,000 (2017: HK\$3,142,940,000) to carry forward against future taxable profits. Unrecognised tax losses of HK\$1,118,736,000 as at 31st March 2018 (2017: HK\$1,121,201,000) have no expiry date and the remaining losses will expire at various dates up to and including 2022 (2017: 2021).

12 Dividends

No dividend has been declared for the year ended 31st March 2017 and 31st March 2018.

13 Property, plant and equipment

	Land and building HK\$'000	Furniture, fixture, equipment and motor vehicles HK\$'000	Total HK\$'000
At 1st April 2016			
Cost	3,133,755	789,824	3,923,579
Accumulated depreciation	(241,396)	(293,837)	(535,233)
Net book amount	<u>2,892,359</u>	<u>495,987</u>	<u>3,388,346</u>
Year ended 31st March 2017			
Opening net book amount	2,892,359	495,987	3,388,346
Additions	-	72,354	72,354
Disposals, cost adjustment and write-off	(59,165)	(551)	(59,716)
Charge for the year	(80,028)	(94,878)	(174,906)
Transfer to assets classified as held-for-sale (note 25)	-	(5,300)	(5,300)
Exchange difference	(79,334)	(17,455)	(96,789)
Closing net book amount	<u>2,673,832</u>	<u>450,157</u>	<u>3,123,989</u>
At 31st March 2017			
Cost	2,988,833	818,211	3,807,044
Accumulated depreciation	(315,001)	(368,054)	(683,055)
Net book amount	<u>2,673,832</u>	<u>450,157</u>	<u>3,123,989</u>

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13 Property, plant and equipment (Continued)

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

Note:

Land and building include a leasehold land located in Hong Kong of HK\$537,004,000 (2017: HK\$555,574,000) with lease period less than 40 years.

14 Investment properties

	2018 HK\$'000	2017 HK\$'000
Completed investment properties	42,640,517	33,558,084
Investment properties under development	32,877,081	11,567,868
Total	75,517,598	45,125,952

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14 Investment properties (Continued)

	Hong Kong residential HK\$'000	Overseas residential HK\$'000	Hong Kong commercial HK\$'000	Overseas commercial HK\$'000	PRC commercial HK\$'000	Total HK\$'000
At 1st April 2017	8,716,201	437,235	13,858,110	2,737,379	19,377,027	45,125,952
Additions	582,195	-	27,948,747	3,329,813	116,836	31,977,591
Net change in fair values	299,932	14,081	905,993	36,494	76,027	1,332,527
Transfer to properties for sale - under development	(6,281,578)	-	-	-	-	(6,281,578)
Transfer from properties for sale - completed properties	263,456	-	-	-	-	263,456
Fair value gain on transfer of properties for sale to investment properties (note 7)	796,544	-	-	-	-	796,544
Transfer to assets classified as held-for-sale (note 25)	-	-	(223,000)	-	-	(223,000)
Exchange differences	-	52,313	-	405,826	2,067,967	2,526,106
At 31st March 2018	<u>4,376,750</u>	<u>503,629</u>	<u>42,489,850</u>	<u>6,509,512</u>	<u>21,637,857</u>	<u>75,517,598</u>
At 1st April 2016	6,870,002	485,367	12,973,430	1,784,953	21,379,120	43,492,872
Additions	1,486,714	-	622,049	1,302,395	413,168	3,824,326
Net change in fair values	359,485	(8,641)	265,431	(35,395)	24,560	605,440
Disposals	-	(1,901)	(2,800)	(26,202)	-	(30,903)
Transfer to assets classified as held-for-sale (note 25)	-	-	-	-	(1,150,407)	(1,150,407)
Exchange differences	-	(37,590)	-	(288,372)	(1,289,414)	(1,615,376)
At 31st March 2017	<u>8,716,201</u>	<u>437,235</u>	<u>13,858,110</u>	<u>2,737,379</u>	<u>19,377,027</u>	<u>45,125,952</u>

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14 Investment properties (Continued)

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

	2018 HK\$'000	2017 HK\$'000
In Hong Kong, held on leases of between 10 to 50 years over 50 years	44,666,600 2,200,000	21,024,311 1,550,000
	46,866,600	22,574,311
In the PRC and overseas		
Freehold	7,009,186	3,171,099
Leases of between 10 to 50 years	21,637,857	19,377,026
Leases over 50 years	3,955	3,516
	28,650,998	22,551,641
	75,517,598	45,125,952

Valuation processes of the Group

As at 31st March 2018, the Group's investment properties were valued by independent professional valuers - Knight Frank Petty Limited, Savills, DTZ Cushman & Wakefield and BNP Paribas.

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

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

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

Valuation techniques

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

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14 Investment properties (Continued)

Valuation techniques (Continued)

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

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

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. As at 31st March 2018, capitalisation rates of 2.0% to 4.8% (2017: 2.8% to 4.8%), 5% to 7.8% (2017: 4.0% to 7.8%) and 4.3% to 5.7% (2017: 4.5% to 5.8%) are used for Hong Kong, PRC and overseas respectively in the income capitalisation method.

Prevailing market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31st March 2018, rental value of HK\$12 to HK\$90 (2017: HK\$17 to HK\$90) per square feet per month, HK\$7 to HK\$95 (2017: HK\$6 to HK\$94) per square feet per month and HK\$53 to HK\$76 (2017: HK\$46 to HK\$59) per square feet per month are used for Hong Kong, PRC and overseas respectively.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions as at 31st March 2018 for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

15 Land use rights

	2018 HK\$'000	2017 HK\$'000
Opening net book amount	382,506	419,810
Amortisation	(13,076)	(12,973)
Exchange differences	39,903	(24,331)
Closing net book amount	<u>409,333</u>	<u>382,506</u>

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

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16 Joint ventures

	2018 HK\$'000	2017 HK\$'000
Share of net assets	6,495,010	3,941,844
Amounts due from joint ventures (note (a) & (b))	4,743,362	8,257,718
	<u>11,238,372</u>	<u>12,199,562</u>
Amounts due within one year included in current assets (note (a) & (b) and note 22)	(2,621,188)	(2,941,660)
	<u>8,617,184</u>	<u>9,257,902</u>
Amounts due to joint ventures (note (c) and note 30)	<u>(2,709,428)</u>	<u>(850,058)</u>

Notes:

- (a) Included in the amounts due from joint ventures is a loan facility of RMB2,500 million (equivalent to HK\$3,119 million) granted to a PRC property developer ("Borrower") for a residential and commercial property development project in Foshan. The loan bears interest at a fixed rate of 18% per annum, plus a guaranteed bonus return from future sales of the residential units.

On 15th September 2017, the Group and the Borrower entered into a settlement proposal (the "Proposal"). Pursuant to the Proposal, the outstanding loan and interest receivable balances shall be settled through the transfer of shopping mall and car parks owned by the Borrower supplement with cash repayment (collectively the "settlement package"). During the year, RMB917 million (equivalent to HK\$1,144 million) was received from the Borrower.

The Group has assessed the fair value of the remaining settlement package and compared it with the outstanding loan balance, RMB59 million (equivalent to HK\$70 million) doubtful debt provision was written back.

As at 31st March 2018, total outstanding loan balance amounted to RMB1,644 million (equivalent to HK\$2,052 million) (31st March 2017: RMB2,072 million (equivalent to HK\$2,337 million)) and interest receivable amounted to RMBnil million (31st March 2017: RMB430 million (equivalent to HK\$485 million)) (net of doubtful debt provision of RMB336 million (equivalent to HK\$420 million)) (31st March 2017: RMB395 million (equivalent to HK\$445 million)).

- (b) As at 31st March 2018, except for the amounts due from joint ventures disclosed in note (a) above, remaining balances of HK\$707,760,000 (2017: HK\$735,214,000) is interest free and HK\$1,983,787,000 (2017: HK\$4,700,171,000) is interest bearing. Included in the interest bearing amounts due from joint ventures, balance of HK\$58,521,000 (2017: HK\$3,163,020,000) bear interest at prevailing market rates and balance of HK\$1,925,266,000 (2017: HK\$1,537,151,000) bear interest at fixed rate ranged from 2.3% to 4.4% (2017: 2.2% to 3.5%) per annum.

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16 Joint ventures (Continued)

Notes: (Continued)

(b) (Continued)

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	1,902,979	5,125,229
RMB	2,527,150	2,822,333
US dollar	313,233	310,156
	<u>4,743,362</u>	<u>8,257,718</u>

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	2,697,808	850,058
RMB	4,488	-
US dollar	7,132	-
	<u>2,709,428</u>	<u>850,058</u>

Details of the principal joint ventures as at 31st March 2018 are shown in note 38 to the consolidated financial statements.

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

	Non- current assets HK\$'000	Current assets HK\$'000	Non- current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2018	<u>2,815,482</u>	<u>8,478,309</u>	<u>(1,936,064)</u>	<u>(2,862,717)</u>	<u>4,698,240</u>	<u>1,803,981</u>
2017	<u>1,504,760</u>	<u>9,922,495</u>	<u>(4,757,955)</u>	<u>(2,727,456)</u>	<u>7,059,331</u>	<u>2,140,264</u>

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17 Associates

	2018 HK\$'000	2017 HK\$'000
Share of net assets	3,771,938	3,514,722
Amounts due from associates (note (a))	2,912,373	2,626,372
	<u>6,684,311</u>	<u>6,141,094</u>
Amounts due within one year included in current assets (note 22)	(216,773)	(141,572)
	<u>6,467,538</u>	<u>5,999,522</u>
Amount due to associates (note (b) and note 30)	<u>(854,027)</u>	<u>(409,311)</u>

Notes:

- (a) As at 31st March 2018, except for HK\$215,270,000 (2017: HK\$140,084,000) which is interest free, HK\$1,503,000 (2017: HK\$1,488,000) and HK\$2,695,600,000 (2017: HK\$2,484,800,000) bear interest at prevailing market rate and fixed rate of 2.6% (2017: 2.6%) per annum respectively. The balances are unsecured and denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK dollar	2,904,442	2,625,299
Others	7,931	1,073
	<u>2,912,373</u>	<u>2,626,372</u>

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	84,892	380,571
US dollar	769,135	28,740
	<u>854,027</u>	<u>409,311</u>

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17 Associates (Continued)

Details of the principal associates as at 31st March 2018 are shown in note 38 to the consolidated financial statements.

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

	Non- current assets HK\$'000	Current assets HK\$'000	Non- current liabilities HK\$'000	Current liabilities HK\$'000	Revenue HK\$'000	Profit after income tax HK\$'000
2018	<u>7,035,221</u>	<u>1,683,354</u>	<u>(4,157,704)</u>	<u>(788,933)</u>	<u>332,919</u>	<u>354,142</u>
2017	<u>6,224,826</u>	<u>1,734,352</u>	<u>(3,728,711)</u>	<u>(715,745)</u>	<u>626,212</u>	<u>491,310</u>

18 Available-for-sale financial assets

	2018 HK\$'000	2017 HK\$'000
Equity securities		
- listed in Hong Kong	-	80,589
- listed overseas	265,387	15,956
- unlisted in Hong Kong	183,952	172,113
- unlisted overseas	9,552,446	6,270,478
Debt and convertible securities		
- unlisted in Hong Kong	8,795	8,917
- unlisted overseas	184,199	77,709
	<u>10,194,779</u>	<u>6,625,762</u>

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	177,060	246,086
US dollar	9,347,952	6,136,184
Singapore dollar	223,950	4,960
Euro	331,709	162,439
Others	114,108	76,093
	<u>10,194,779</u>	<u>6,625,762</u>

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19 Loans receivable

	2018 HK\$'000	2017 HK\$'000
Loans receivable at amortised cost		
- secured loans (note (a))	1,306,888	-
Loans receivable designated at fair value through profit or loss (note (b))	2,530,109	1,270,011
	<u>3,836,997</u>	<u>1,270,011</u>
Less: current portion of loans receivable (note 22)	(624,141)	(20,676)
	<u>3,212,856</u>	<u>1,249,335</u>

Notes:

- (a) As at 31st March 2018, total secured loans receivable from third party at amortised cost amounted to HK\$1,306,888,000 (2017: HK\$nil). Of which, secured loan receivables at amortised cost of HK\$710,440,000 (2017: HK\$nil) bears interest at fixed rate of 12% and is repayable in April 2019. Remaining secured loans receivable at amortised cost of HK\$596,448,000 (2017: HK\$nil) is interest free and repayable on demand. The balances are denominated in US dollar.
- (b) During the year, the Group has sold its secured loans receivable designated at fair value through profit or loss of HK\$1,499,451,000 to a related company of the Group at a consideration of HK\$1,499,451,000.

As at 31st March 2018, loans receivable designated at fair value through profit or loss are interest free for the initial two or three years and subsequently bear interest at variable interest rate. The fair value is calculated based on cash flows discounted using prevailing market rates and the repayment date estimated by the Group. Income from the loans receivable of HK\$58,689,000 (2017: HK\$8,242,000) is recognised in the consolidated income statement.

20 Amounts due from/to investee companies

	2018 HK\$'000	2017 HK\$'000
Amounts due from investee companies (note (a))	48,959	72,853
Amounts due within one year included in current assets (note 22)	(504)	(505)
	<u>48,455</u>	<u>72,348</u>
Amounts due to investee companies (note (b) and note 30)	<u>9,118</u>	<u>6,274</u>

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20 Amounts due from/to investee companies (continued)

Notes:

- (a) As at 31st March 2018, the amounts due from investee companies of HK\$45,821,000 (2017: HK\$69,735,000) bear interest at prevailing market rates and have no fixed terms of repayment. The remaining balance of HK\$3,138,000 (2017: HK\$3,118,000) (net of impairment provision of HK\$234,565,000 (2017: HK\$234,585,000)) are interest free. The balances are unsecured and denominated in HK dollar.
- (c) The amounts due to investee companies are unsecured, interest free and has no fixed term of repayment. The balances are denominated in HK dollar.

21 Properties for sale

	2018 HK\$'000	2017 HK\$'000
Completed properties	2,184,717	2,521,735
Under development	21,201,401	12,156,323
	<u>23,386,118</u>	<u>14,678,058</u>
The carrying value of properties for sale comprised:		
In Hong Kong		
- leases of between 10 to 50 years	21,115,004	12,318,348
- leases of over 50 years	2,073,747	2,160,559
In the PRC and overseas		
- leases of between 10 to 50 years	181,303	179,459
- leases of over 50 years	16,064	19,692
	<u>23,386,118</u>	<u>14,678,058</u>

Impairment on properties for sale of HK\$186,895,000 was provided and included in cost of sales for the year ended 31st March 2017. As at 31st March 2017, all the impaired assets have been disposed of.

As at 31st March 2018, properties under development of HK\$6,863,634,000 (2017: HK\$12,156,324,000) are not expected to be recovered within 12 months.

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22 Trade and other receivables, deposits and prepayments

	2018 HK\$'000	2017 HK\$'000
Trade receivables (notes (a) & (b))	281,687	259,618
Other receivables and deposits (note (b))	703,735	723,715
Interest receivable (note (b))	52,839	50,603
Stakeholder's account	1,043,021	1,528,857
Prepayments	521,549	210,044
Loans receivable (note 19)	624,141	20,676
Amounts due from customers for contract work (note (c))	-	2,892
Amounts due from fellow subsidiary companies (note (d))	3,128	167
Amounts due from joint ventures (note 16)	2,621,188	2,941,660
Amounts due from associates (note 17)	216,773	141,572
Amounts due from investee companies (note 20)	504	505
Amounts due from non-controlling interests (note (e))	119,449	116,558
Amounts due from related companies (note (f))	40,161	53,521
Amount due from an intermediate holding company (note (g))	1,146,599	-
Amount due from ultimate holding company (note (h))	6,772	5,581
	<u>7,381,546</u>	<u>6,055,969</u>

Notes:

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

	2018 HK\$'000	2017 HK\$'000
Fully performing	274,035	255,682
Past due:		
Under 3 months	4,764	2,680
Between 3 months to 6 months	1,225	471
Between 6 months to 1 year	993	256
Over 1 year	670	529
	<u>281,687</u>	<u>259,618</u>

As of 31st March 2018, trade receivables of HK\$7,652,000 (2017: HK\$3,936,000) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default and certain of the debts are covered by rental deposits received.

As at 31st March 2018 and 31st March 2017, no trade receivables are impaired.

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

Notes: (Continued)

- (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:

	2018 HK\$'000	2017 HK\$'000
HK dollar	388,160	600,242
US dollar	190,343	127,320
RMB	289,572	260,698
Others	170,186	45,676
	<u>1,038,261</u>	<u>1,033,936</u>

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

	2018 HK\$'000	2017 HK\$'000
Cost incurred to date plus recognised profits less recognised losses	95,146	32,551
Less: progress billings	(95,923)	(29,659)
	<u>(777)</u>	<u>2,892</u>

Analysed for reporting purpose:

	2018 HK\$'000	2017 HK\$'000
Amounts due from customers	-	2,892
Amounts due to customers (note 30)	(777)	-
	<u>(777)</u>	<u>2,892</u>

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

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

Notes: (Continued)

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	97,040	94,370
Other	22,409	22,188
	<u>119,449</u>	<u>116,558</u>

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

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	40,161	52,841
Others	-	680
	<u>40,161</u>	<u>53,521</u>

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

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	6,400	5,254
GBP	372	327
	<u>6,772</u>	<u>5,581</u>

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

	2018 HK\$'000	2017 HK\$'000
<u>Financial assets/(liabilities) at fair value through profit or loss</u>		
Current assets:		
Equity securities - held-for-trading		
- listed in Hong Kong	2,693,699	1,414,360
- listed overseas	6,490,077	5,826,361
Equity securities- designated		
- listed in Hong Kong	997,167	701,513
- listed overseas	3,778	6,973
- unlisted overseas	16,783	15,719
Debt securities - held-for-trading		
- listed in Hong Kong	5,003	74,211
- listed overseas	2,251,023	3,035,668
- unlisted overseas	898,767	409,684
	<u>13,356,297</u>	<u>11,484,489</u>
Current liabilities:		
Equity securities - held-for-trading		
- listed in Hong Kong	(57,028)	(69,501)
- listed overseas	-	(13,283)
	<u>(57,028)</u>	<u>(82,784)</u>
	2018 HK\$'000	2017 HK\$'000
<u>Derivative financial instruments</u>		
Current assets:		
Derivatives - held-for-trading		
- swap	286,332	36,538
- option	5,502	6,437
- equity linked notes	-	18,631
- warrant	369	1,071
- forward	4,784	24,507
- future	1,695	15,202
	<u>298,682</u>	<u>102,386</u>

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

	2018 HK\$'000	2017 HK\$'000
<u>Derivative financial instruments (continued)</u>		
Current liabilities:		
Derivatives - held-for-trading		
- swap	(34,211)	(19,443)
- option	(137,648)	(64,105)
- forward	(34,915)	(19,173)
- future	(6,244)	(18,041)
	<u>(213,018)</u>	<u>(120,762)</u>
Representing:		
- current assets	13,654,979	11,586,875
- current liabilities	(270,046)	(203,546)
	<u>13,384,933</u>	<u>11,383,329</u>
Total	<u>13,384,933</u>	<u>11,383,329</u>

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	3,629,178	2,041,843
US dollar	8,722,323	7,760,340
Singapore dollar	35,279	75,123
Korean Won	4,286	-
Japanese Yen	560,191	485,325
GBP	60,009	123,009
Euro	300,625	673,913
RMB	-	134,065
Others	73,042	89,711
	<u>13,384,933</u>	<u>11,383,329</u>

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24 Cash and bank balances

	2018 HK\$'000	2017 HK\$'000
Bank balances and cash	3,072,404	2,846,966
Short term bank deposits	3,904,064	17,899,938
	<u>6,976,468</u>	<u>20,746,904</u>
Representing:		
- unpledged	6,947,795	20,730,648
- restricted	28,673	16,256
	<u>6,976,468</u>	<u>20,746,904</u>

The effective interest rate on the bank deposits is 1.45% (2017: 0.86%) per annum. These deposits have an average maturity of 41 days (2017: 72 days).

Cash and bank balances are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK dollar	2,798,923	10,108,428
US dollar	1,635,946	8,000,611
RMB	1,984,018	2,232,803
Others	557,581	405,062
	<u>6,976,468</u>	<u>20,746,904</u>

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

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

	2018 HK\$'000	2017 HK\$'000
Bank balances and cash	3,072,404	2,846,966
Short-term bank deposits	3,904,064	17,899,938
	<u>6,976,468</u>	<u>20,746,904</u>
Less: bank deposits with original maturities of more than three months	(171,564)	(3,264,932)
Less: restricted cash	(28,673)	(16,256)
	<u>6,776,231</u>	<u>17,465,716</u>

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25 Assets and liabilities classified as held-for-sale

	As at 31st March 2018 HK\$'000	As at 31st March 2017 HK\$'000
Property, plant and equipment (note 13)	-	5,300
Investment properties (note 14)	223,000	1,150,407
Properties for sale	8,372	-
Other receivables and prepayment	-	5,193
Cash and bank balances	-	11,397
Assets classified as held-for-sale	<u>231,372</u>	<u>1,172,297</u>
Deferred tax liabilities (note 28)	-	(67,727)
Other payables, deposits and accruals	-	(114,659)
Amount due to non-controlling interests	-	(4,404)
Bank borrowings	-	(393,568)
Liabilities classified as held-for-sale	<u>-</u>	<u>(580,358)</u>

On 6th November 2017, the Group entered into a sale and purchase agreement with an independent third party to disposal of its entire interests in a shopping mall and several car parks which are available for sale in Hong Kong (the "Hong Kong Project") at a consideration of HK\$401 million. As a result, relevant investment properties and properties for sale of the Hong Kong Project of HK\$223 million and HK\$8 million respectively are classified as held-for-sale in the consolidated financial statements. As at 31st March 2018, HK\$120 million was received as deposit.

As at 31st March 2017, the Group was actively negotiating with an independent third party for the disposal of its partial interests in a property project in Tianjin (the "Tianjin Project") which would result in a loss of control. The disposal was completed on 27th October 2017. For details, please refer to note 31(c).

26 Share capital and perpetual capital securities

Share capital

	Number of shares (Thousands)	Amount HK\$'000
Authorised:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2016, 31st March 2017 and 31st March 2018	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:		
Ordinary shares of 1 Hong Kong dollar each		
At 1st April 2016, 31st March 2017 and 31st March 2018	<u>62,743,532</u>	<u>62,743,532</u>

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26 Share capital and perpetual capital securities (Continued)

Perpetual capital securities

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

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

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

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27 Reserves

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

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27 Reserves (Continued)

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

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28 Deferred income tax

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

	2018 HK\$'000	2017 HK\$'000
At 1st April	(2,555,944)	(2,638,360)
Disposal of interests in subsidiaries	-	1,373
Acquisition of subsidiaries	(150)	(5,971)
Charged to the consolidated income statement (note 11)	(146,985)	(141,118)
Transfer to liabilities classified as held for sale (note 25)	-	67,727
Exchange difference	(266,475)	160,405
At 31st March	<u>(2,969,554)</u>	<u>(2,555,944)</u>

Deferred income tax assets and deferred income tax 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 2017	(39,737)	(84,781)	(2,473,438)	(125,894)	(2,723,850)
Acquisition of subsidiaries	-	(5,345)	-	-	(5,345)
(Charged)/credited to consolidated income statement	(93,086)	(36,259)	(141,573)	48,852	(222,066)
Exchange difference	(372)	(691)	(268,990)	-	(270,053)
At 31st March 2018	<u>(133,195)</u>	<u>(127,076)</u>	<u>(2,884,001)</u>	<u>(77,042)</u>	<u>(3,221,314)</u>
At 1st April 2016	(8,955)	(41,069)	(2,624,196)	(83,434)	(2,757,654)
Disposal of interests in subsidiaries	-	-	1,373	-	1,373
Acquisition of subsidiaries	-	(5,971)	-	-	(5,971)
Charged to consolidated income statement	(30,730)	(35,402)	(81,130)	(42,460)	(189,722)
Transfer to liabilities classified as held-for-sale (note 25)	-	-	67,727	-	67,727
Exchange difference	(52)	(2,339)	162,788	-	160,397
At 31st March 2017	<u>(39,737)</u>	<u>(84,781)</u>	<u>(2,473,438)</u>	<u>(125,894)</u>	<u>(2,723,850)</u>

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28 Deferred income tax (Continued)

Deferred income tax assets

	Tax losses HK\$'000	Provisions HK\$'000	Unrealised intra-group profits HK\$'000	Total HK\$'000
At 1st April 2017	2,903	3,740	161,263	167,906
Acquisition of subsidiaries	5,195	-	-	5,195
Credited/(charged) to consolidated income statement	78,242	1	(3,162)	75,081
Exchange difference	3,578	-	-	3,578
At 31st March 2018	89,918	3,741	158,101	251,760
At 1st April 2016	6,569	3,739	108,986	119,294
(Charged)/credited to consolidated income statement	(3,674)	1	52,277	48,604
Exchange difference	8	-	-	8
At 31st March 2017	2,903	3,740	161,263	167,906

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:

	2018 HK\$'000	2017 HK\$'000
Deferred income tax assets	194,010	167,554
Deferred income tax liabilities	(3,163,564)	(2,723,498)

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29 Bank and other borrowings

	2018 HK\$'000	2017 HK\$'000
<u>Bank borrowings (note (a))</u>		
Long-term bank borrowings		
- secured	14,481,969	7,546,652
- unsecured	11,093,474	11,490,801
Less: current portion of long-term borrowings	(1,762,428)	(277,936)
	<u>23,813,015</u>	<u>18,759,517</u>
Current portion of long-term borrowings		
- secured	389,675	277,936
- unsecured	1,372,753	-
Other short-term bank borrowings		
- secured	899,582	160,539
Broker account overdraft	95,118	-
	<u>2,757,128</u>	<u>438,475</u>
	<u>26,570,143</u>	<u>19,197,992</u>
<u>Guaranteed notes</u>		
Medium term notes (note (b))		
- listed	7,066,588	3,850,702
- unlisted	1,803,561	1,304,673
	<u>8,870,149</u>	<u>5,155,375</u>
Total bank and other borrowings	<u>35,440,292</u>	<u>24,353,367</u>

As at and 31st March 2018 and 31st March 2017, The Group's bank and other borrowings are repayable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	2,757,128	438,475
Between one and two years	1,082,431	3,555,457
Between two and three years	2,532,386	1,032,063
Between three and four years	9,011,402	2,441,119
Between four and five years	11,754,531	8,838,098
Over five years	8,302,414	8,048,155
	<u>35,440,292</u>	<u>24,353,367</u>

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29 Bank and other borrowings (Continued)

Notes:

- (a) These bank borrowings are secured by property, plant and equipment, investment properties, land use rights, properties for sale, available-for-sale financial assets 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 2018 is 2.97% (2017: 2.94%) per annum.

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	15,975,337	8,767,023
RMB	5,362,504	5,113,983
US dollar	103,311	3,825,062
GBP	5,033,873	1,491,924
Others	95,118	-
	<u>26,570,143</u>	<u>19,197,992</u>

- (b) Nan Fung Treasury Limited, a subsidiary of the Group has established a Medium Term Note Programme with aggregate principal amount of US\$2 billion ("MTN"). As at 31st March 2018, the Group has drawdown of totalling HK\$8,952,000,000, of which US\$910,000,000 is listed on SGX. The details of the drawdown are as follows:

Issue dates	Principal loan drawdown amounts	Maturity date	Interest yield per annum	Interests in arrear
29th August 2012	HK\$800 million	29th August 2022	4.425%	Quarterly
20th September 2012	US\$300 million	20th September 2022	4.50%	Semi-annually
10th October 2012	HK\$300 million	10th October 2022	4.125%	Quarterly
8th November 2012	HK\$110 million	8th November 2022	3.95%	Quarterly
30th January 2013	HK\$100 million	30th January 2023	3.85%	Quarterly
29th May 2014	US\$200 million	29th May 2024	4.875%	Semi-annually
13th September 2017	HK\$500 million	13th September 2027	3.65%	Quarterly
3rd October 2017	US\$410 million	3rd October 2027	3.875%	Semi-annually

The MTN is guaranteed unconditionally and irrevocably by the Company. As at 31st March 2018, the fair values of the MTN are HK\$8,894,653,000 (2017: HK\$5,535,912,000). Of which, HK\$7,079,490,000 (2017: HK\$4,142,923,000) 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\$859,368,000 (2017: US\$1,331,875,000).

- (c) As at 31st March 2018, the Group had HK\$36,688,879,000 (2017: HK\$23,497,663,000) undrawn banking facilities.

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30 Trade and other payables, deposits and accruals

	2018 HK\$'000	2017 HK\$'000
Trade and other payables and accruals (note (a))	2,068,461	1,765,395
Accruals for construction work (note (a))	51,023	165,494
Rental and other deposits received (note (a))	549,502	437,936
Deferred income	113,562	-
Amounts due to customers for contract work (note 22(c))	777	-
Amounts due to joint ventures (note 16)	2,709,428	850,058
Amounts due to associates (note 17)	854,027	409,311
Amounts due to investee companies (note 20)	9,118	6,274
Amounts due to related companies and individuals (note (b))	649,281	1,208,532
Amounts due to fellow subsidiary companies (note (c))	248,789	121,882
Amount due to ultimate holding company (note (d))	539,266	2,177
Amounts due to non-controlling interests (note (e))	2,905,441	2,344,273
	<u>10,698,675</u>	<u>7,311,332</u>

Notes:

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	1,452,773	1,532,459
RMB	717,713	693,093
US dollar	300,092	66,621
Others	198,408	76,652
	<u>2,668,986</u>	<u>2,368,825</u>

- (b) As at 31st March 2018, amounts due to related companies and individuals of HK\$4,678,000 (2017: HK\$4,631,000) bear interest at 1% per annum (2017: 1% per annum) and remaining balances are interest free. The balances are unsecured and have no fixed terms of repayment. The balances are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK dollar	649,281	1,201,052
RMB	-	7,480
	<u>649,281</u>	<u>1,208,532</u>

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

Notes: (Continued)

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

	2018 HK\$'000	2017 HK\$'000
HK dollar	134,344	8,550
US dollar	114,445	113,332
	<u>248,789</u>	<u>121,882</u>

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

- (e) As at 31st March 2018, amounts due to non-controlling interests of HK\$979,066,000 (31st March 2017: HK\$667,935,000) bear interest at rates ranged from 2.22% to 4.77% (31st March 2017: 2.06% to 4.77%). The remaining balance is interest free. The balances are unsecured and have no fixed terms of repayment.

The balances are denominated in the following currencies:

	2018 HK\$'000	2017 HK\$'000
HK dollar	2,571,343	2,129,050
US dollar	4,904	4,856
RMB	259,058	153,444
GBP	70,136	56,923
	<u>2,905,441</u>	<u>2,344,273</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Notes to the consolidated statement of cash flows

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

	2018 HK\$'000	2017 HK\$'000
Profit before income tax	8,108,378	7,888,953
Depreciation of property, plant and equipment	163,838	174,906
Amortisation of land use rights	13,076	12,973
Fair value gain on investment properties, net	(1,336,430)	(605,440)
Fair value gain on transfer of properties for sale to investment properties	(796,544)	-
Net (gain)/loss on disposal of property, plant and equipment	(497)	123
Write-off of property, plant and equipment	456	18
Net gain on disposal of investment properties	-	(8,894)
Net gain on disposal of available-for-sale financial assets	(226,488)	(922,517)
Net (gain)/loss on disposal of interests in/liquidation of subsidiaries	(91,413)	131,232
Net gain on disposal of interests in joint ventures	-	(57,543)
Net loss on disposal of interests in investees	-	21
Unrealised gain on financial assets at fair value through profit or loss and derivatives	(1,074,666)	(1,211,846)
Impairment provision on available-for-sale financial assets	13,197	36,882
Impairment of properties for sale	-	186,895
(Write-back of)/provision for doubtful debt	(70,232)	4,224
Write-back of over-provision for construction cost	-	(15,302)
Finance (income)/expenses, net	(247,759)	81,079
Share of results of joint ventures	(1,803,981)	(2,140,264)
Share of results of associates	(354,142)	(491,310)
Net cash generated from operating profit before working capital changes	2,296,793	3,064,190
(Increase)/decrease in:		
Properties for sale	(2,242,309)	(1,178,772)
Trade and other receivables, deposits and prepayments	171,922	(126,956)
Amounts due from customers for contract work	2,892	(2,892)
Financial assets at fair value through profit or loss and derivative financial instruments	(787,348)	911,809
Increase/(decrease) in:		
Trade and other payables, deposits and accrued expenses	440,600	(528,654)
Receipts in advance on properties for sale under development	5,088,240	2,159,999
Amount due to customer for contract work	777	(90,236)
Financial liabilities at fair value through profit or loss and derivative financial instruments	54,013	(508,997)
Net cash generated from operations	5,025,580	3,699,491

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

(b) Acquisition of non-controlling interests

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

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

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

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

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

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

Details of the disposal are as follows:

	HK\$'000
Net assets disposed of:	
Investment properties	1,198,144
Cash and bank balance	454,286
Other assets	11,133
Other payables, deposits and accruals	(88,547)
Bank and other borrowings	(387,202)
Amount due to non-controlling interest	(53,077)
Deferred income tax liabilities	(76,831)
	<u>1,057,906</u>

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

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

Details of the disposal are as follows: (Continued)

	HK\$’000
Net gain on disposal of interest in a subsidiary:	
Net consideration received during the year	328,580
Net assets disposed of	(1,057,906)
Net assets acquired	867,486
Release of exchange reserve	(46,747)
	91,413
Net cash outflow on disposal of interest in a subsidiary:	
Net consideration received during the year	328,580
Cash and bank balance disposed of	(454,286)
	(125,706)

(d) Disposal of 無錫市馬山靈聖置業有限公司(“無錫馬山”) and Vastline Limited (“Vastline”)

On 29th April 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Country Garden Holdings Company Limited, an independent third party, for sale of 100% of the issued share capital of 無錫馬山, which held a property project in Wuxi, at a consideration of approximately RMB127 million (equivalent to HK\$150 million) (the Transaction”). The Transaction was completed on 31st May 2016 with net gain of HK\$24,199,000 recognised.

On 18th October 2016, the Group entered into a sale and purchase agreement with an independent third party for (i) disposal of 100% of the issued share capital of Vastline, which held a property project in Wuxi, and (ii) assignment of shareholder’s loan (collectively referred to as the “Transactions”) at an aggregate consideration of RMB620 million (equivalent to HK\$710 million). The Transactions were completed on 4th November 2016 with net loss on disposal of HK\$76,267,000 recognised.

(e) Nan Fong Development Limited (“Nan Fong”) was a 50% joint venture of the Group. It is an investment holding company which holds 100% of an investment property in Hong Kong. On 14th December 2016, the Group acquired the remaining 50% shareholding of Nan Fong at a net consideration of HK\$413,707,000. Nan Fong has become a wholly owned subsidiary of the Group after the acquisition.

(f) Ipex Investments Limited (“Ipex”) was a 75% owned subsidiary of the Group. It is an investment holding company which holds 60% of an investment property in Shanghai. On 27th December 2016, the Group acquired an additional 25% of the issued shares of Ipex at a consideration of HK\$251,649,000. Ipex has become a wholly owned subsidiary of the Group after the acquisition.

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

(g) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings	Amounts due to related companies and individuals	Amounts due to fellow subsidiary companies	Amount due to ultimate holding company	Amounts due to non-controlling interests	Assets held to hedge bank and other borrowings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2017	24,353,367	1,208,532	121,882	2,177	2,344,273	-	28,030,231
Cash flows	10,223,495	(559,251)	126,907	537,089	601,938	-	10,930,178
Non-cash changes							
Exchange difference	788,968	-	-	-	7,410	-	796,378
Other non-cash movement	74,462	-	-	-	(48,180)	(125,574)	(99,292)
At 31st March 2018	35,440,292	649,281	248,789	539,266	2,905,441	(125,574)	39,657,495

32 Financial guarantees/contingent liabilities

	2018		2017	
	Facility amount	Utilised	Facility amount	Utilised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees executed in respect of banking facilities granted to joint ventures	-	-	68,235	68,235

The Group has undertaken to a bank amounting to HK\$67,571,000 (2017: HK\$89,571,000) in respect of the performance bonds issued for the contract works entered by its subsidiary and joint ventures.

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33 Commitments

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

(a) Capital commitments

- (i) As at 31st March 2018 and 31st March 2017, the Group had capital commitments for investment properties under development, investment properties and property, plant and equipment as follows:

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for	1,189,012	577,831

- (ii) As at 31st March 2018 and 31st March 2017, the Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for	-	302,452

- (iii) As at 31st March 2018 and 31st March 2017, the Group had uncalled capital commitments to invest in the funds as follows:

	2018 HK\$'000	2017 HK\$'000
Contracted but not provided for	6,746,658	6,312,609

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

(b) Commitments under operating leases

As at 31st March 2018 and 31st March 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2018 HK\$'000	2017 HK\$'000
Third parties		
- not later than one year	7,808	7,297
- later than one year and not later than five years	3,364	6,821
	11,172	14,118

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34 Future operating lease receivables

As at 31st March 2018 and 31st March 2017, 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:

	2018 HK\$'000	2017 HK\$'000
Not later than one year	1,276,978	1,182,934
Later than one year and not later than five years	2,040,531	2,069,193
Later than five years	552,124	727,623
	<u>3,869,633</u>	<u>3,979,750</u>

35 Pledge of assets

As at 31st March 2018 and 31st March 2017, the Group had pledged certain assets to secure borrowings of the Group. Their carrying values were as follows:

	2018 HK\$'000	2017 HK\$'000
Property, plant and equipment	1,597,557	1,514,416
Investment properties	44,607,616	15,926,524
Land use rights	409,333	382,506
Available-for-sale financial assets	-	76,940
Properties for sale	181,303	1,456,104
Financial assets at fair value through profit or loss	9,667,914	8,919,763
	<u>56,463,723</u>	<u>28,276,253</u>

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36 Significant related party transactions

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

	2018 HK\$'000	2017 HK\$'000
Income:		
From associates		
- management fee income (note (a))	18,951	6,769
From joint ventures		
- construction revenue (note (b))	-	246,046
- marketing fee income (note (c))	7,940	31,453
	<u>7,940</u>	<u>31,453</u>
	2018 HK\$'000	2017 HK\$'000
Expenses:		
To related company which is held by a close family member of directors of the Company:		
- management fees (note (d))	13,180	-
	<u>13,180</u>	<u>-</u>

Notes:

- (a) Management fee income from associates for administrative and management services provided. The terms were determined by and agreed between both parties.
- (b) Construction revenue from joint ventures for the construction work. Revenue was derived from contract with 5% mark up on costs as agreed between both parties.
- (c) Marketing fee income was charged for marketing services provided by the Group to the joint ventures. The terms were determined by and agreed between both parties.
- (d) Management fees were charged for administrative and management services provided by certain related companies to the subsidiaries of the Group. The terms were determined by and agreed between both parties.

37 Subsequent events

On 1st June 2018, a wholly owned subsidiary of the Group entered into a sale and purchase agreement with independent third parties to dispose of its entire interests in a subsidiary which holds investment properties in Hong Kong (the "Disposal") at total consideration of HK\$7.5 billion. The Disposal is expected to be completed in August 2018. As at the reporting date, HK\$750 million has been received as deposit.

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38 Particulars of principal subsidiaries, joint ventures and associates

(a) Subsidiaries

The Group had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
257 Water Street, LLC ¹	New York	Property development	US\$9,795,000	78.56%	78.56%
Bordon Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$226,700,000	100%	100%
Bright Region Enterprise Limited	Hong Kong	Property investment and property trading	HK\$2	100%	100%
Capital Treasure Investments Limited ¹	British Virgin Islands	Property investment	US\$1,000	80%	80%
Century Wealth Development Limited	Hong Kong	Property trading, money-lending and financing	HK\$2	100%	100%
Cheerwide Investment Limited ¹	Hong Kong	Property development	HK\$1	85%	85%
Chun Yip Construction Company Limited	Hong Kong	Investment holding and building construction	HK\$200 ordinary and HK\$1,000,000 non-voting deferred	100%	100%
City Century Development Limited	Hong Kong	Property development	HK\$1	100%	100%
Cloud Fort Development Company Limited	Hong Kong	Property investment and trading	HK\$20	100%	100%
Continental Discovery Sdn. Bhd.	Malaysia	Property investment	RM100,000	100%	100%
Crown Time Properties Limited	Hong Kong	Property trading	HK\$2	100%	100%
Enormous Asset Limited ¹	Hong Kong	Property development	HK\$1	75%	75%
Ever Crown Development Limited	Hong Kong	Property development	HK\$2	100%	100%
Ever Grand Enterprises Limited	Hong Kong	Property investment	HK\$1	100%	-

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

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
First Harvest Development Limited ¹	Hong Kong	Property investment and trading	HK\$1	85%	85%
Forterra Trust	Singapore	Investment holding	2018:SG\$1,078,617,757 (2017:SG\$992,830,065)	100%	100%
Gavast Estates Limited	Hong Kong	Investment holding	HK\$2	100%	100%
Goldstead Properties Limited	Hong Kong	Property investment	HK\$1,000	100%	100%
Goodyear Investments Private Limited	Singapore	Property investment	SG\$250,000	100%	100%
Great Team Development Limited ¹	Hong Kong	Property development	HK\$1	60%	60%
Greatco Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Group Reliance Limited	Hong Kong	Financing	HK\$250,000,000	100%	100%
Health Link Investment Limited	Hong Kong	Property investment	HK\$2	100%	100%
Hing Fung Sdn. Bhd.	Malaysia	Property investment	RM3,200,000	100%	100%
Hon Hing Enterprises Limited	Hong Kong	Building management	HK\$10,000	100%	100%
Jubilant Century Limited	Hong Kong	Property investment	HK\$10,000	100%	-
Jubilee Charm Investments Limited	British Virgin Islands	Property investment	US\$1,000	100%	100%
Landsun International Limited	Hong Kong	Hotel operation	HK\$2	100%	100%
Lok Choy Limited	Hong Kong	Property investment	HK\$100	100%	100%
Longbrook Development Limited	Hong Kong	Property investment	HK\$10,000	100%	100%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
Main Shine Development Limited	Hong Kong	Building management	HK\$500,000	100%	100%
Marvel and Company, Limited	Hong Kong	Investment holding, property investment and property trading	HK\$500,000	100%	100%
Nan Fung Development Limited	Hong Kong	Financing, investment holding and property investment	HK\$900,000,002 ordinary and HK\$100,000,000 non-voting deferred	100%	100%
Nan Fung Finance Limited	Hong Kong	Money lending and financing	HK\$1,000,000	100%	100%
Nan Fung Group Holdings Limited	British Virgin Islands	Investment holding	US\$5,545,836,729	100%	100%
Nan Fung (Holdings) Limited	Hong Kong	Investment holding, property investment and trading	HK\$6,000,000	100%	100%
Nan Fung International Finance Limited	Hong Kong	Financing	HK\$1	100%	100%
Nan Fung Property Consolidated Limited	Hong Kong	Investment holding	HK\$1,260,138,835 ordinary and HK\$138,834,776 non-voting deferred	100%	100%
Nan Fung Property Holdings Limited	Hong Kong	Investment holding	HK\$2,007,800	100%	100%
Nan Fung Real Estate Agency Limited	Hong Kong	Provision of real estate agency service	HK\$100,000	100%	100%
Nan Fung Textiles Limited	Hong Kong	Investment holding, property investment and trading	HK\$10,000,000	100%	100%
Nan Fung Textiles Second Mill Limited	Hong Kong	Property investment and trading	HK\$3,500,000	100%	100%
Nan Fung Treasury Limited	British Virgin Islands	Financing	US\$1,000	100%	100%
Nan Fung Treasury (II) Limited	British Virgin Islands	Financing	US\$1,000	100%	-

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

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
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%
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%
Northern Green Ventures Sdn. Bhd.	Malaysia	Property investment	RM100 ordinary and RM5,309,542 redeemable preference	100%	100%
Poh Foong Sdn. Bhd.	Malaysia	Property investment	RM200,000	100%	100%
Portslade Global Limited	British Virgin Islands	Investment holding	US\$1,000	100%	-
Rich Union Development Limited	Hong Kong	Property investment	HK\$1	100%	-
Richmass Trading Limited	Hong Kong	Financing	HK\$2	100%	100%
The Mills Limited	Hong Kong	Event space and business planning	HK\$1	100%	100%
Timse Enterprises Limited	Hong Kong	Property development	HK\$1	100%	100%
Unishine Development Limited	Hong Kong	Property trading	HK\$2	100%	100%
Vineberg Property Management Limited	Hong Kong	Building management	HK\$100,000	100%	100%
Yip Fung Sdn. Bhd.	Malaysia	Property investment	RM6,900,000	100%	100%
上海寶禾置業有限公司	PRC	Property investment	US\$117,000,000	100%	60%
上海英旭置業有限公司	PRC	Financing	RMB484,000,000	100%	100%

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

(a) Subsidiaries (Continued)

Name	Place of incorporation	Principal activities	Issued share capital/ registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
大灣管理諮詢(深圳)有限公司 (formerly named as 中南聯合 資產管理諮詢(深圳)有限公 司)	PRC	Asset Management	RMB15,000,000	100%	70%
天津智升科技發展有限公司	PRC	Investment holding	RMB11,000,000	100%	100%
南豐京華投資諮詢(北京)有限 公司	PRC	Consultancy service	RMB6,305,800	100%	100%
悅居(天津)有限公司 ²	PRC	Property development	RMB450,000,000	-	75%
廣州市展匯房地產開發有限公 司	PRC	Property investment	HK\$1,369,000,000	100%	100%
廣州市展豐房地產開發有限公 司	PRC	Property investment	HK\$2,345,000,000	100%	100%

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

2 The company changed from subsidiary to joint venture since 27th October 2017.

(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	
				2018	2017
Ace Glory Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Best Profit Limited	Hong Kong	Property development	HK\$1	25%	25%
Brave Sky Investments Limited	Hong Kong	Property development	HK\$2	50%	50%
Brave Sky Mortgage Limited	Hong Kong	Money Lending	HK\$2	50%	50%

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

(b) Joint ventures (Continued)

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

Name	Place of incorporation	Principal activities	Issued share capital/registered capital	Percentage of effective interest in ownership/voting power/profit sharing	
				2018	2017
Century Rise Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Everbeam Investments Limited	Hong Kong	Property development and trading	HK\$1	50%	50%
Everbeam Mortgage Limited	Hong Kong	Money Lending	HK\$1	50%	50%
Market Prospect Limited	Hong Kong	Property development and trading	HK\$2	50%	50%
Pacific Bond Limited	Hong Kong	Property development, investment and trading	HK\$1	30%	30%
Teamer International Limited	Hong Kong	Property development	HK\$1	25%	25%
Union King (Hong Kong) Limited	Hong Kong	Property development	HK\$1	25%	25%
大連海港慶豐發展有限公司	PRC	Property development and investment	US\$37,200,000	-	45.84%
悅居(天津)有限公司 ¹	PRC	Property development	RMB730,000,000	46.22%	-

¹ The company changed from subsidiary to joint venture since 27th October 2017.

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

(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	
				2018	2017
Century Land Investment Limited	Hong Kong	Property development	HK\$1	40%	40%
Empresa de Fomento Industrial E Comercial Concórdia, S.A. ¹	Macau	Property development and investment	MOP100,000,000	17%	17%
上海世界貿易商城有限公司	PRC	Property investment	US\$100,000,000	49%	49%

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